

EXPLORING UNTAPPED POTENTIAL

ANNUAL
REPORT
2018



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CEMENTING COMMITMENT TO REFORM



Chairman's Foreword

Global FDI flows continued their decline for the third consecutive year, reaching USD 1.3 trillion in 2018. Major US tax reforms, which led to large-scale repatriations of accumulated foreign earnings by American multinational enterprises, caused global FDI to fall by 13% compared to 2017. Despite this decline, the UN Conference on Trade and Development (UNCTAD)'s most recent World Investment Report pointed to more positive trends, including global investment policy measures characterized by liberalization, promotion and facilitation, all of which should pave the way for better prospects in the years to come. In contrast to global trends, FDI inflows to developing economies increased by 2% in 2018, and rose by 3% in West Asia reaching USD 29 billion, reversing a mostly downward trend during the last decade.

Lebanon continued to attract investments across sectors, despite the slowdown in overall economic activity. FDI flows rose from USD 2.52 billion in 2017 to USD 2.88 billion in 2018. While as a percentage of GDP, Lebanon attracted one of the highest rates of FDI in the MENA region or around 5% of GDP in 2018. Meanwhile, the Lebanese Government's clear commitment to economic and financial reform across the board is expected to pave the way for higher growth, sustainable and equitable development, as well as investment opportunities across sectors and thousands of new jobs created.

During the CEDRE conference in April 2018, the Lebanese Government launched its Capital Investment Program (CIP), a USD 17 billion program aimed at boosting economic growth through investment in infrastructure and productive sectors. Moreover, its vision for "stabilization, growth and employment," called for increased levels of public investment, a commitment to fiscal adjustment, sectoral reforms and economic diversification. The so-called McKinsey Plan for a new economic vision for the country commissioned by the Ministry of Economy and Trade was also meant as a roadmap to overhaul and diversify the country's productive sectors. Meanwhile, and in the absence of a government for the better part of 2018, Parliament passed a series of laws to improve the business and investment climate, most notably the E-Transaction Law, Judicial Mediation Law, Whistleblower Protection, Transparency in Oil and Gas and amendments to the Code of Commerce and the Offshore Company Law.

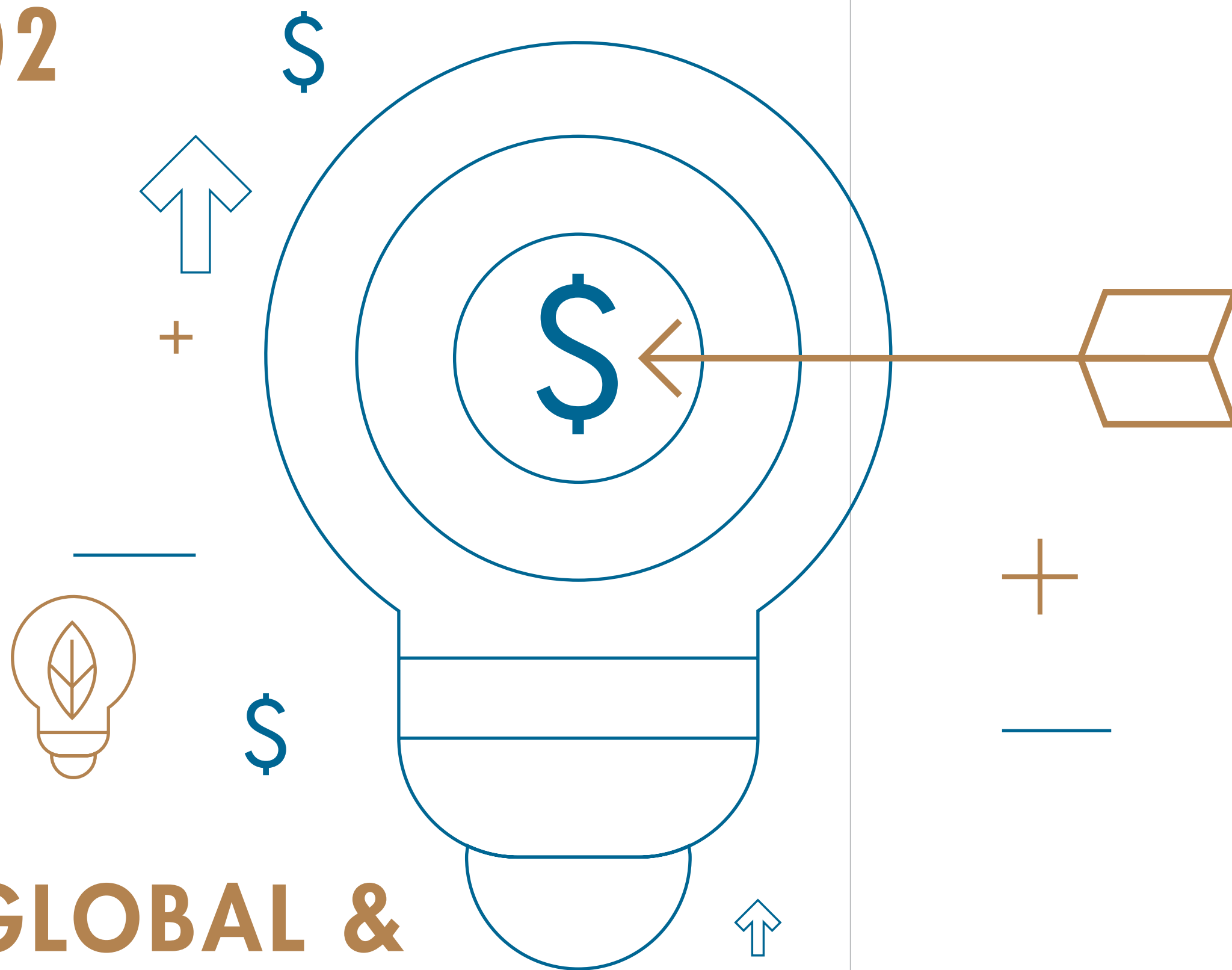
The Investment Development Authority of Lebanon (IDAL) continued to play an instrumental role in maintaining investor confidence in the economy and highlighting the country's competitive advantages - be it in access to markets, finance, human or financial resources. IDAL's diverse year-long activities and events with local and foreign investors, as well as virtual interaction with its worldwide audience, enabled it to highlight potential opportunities in traditional sectors (such as agro-industry) and promising opportunities in emerging sectors (such as ICT and agri-tech). As a testament to IDAL's commitment to its mandate and investors, it collaborated closely with UNCTAD for the publication of the Investment Policy Review (IPR) for Lebanon. Launched in December 2018, the IPR provided an overview of and recommendations to improve Lebanon's investment climate and policies, which IDAL will track the implementation of in the months to come.

If 2018 was the year Lebanon cemented its commitment to reforms, 2019 is expected to be the year that reforms are put into practice and their fruits harvested. IDAL will capitalize on and support every reform effort, as it guides investors towards promising opportunities that will ultimately raise economic growth levels and provide more prosperous lives for all.

Nabil Itani

Chairman, General Manager

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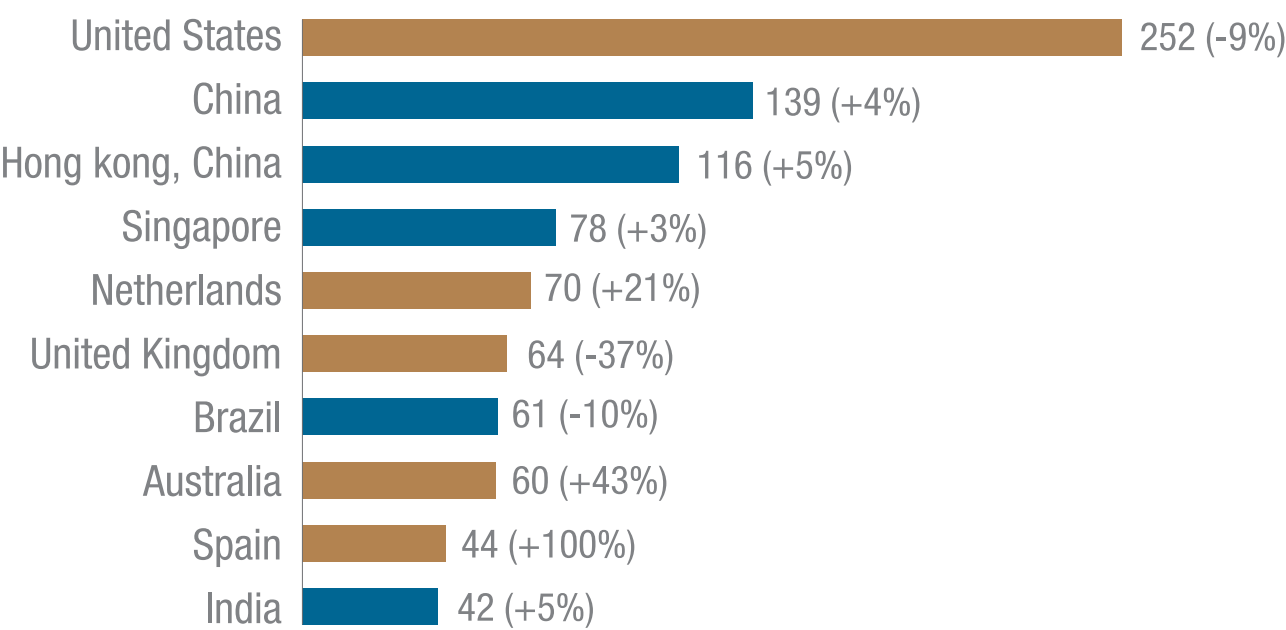
GLOBAL & REGIONAL INVESTMENT CLIMATE

A. GLOBAL & REGIONAL INVESTMENT CLIMATE



Global foreign direct investments (FDI) fell by 13%, from USD 1.5 trillion in 2017 to USD 1.3 trillion in 2018, according to the 2019 UNCTAD World Investment Report, driven by uncertainty over trade, US sanctions against China, and US tax reform primarily aimed at the repatriation of almost USD 2 trillion in accumulated overseas retained earnings of US MNEs (with 50% of global FDI stock owned by US MNEs) – a move that hit Europe significantly. The top three economies fostering FDI inflows included the United States, China and Hong Kong (Figure 1).

Figure 1: FDI Inflows: Top 10 Host Economies in 2018 (Billion USD)



Source: 2019 UNCTAD World Investment Report.

Following the downward trend in global FDI, FDI inflows to developed countries also registered a major decline. Flows were estimated to have fallen by 27% compared to 2017, the lowest levels since 2004. FDI inflows to Europe dropped by 55% as result of fund repartition from US Multinationals and significant decline in investments in the United Kingdom, Ireland and Switzerland. Similarly, FDI inflows to North America dropped by 4% mainly due to the fall of one third in cross-border M&As sales.

Meanwhile, overall FDI inflows to developing economies increased by 2% to an estimated USD 706 billion. These inflows were concentrated in Africa (+11%) and Developing Asia (+4%), while Latin America and the Caribbean registered a fall in FDI of 6%. China was the largest FDI host among developing economies, attracting an estimated USD 139 billion. Flows to Hong Kong, the region’s and developing economies’ second largest host economy were stable at USD 116 billion.

In West Asia, FDI rose by 3% to USD 29 billion in 2018, reversing a mostly downward trend during the last decade. This rise in FDI was attributed to higher inflows to Turkey and a pickup of investment in Saudi Arabia (Table 1). Investments from the United States to the region increased to USD 5 billion, a recovery from low levels registered during the last two years. At the same time, China consolidated its position as an investing country in the region, diversifying its investments beyond oil purchases.

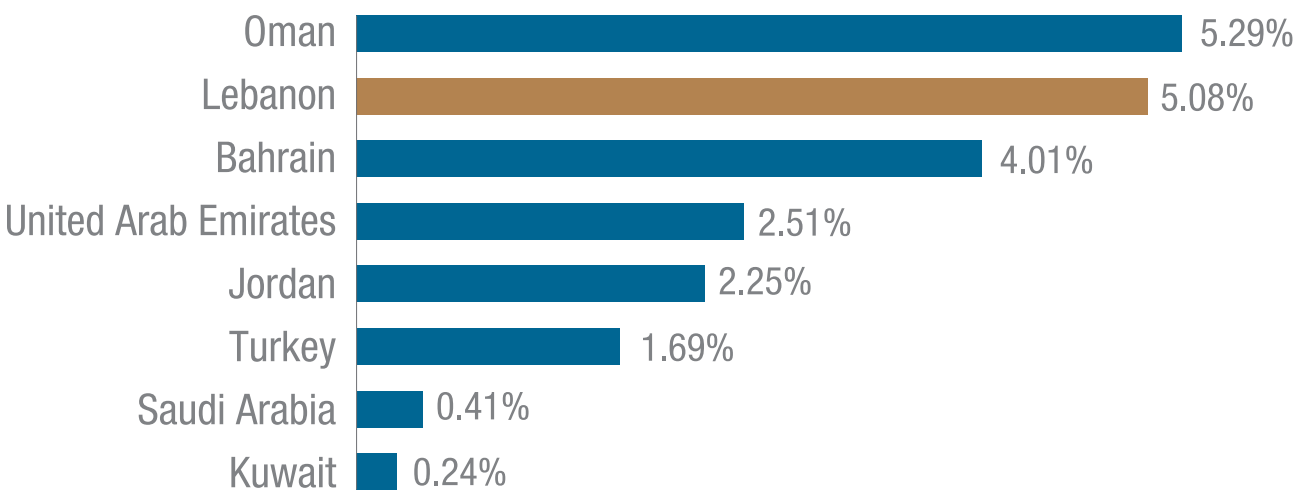
Table 1: FDI Inflows to West Asia (2017-2018) (Million USD)

Countries	2017	2018	Variation
Turkey	11,478	12,944	12.8%
UAE	10,354	10,385	0.3%
Oman	2,918	4,191	43.6%
Saudi Arabia	1,419	3,209	126.1%
Lebanon	2,522	2,880*	14.2%
Bahrain	1,426	1,515	6.2%
Jordan	2,030	950	-53.2%
Kuwait	348	346	-0.6%
Palestine	203	226	11.3%
Yemen	-270	-282	-4.4%
Qatar	986	-2,186	-201.4%
Iraq	-5,032	-4,885	2.9%

* FDI in 2018 was valued at USD 2,632 million by the Central Bank of Lebanon
Source: 2019 UNCTAD World Investment Report, IDAL Calculations.

As a percentage of GDP, Oman's FDI inflows ranked first in the region, followed by Lebanon with 5.08%. Lebanon stood out as the best performer among non-oil economies (Figure 2).

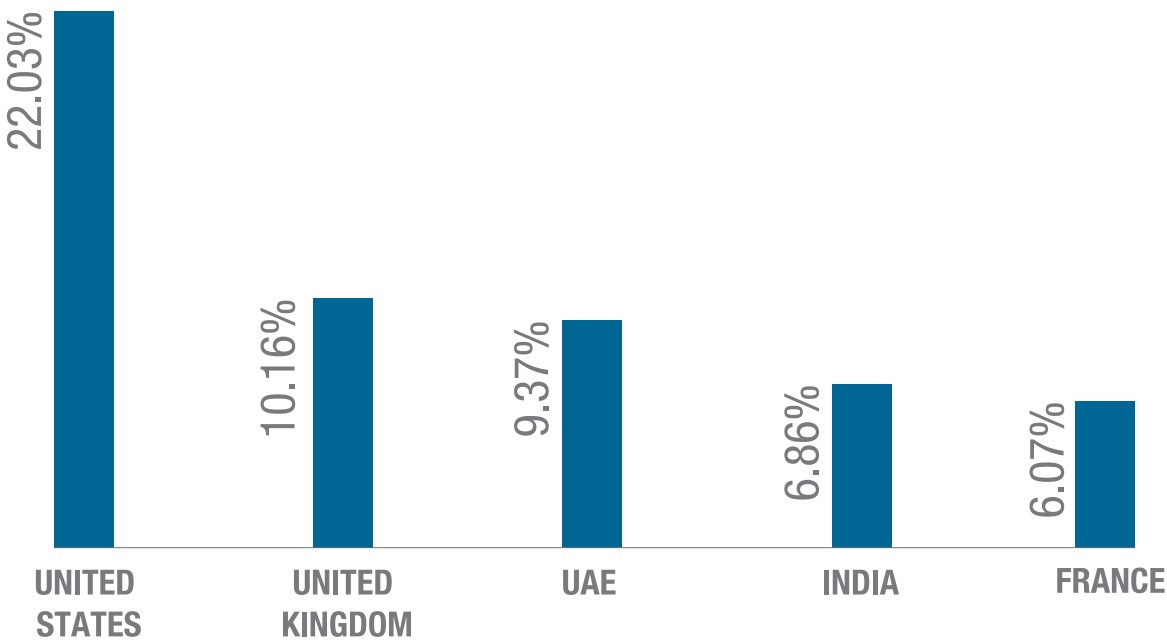
Figure 2: FDI as a percentage of GDP in selected West Asian Countries (% | 2018)



Source: World Investment Report 2019, IMF 2019, IDAL's calculations.

Greenfield projects rose considerably in West Asia, whereby projects rose from 816 in 2017 to 885 in 2018, with a total value of USD 47.2 billion generating over 70,000 jobs. Americans and British remained the largest investors in the region, accounting for over 30% of total projects (Figure 3).

Figure 3: Top 5 Source Countries Investing in West Asia (% | 2018)

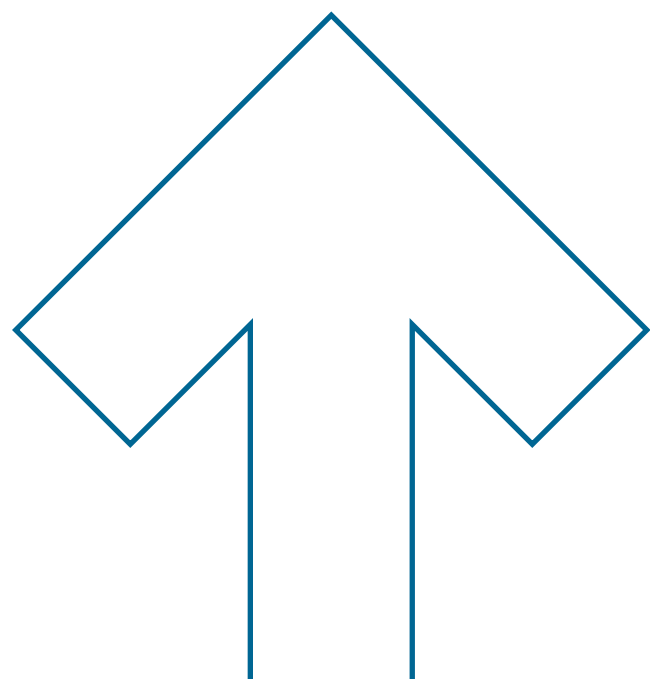


Source: fDi Markets, The Financial Times, 2019.



OVERVIEW OF LEBANON'S INVESTMENT CLIMATE

1. FDI Trends in Lebanon
2. Investments Tracked & Mediated by IDAL
3. New Laws and Initiatives

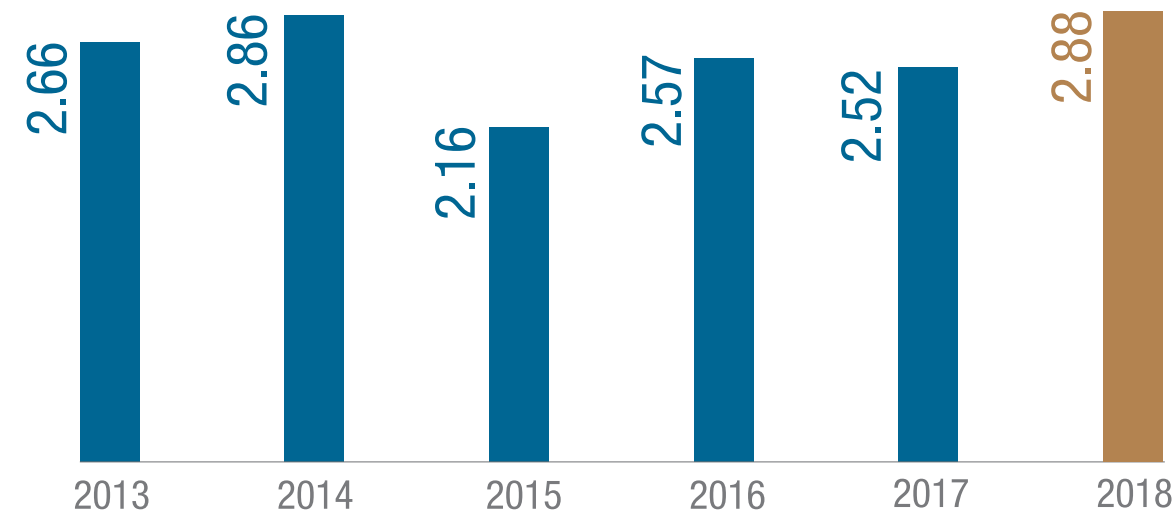


1. FDI TRENDS IN LEBANON



Foreign Direct Investment (FDI) flows to Lebanon jumped by 14% to USD 2.88 billion in 2018 compared to USD 2.52 billion in 2017, highlighting the continuous confidence of investors in the Lebanese economy (Figure 4).

Figure 4: FDI Inflows to Lebanon (Billion USD | 2013-2018)



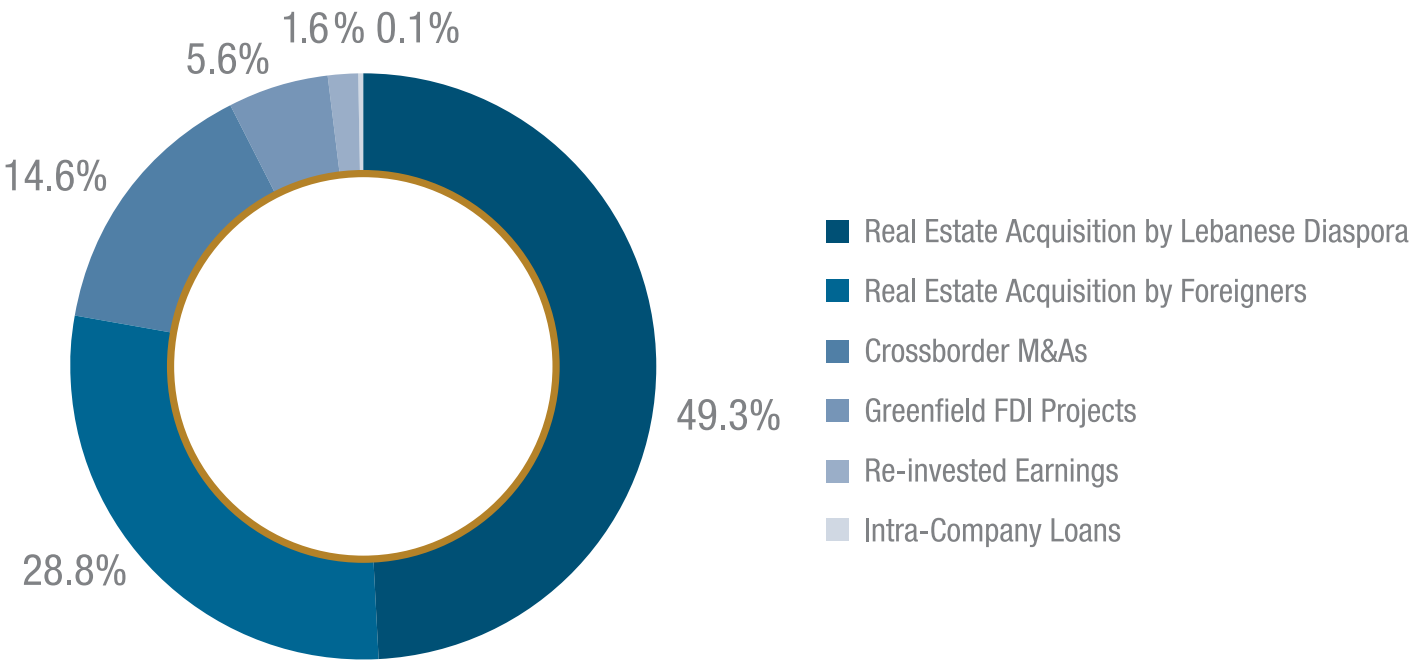
Source: UNCTAD World Investment Report 2019.



More than 70% of foreign investment flows came in the form of real estate acquisitions, based on estimates from the Central Bank of Lebanon, the General Directorate of Real Estate, UNCTAD, the Financial Times and Moody's (Figure 5). This was distributed between the Lebanese diaspora's acquisition of real estate (49.3% of total acquisitions) and foreigners' acquisitions (28.8% of total acquisitions). Meanwhile, cross-border mergers and acquisitions constituted 14.6% of total FDI with major acquisitions concentrated in the tourism and financial sectors (e.g. Saudi-based company Kingdom Holding sold its stake in the Four Seasons Hotel in Beirut for USD 120 million to a group of Lebanese and Arab investors). The remainder of FDI took the form of greenfield FDI projects (5.6%), re-invested earnings (1.7%) and intra-company loans (0.1%).

Figure 5: Breakdown of FDI by Type of Investments in Lebanon* (% | 2018)

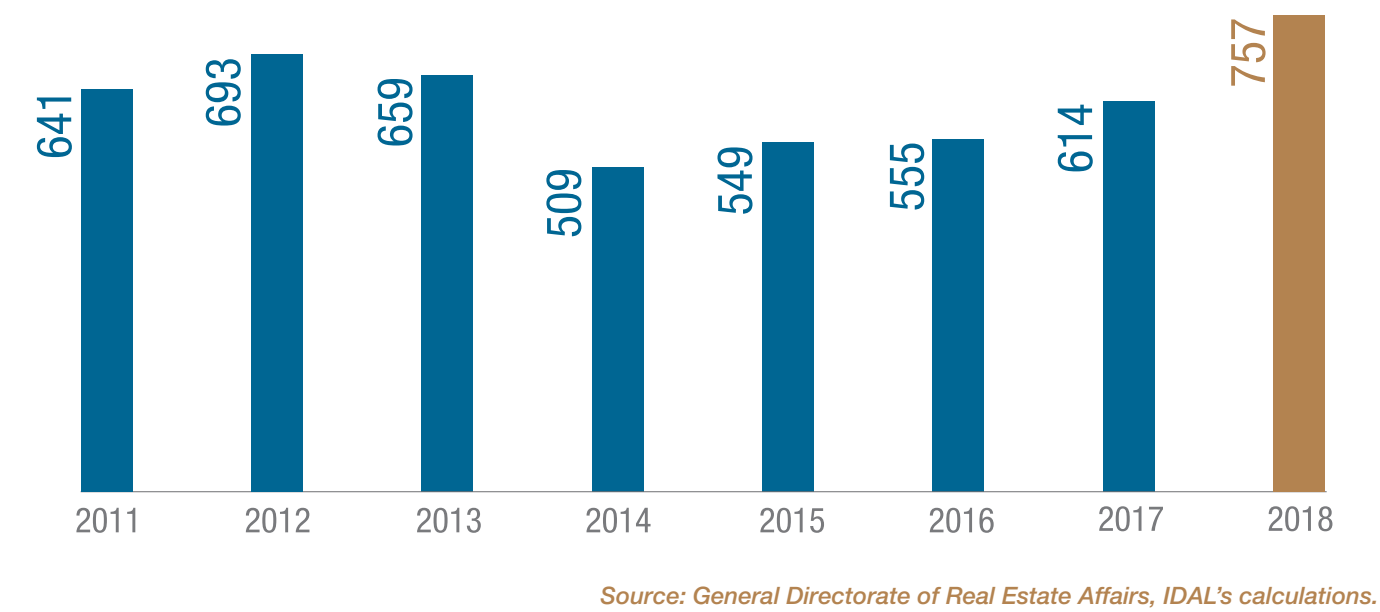
* These represent IDAL's estimate for FDI distribution across economic sectors.



Source: Central Bank of Lebanon, General Directorate of Real Estate, UNCTAD World Investment Report 2019, fDi Markets – The Financial Times, Moody's, IDAL's estimates.

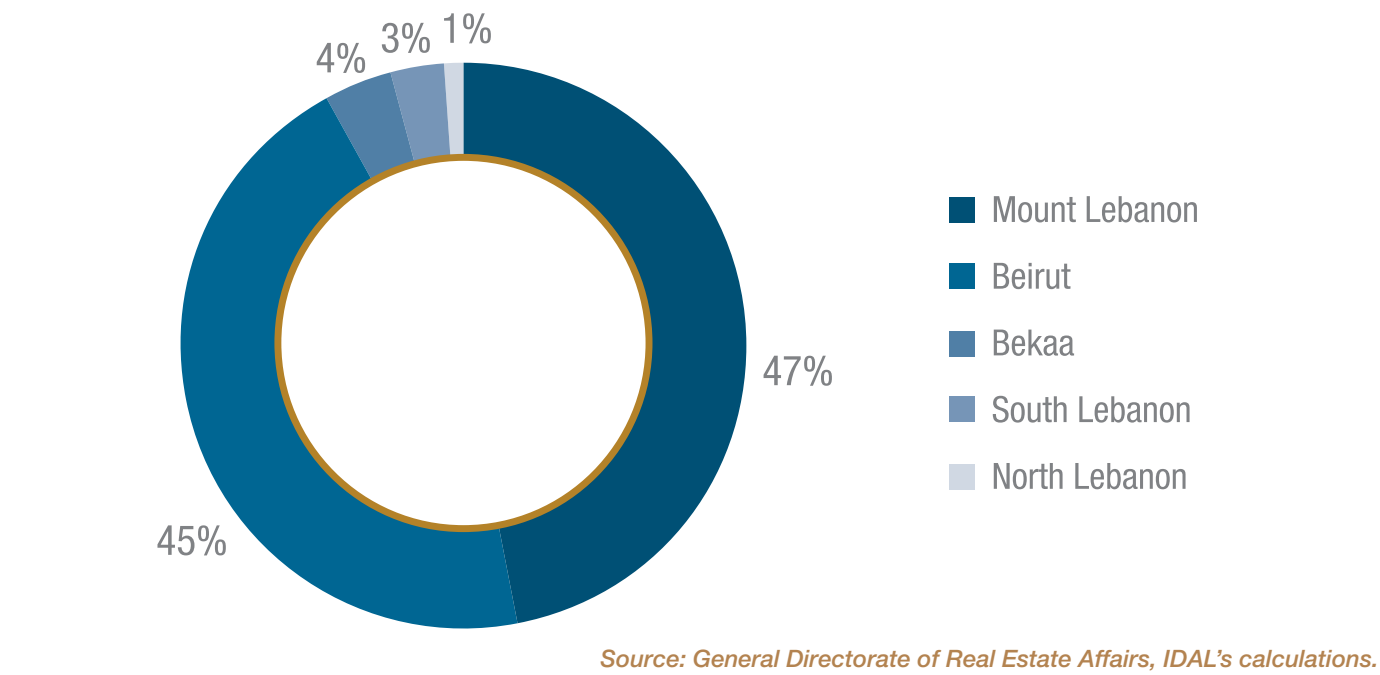
In a further boost to the economy, foreign investors took advantage of the decreasing prices of real estate, following the Central Bank of Lebanon’s decision to suspend subsidizing housing loans, leading towards an over-supply of projects. According to the General Directorate of Real Estate Affairs, the value of real estate transactions by foreigners increased by 23% year-on-year reaching USD757 million in 2018 (Figure 6).

Figure 6: Evolution of Real Estate Acquisitions by Foreigners in Lebanon (Million USD)



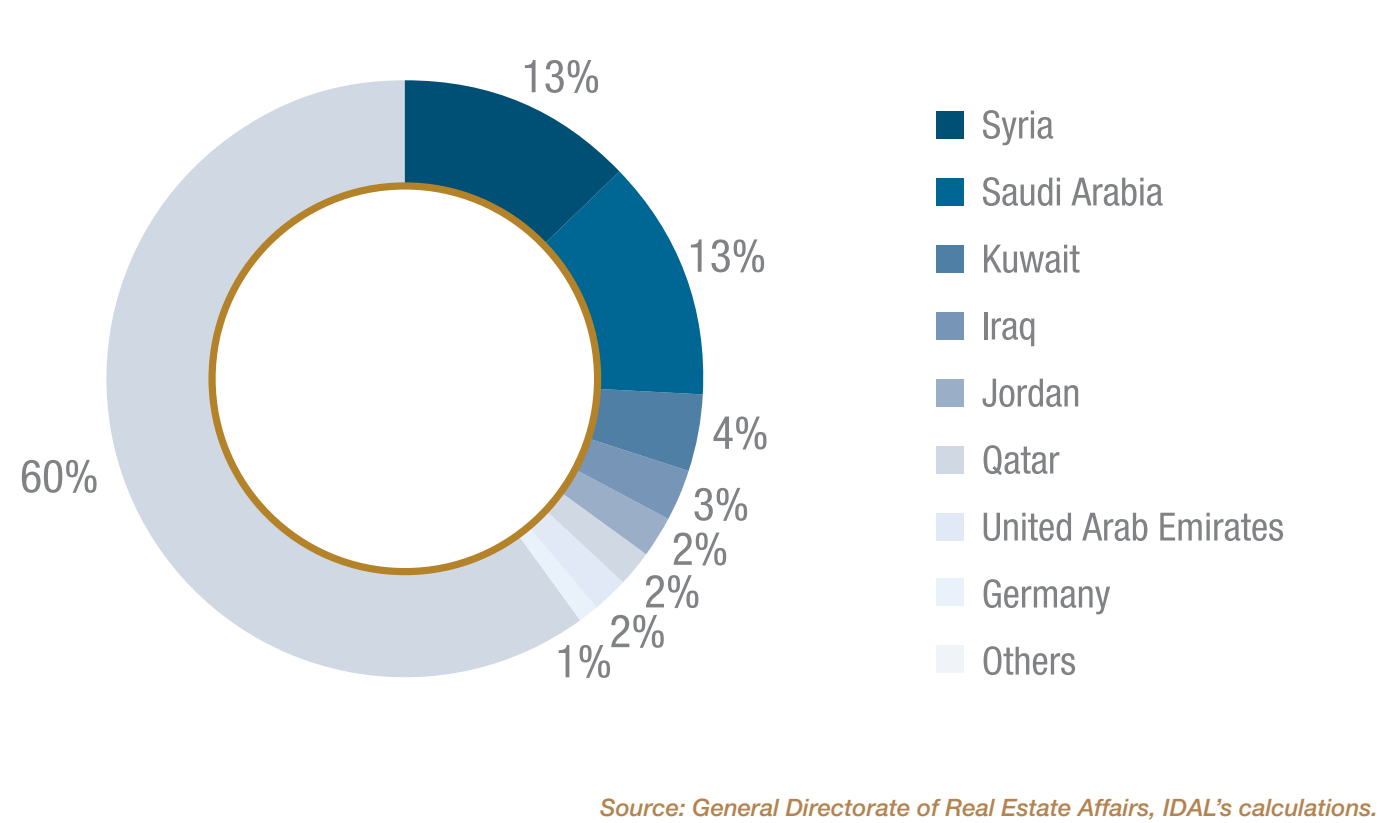
Mount Lebanon was chosen as the top location by foreign investors, holding 47% of total real estate acquisitions followed by Beirut with 45% of total acquisitions (Figure 7).

Figure 7: Distribution of Foreign Investments in the Real Estate Sector by Governorate (% | 2018)



In terms of distribution of real estate acquisitions by foreign nationalities, Saudis and Syrians remained the top real estate investors year-on-year. They held the largest share of real estate acquisitions in 2018 with 13% of total foreign acquisitions each (Figure 8).

Figure 8: Distribution of Real Estate Acquisitions by Foreigners in Lebanon (% | 2018)

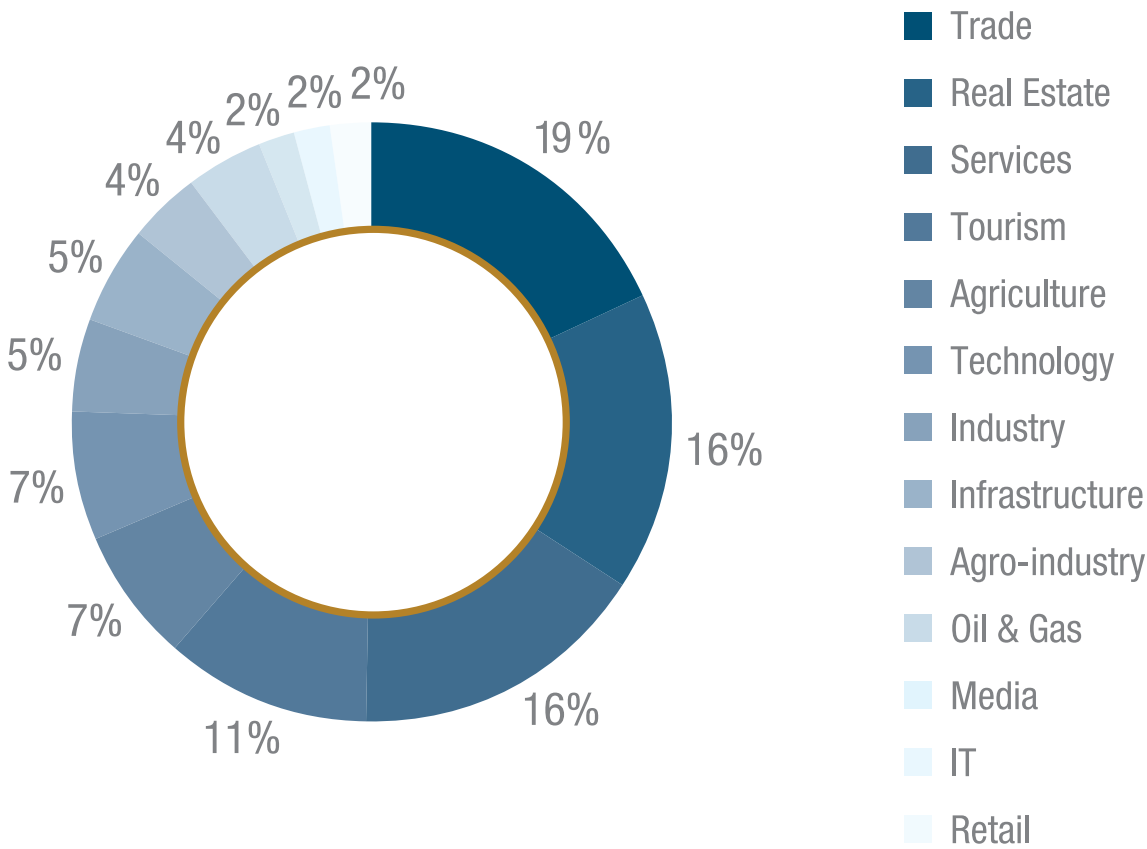


Non-Equity Forms of FDI provide foreign investors with an alternative form of managing other business entities through means other than acquiring equity stake. This type of FDI can take the form of partnerships, subcontracting, management contracts, turnkey arrangements, franchising, licensing and product-sharing, branches and representative offices among others.

Lebanon announced the establishment of 55 new foreign companies and partnerships in 2018. The main observed trends of these investments were their focus on infrastructure development in Lebanon and potential prospects of the reconstruction of Syria. There was also a growing interest in the Lebanese ICT sector, as well as servicing the nascent oil and gas industry.

- **The Trade sector** attracted the largest share of projects, propped by a growing population and traditional demand for foreign products (Figure 9).
- **The Real Estate sector** attracted the second largest share of projects. This was mainly due to the high appeal of Lebanon’s quality of life, focus on infrastructure development as well as projects targeted towards the reconstruction efforts in Syria.
- **The ICT sector** witnessed interest from Arab investors in developing tech solutions for the region, such as cloud and web-designed solutions, leveraging strong local creative and marketing talent.

Figure 9: **Distribution of Foreign Companies by Sector of Activity (% | 2018)**



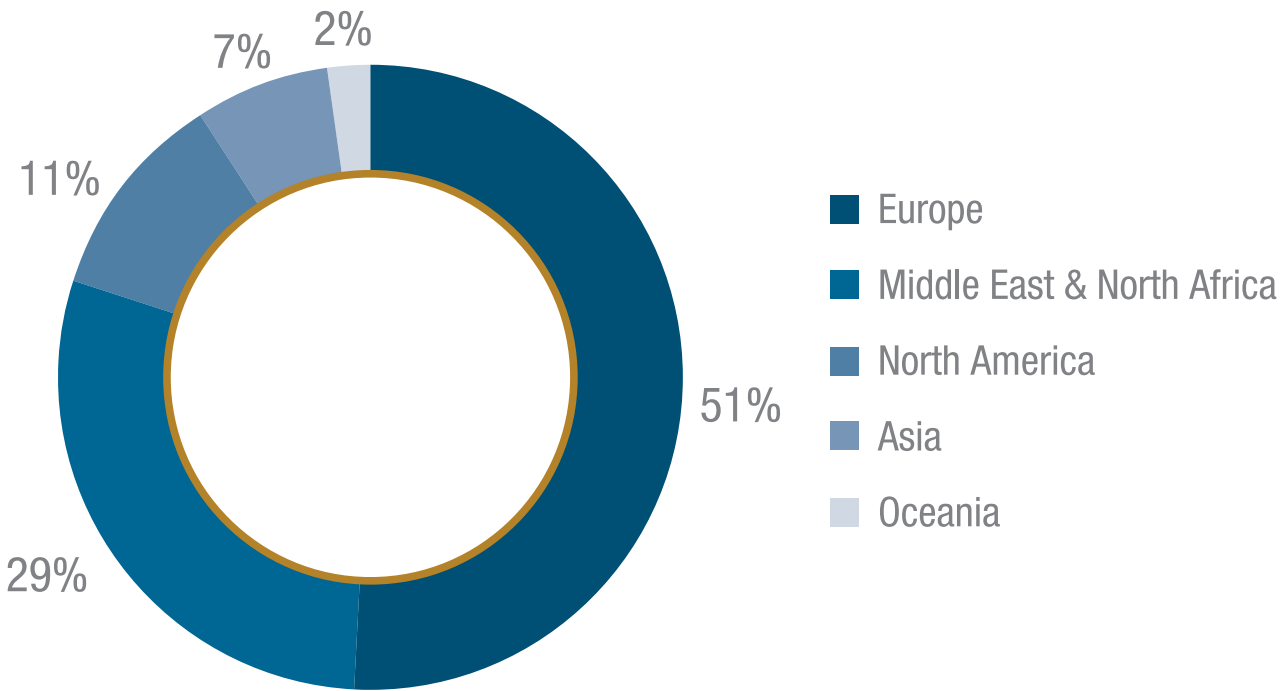
Source: Ministry of Economy and Trade, IDAL calculations.

Europe accounted for 51% of foreign companies in Lebanon, holding the largest share in 2018 (Figure10). France constituted 22% of total European investments, followed by Germany (13%), the United Kingdom (9%) and the Netherlands (9%). European projects mainly revolved around Agro-Food, Trade and Oil and Gas, whereby Lebanon signed its first offshore Oil and Gas exploration agreement with a French (Total), Italian (Eni) and Russian (Novatek) consortium.

Middle Eastern countries came in second with 29% of foreign investments in Lebanon. The UAE took the lead with 32% of the region’s share, followed by Jordan, Egypt, Qatar, Algeria and Saudi Arabia with 11% each. Middle Eastern investments focused on technology, real estate and trade development projects.

The remaining 20%of foreign investors originated from **North America**, notably the US (83%) and Canada (17%), followed by Asia (7%) and Oceania (2%).

Figure 10: **Distribution of Foreign Companies by Country of Origin (% | 2018)**



Source: Ministry of Economy and Trade, IDAL’s calculations.

2. INVESTMENTS TRACKED & MEDIATED BY IDAL

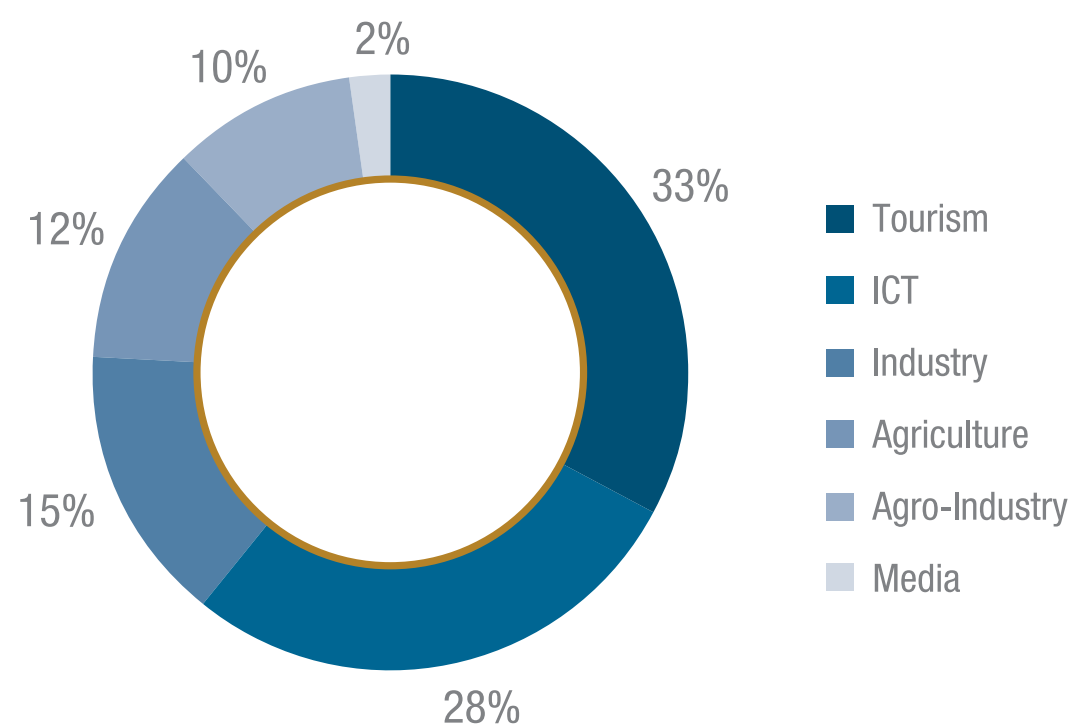


A. Investments Tracked by IDAL

As a national investment promotion agency, IDAL provides support services to both local and foreign investors, with local investments contributing substantially to economic growth. During 2018, IDAL's One-Stop-Shop provided support to 60 new investors seeking to benefit from IDAL's various support schemes. The majority of these (50 investors) were Lebanese and the remaining were foreign (American, British, Emirati, Saudi, French, Polish, Thai, Jordanian and Algerian).

The Tourism and ICT sectors seized the highest share of these projects (33% and 28% respectively), followed by the Industrial sector (15%) (Figure 11).

Figure 11: Distribution of Projects by Sector (% | 2018)



Source: IDAL

The Tourism sector slowly regained its momentum due to improvements in the political and security climate. According to the Ministry of Tourism, two million tourists visited Lebanon in 2018, or a 6% increase compared to 2017. In line with this increased activity, 20 prospective investors approached IDAL in 2018 to present tourism greenfield projects in all governorates. Mount Lebanon secured the largest share of projects (45%), followed by Beirut (25%), North Lebanon (20%) and South Lebanon (10%).

- With its favorable topography, Mount Lebanon attracted 9 new projects related to F&B clusters, eco-friendly villages and swiss-style chalets. These alternative projects reflected the growing demand from European tourists, whose numbers increased by 10% in 2018.

- As one of the main commercial and cultural hubs of the Middle East, Beirut anticipated an increase in medical tourism activities. Five new projects are currently in the pipeline, including medical tourism facilities (inc. a specialized hospital for neurosurgery), hotels and suites and wellness centers.

- North and South Lebanon witnessed the development of new alternative projects, notably hotels, guest houses and gardens, attracting tourists with an interest in outdoor activities such as hiking and horse riding.

“The above projects, once implemented, will provide the Tourism sector with total inflows of **USD 292.8 million** and will create **2,259 direct jobs.**”

The ICT sector attracted the second largest number of announced greenfield projects, mainly due to the country's competitive advantages in accessing finance, highly skilled talent, enabling ICT infrastructure and growing regional demand.

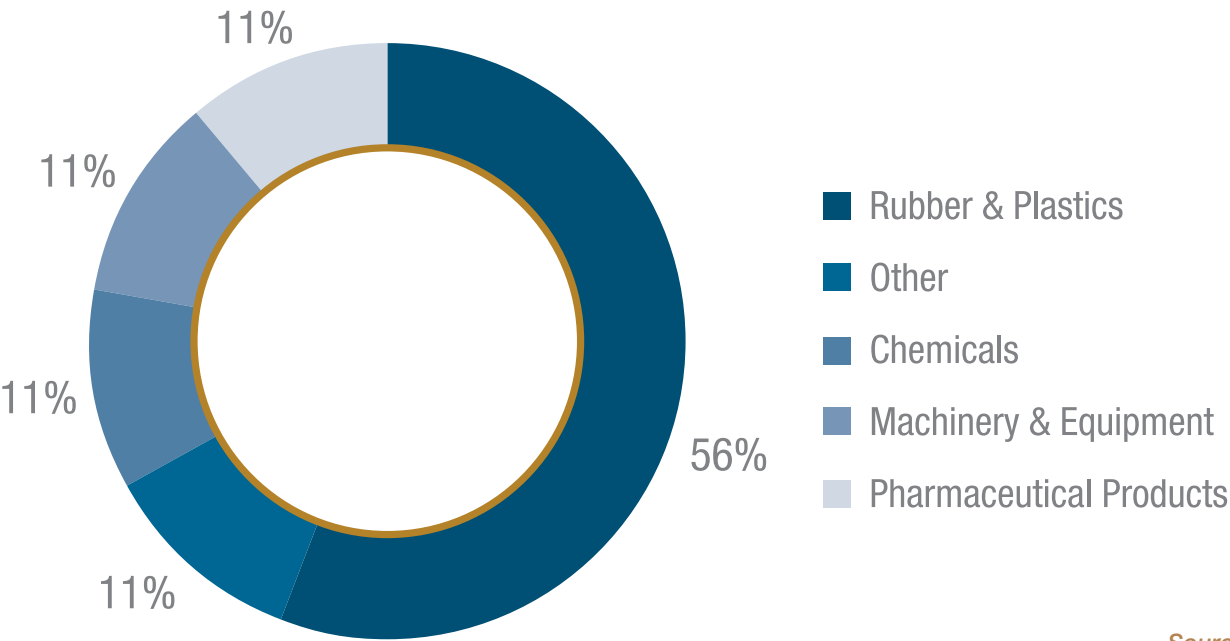
- Fintech (financial optimization tools for banking and insurance companies), Virtual Reality Platform (gaming experience) and Cloud Solutions (human resources management tools and big data analytics) topped the list of projects in IT, further reflecting the digital transformation that Lebanon is undergoing.

- The availability of qualified engineers gave rise to technology projects dedicated to solving environmental issues such as recycling, waste transformation and solar energy, as well as health-related issues including measuring diabetes.

“The above projects, once implemented, will provide the ICT sector with total inflows of **USD 29.7 million** and will create **400 direct jobs.**”

The Industrial sector attracted 9 new projects across various sub-sectors (Figure 12). This was mainly due to the increased attractiveness of “Made in Lebanon” products in Arab countries and increased prospects to serve the reconstruction in Syria.

Figure 12: Distribution of Industrial Projects by Sub-Sector (% | 2018)



Source: IDAL

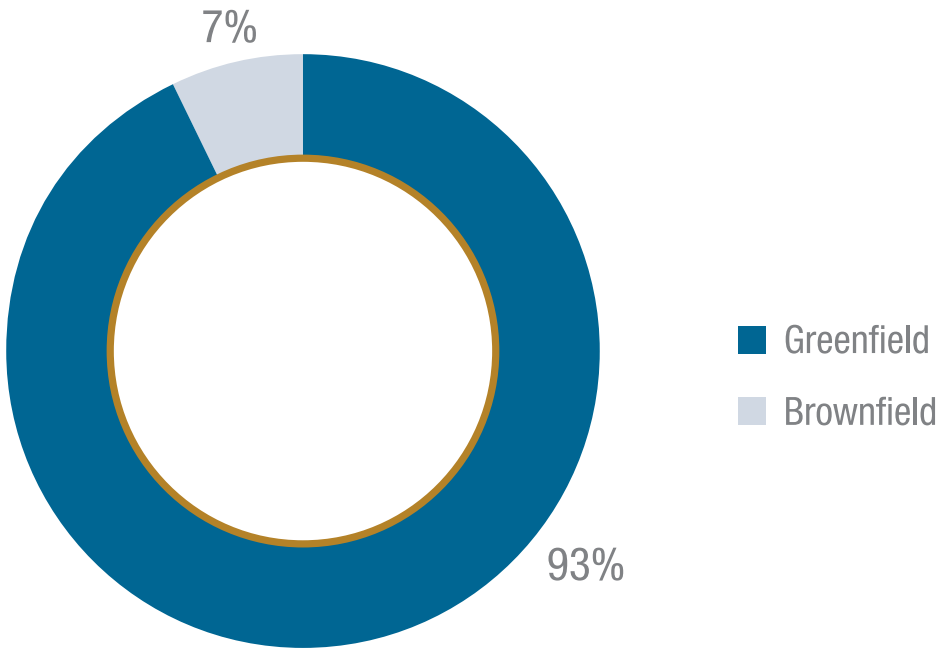
- New manufacturing projects including Rubber & Plastics, Chemicals and Machinery & Equipment experienced a solid expansion in 2018, enhancing Lebanon’s position as a regional export platform, and boosting its role as a provider of intermediary and final industrial products for global supply chains.
- A new American industrial plant will be established in the Bekaa to produce prefabricated houses for Syria and Iraq.
- The pharmaceutical sub-sector benefited from an increase in regional demand, particularly from Iraq, Saudi Arabia, Jordan and the United Arab Emirates.

In fact, pharmaceutical exports increased by 8% in 2018 due to an ageing population and the increase of medical conditions such as diabetes, heart and cardiovascular diseases.

“The above projects, once implemented, will provide the Industrial sector with total inflows of **USD 34.9 million** and will create **378 direct jobs.**”

It is worth mentioning that 93% of announced projects in 2018 were classified as greenfield, while the remaining were classified as brownfield investments (Figure 13).

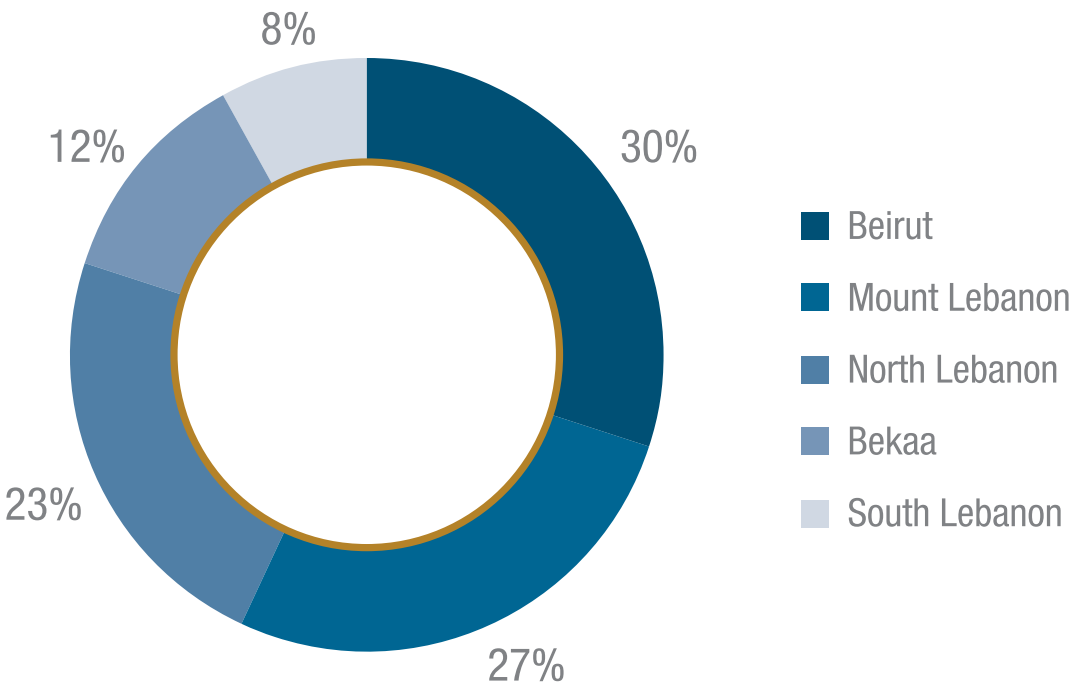
Figure 13: Distribution of Projects by Type (% | 2018)



Source: IDAL

In terms of geographical distribution, Beirut attracted the largest share of all projects (30%), followed by Mount Lebanon (27%), North Lebanon (12%), Bekaa (12%) and South Lebanon (8%) (Figure 14).

Figure 14: Distribution of Projects by Region (% | 2018)



Source: IDAL

In total, the 60 above-mentioned projects have an estimated total value of **USD 375 million** and are expected to create **3,403 direct jobs**.

They are distributed as follow:



B. Investments Mediated by IDAL

Two incentives schemes are available to investors through IDAL’s One-Stop-Shop:

1- Investment Project by Zone (IPZ) is mostly catered for small and medium-sized projects, and is based on their geographical location, investment size and sector type. IPZ requires the approval of IDAL’s Board of Directors and the Presidency of the Council of Ministers.

2- Package Deal Contract (PDC) is mostly catered for large-scale projects that have a high impact on employment, and is based on the size of the investment, number of jobs created and sector type. The PDC requires the approval of IDAL’s Board of Directors, the Presidency of the Council of Ministers and the Council of Ministers.

Five investment projects valued at around USD 82.3 million benefited from IDAL’s incentive schemes and are expected to generate 790 direct jobs (Table 2).

Table 2: **Approved Project in 2018**

Approved project in 2018 by IDAL - Presidency of the Council of Ministers				
Project	Sector	Investment size	Job created	Region
Riviera Biscuit	Agro-Industry	4,000,000	61	Bekaa
Propack	Industry	5,315,000	25	Bekaa
ICP	Agro-Industry	6,025,000	62	Bekaa
Al Taghziah Expansion Project	Agro-Industry	29,772,500	161	Mount Lebanon
Sunset Beirut	Tourism	37,262,484	481	Beirut
Total		82,374,984	790	

Source: IDAL

Approved projects were distributed among Agro-Industry (60%), Tourism (20%) and Industry (20%) sectors. By investment value, the Agro-industrial sector grasped the lion share at 48% of total investment value, while the Tourism sector accounted for 45% and Industry 20% of total investments value.

In details, the bulk of investments in the Agro-industrial sector involved processed meat production, pasta, biscuits as well as packing houses.

The majority of the approved projects were located in the Bekaa (60%), followed by Mount Lebanon (20%) and Beirut (20%). Agro-food and industrial projects outside Beirut benefitted from cheaper land and operating costs.

3. NEW LAWS & INITIATIVES

In line with the Lebanese Government's reform drive, **a series of initiatives** were passed in 2018 aimed first and foremost at improving the business and investment climate.



New **Business-Friendly** Legislation:

- E-Transaction Law, enabling digital documents and contracts for businesses and individuals
- Judicial Mediation Law, facilitating resolution of conflicts
- Waste Management Law, providing a variety of business opportunities to cleantech companies
- Legislation to help combat corruption, including whistleblower protection and transparency in the oil and gas sector
- Amendments to the Code of Commerce to meet the demands of technology and digitization of doing business in Lebanon, including modernizing SAL & SARL companies, Sole-Partnership to allow the creation of a 1-person company, as well as working on draft laws allowing companies to issue preferred stock, facilitate lending against movable collateral and allowing Lebanese startups to give out stock options or stick grants



Initiatives to **Support** Administrative and Infrastructure Development:

- £30 million in technical assistance from the UK for the implementation of Lebanon's Capital Investment Program and public sector reforms
- Parliament endorsement of World Bank projects on Health Resilience, Roads and Employment and a project preparation advance for Strengthening Fiscal Governance
- A USD 43 million World Bank grant to enhance access to property rights data and geospatial information by modernizing the Digital Land Registry and Cadastre System
- A USD 283 million contract awarded to Nokia, Huawei and Balix to improve interconnectivity in Lebanon. This will support Lebanon's ICT sector by increasing internet speed to more than 50 MB/s, constituting a significant increase from the current internet speed of between 2Mb/s and 4Mb/s



Major **Initiatives and Strategies** to Promote Investments:

- The Ministry of Economy and Trade contracted McKinsey management consultants to develop a National Economic Vision for Lebanon to guide long-term economic development across growth sectors
- UNCTAD, in collaboration with IDAL, conducted an Investment Policy Review (IPR) for Lebanon with a series of recommendations to improve Lebanon's investment climate and policies
- IDAL launched the Business Support Unit (BSU) to support startups and entrepreneurs by providing them with free audit, accounting and legal advisory services
- The "Visit Lebanon 2018" initiative was launched, inviting 120 foreign companies to explore investment opportunities in the tourism sector
- The Ministry of Finance streamlined the business registration processes in order to reduce the associated time to opening a business
- Continued support of B2B digital SMEs and startups' participation in conferences and exhibitions abroad through IDAL's branding and export promotion program
- Presidency of the Council of Ministers'-led Summer of Innovation initiative promoted extracurricular activities in the fields of innovation, science, technology, entrepreneurship and creativity



Funds for Investments:

- The Central Bank of Lebanon launched a USD 1.1 billion economic stimulus package for the Lebanese economy across sectors
- Mobile phone operators Alfa and Touch launched a USD 48 million technology fund, aimed at investing in local ICT startups
- CMA CGM signed a partnership agreement with incubator SMART ESA to provide startups with an incubator program

EXPORT PROMOTION



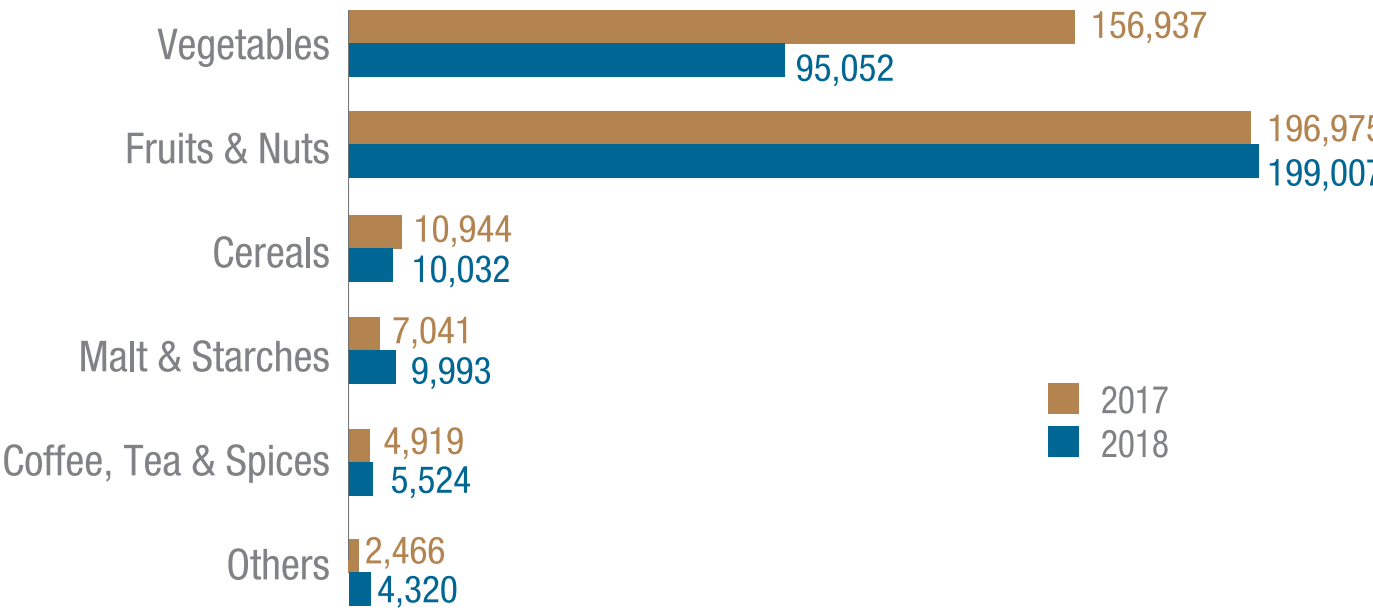
1. AGRI PLUS PROGRAM

In addition to promoting investments, IDAL is also tasked with promoting Lebanese exports. IDAL has three programs in place for this purpose: Agri Plus, Maritime Lebanese Exports Bridge (M.LEB) and Agro-Map.



The Syrian conflict continued to have negative repercussions on the Lebanese economy and had a significant impact on Lebanese trade activity, especially agricultural exports. In 2018, Lebanese agricultural exports decreased by 14.6% compared to 2017 (Figure 15). Vegetables and Cereals exports witnessed a considerable drop of 39% and 8% respectively, while exports of Fruits and Nuts and of Starches increased by 1% and 42% respectively.

Figure 15: Lebanese Agricultural Exports (Tons | 2017-2018)



Source: Lebanese Customs

The “Agri Plus” program was established in 2012 to support Lebanese exporters in the marketing of their agricultural products. The program aims at increasing the volume of exports to both traditional and new markets. Export markets are divided into four zones: Zone A (Syria and Jordan), Zone B (Gulf Countries and African Arab countries), Zone C (Europe and Africa) and Zone D (North and South America and Australia).

Exports through Agri Plus were also affected by the Syrian crisis and the closure of the land border between Syria and Jordan. Total exported quantities of fruits and vegetables dropped by 20%, from 344,622 tons in 2017 to 277,336 tons in 2018 (Table 3). Moreover, exported quantities of olive oil also witnessed a 16% decrease compared to 2017. As for eggs, the number of exported boxes dropped from 11,238 in 2017 to 5,301 boxes in 2018.

Table 3: Lebanese Exports through the Agri Plus Program (2017-2018)

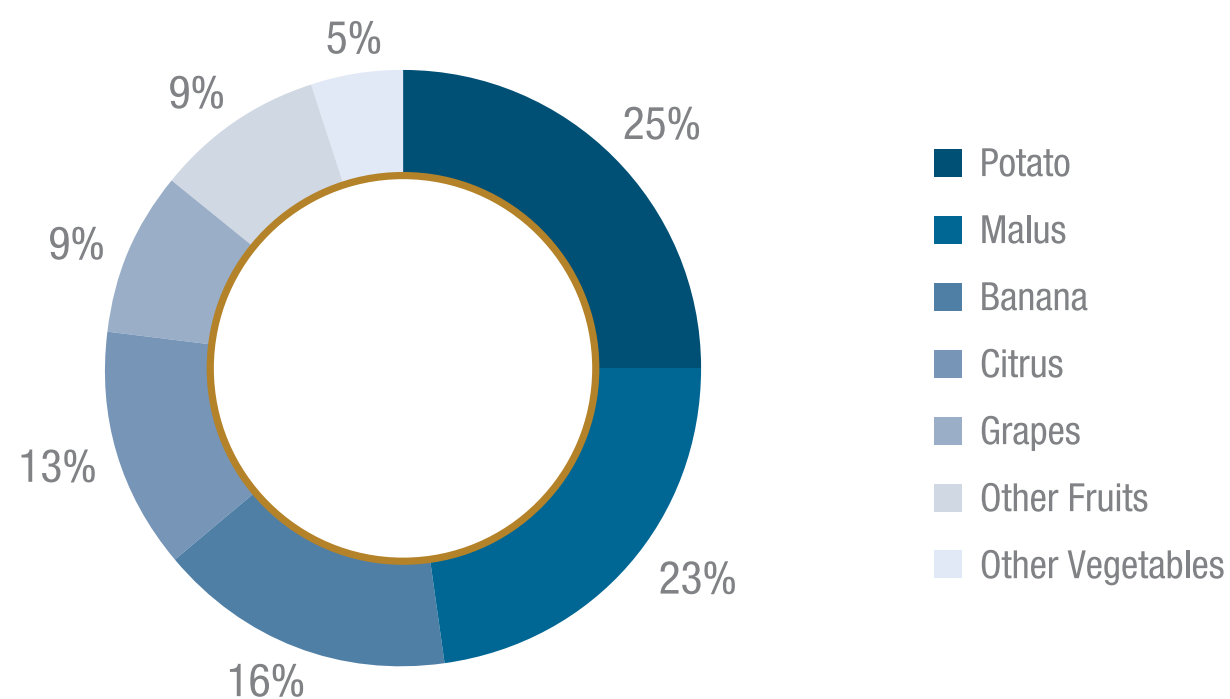
	2017	2018	% Change
Fruits & Vegetables (Tons)	344,622	277,336	-20%
Olive Oil (Kiloliters)	6,642	5,547	-16%
Eggs (Boxes)	11,238	5,301	-53%

Source: IDAL’s Calculations.

Fruits and Vegetables

In 2018, export of potatoes ranked first with a total of 70,128 tons, accounting for 25% of total Agri Plus exports, followed by malus (64,347 tons) and bananas (43,354 tons) representing 23% and 16% of total Fruits and Vegetables exports respectively (Figure 16).

Figure 16: Distribution of Fruits and Vegetables Exports (% | 2018)



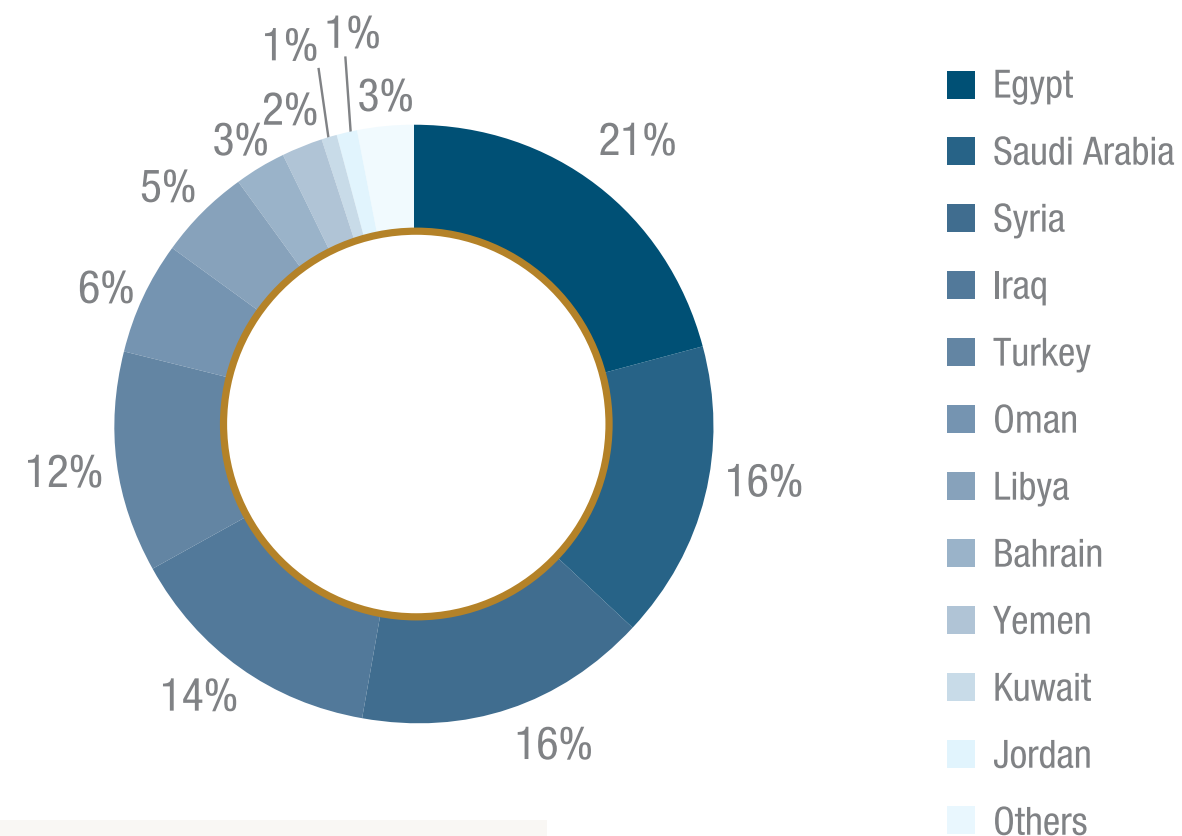
**Total Exported Quantities
= 277,371 tons**

Source: IDAL's Calculations.

By zone, the majority of exported goods went to countries in Zone B with 83% of total exports, followed by Zone A with 16% and 1% to Zone C.

By individual country, Egypt was the top recipient of Fruits and Vegetables exports (21%) followed by Saudi Arabia and Syria (Figure 17).

Figure 17: Distribution of Fruits and Vegetables Exports by Country (% | 2018)



Top Three Recipient Countries:
Egypt= 58,059 tons
Saudi Arabia= 44,797 tons
Syria= 43,268 tons

Source: IDAL's Calculations.

Olive Oil

Olive oil is among the most prominent signature Lebanese agro-industrial products, increasingly gaining ground on both the domestic and international markets given its premium quality and competitive prices. Total exported quantities of olive oil reached 5,547 Kiloliters in 2018, with a monthly average of 462 kiloliters.

Over half of olive oil exports were shipped to Zone B, with 3,119 kiloliters or 56% of total olive oil exports. Zone D came in second with 2,170 kiloliters, followed by Zone C with just 258 kiloliters.

Other Products

Exported quantities of eggs reached 5,301 boxes in 2018 shipped solely to Qatar. Meanwhile, 34,33 tons of plants and flowers were exported to Armenia.

2. MARITIME LEBANESE EXPORTS BRIDGE (M.LEB) PROGRAM

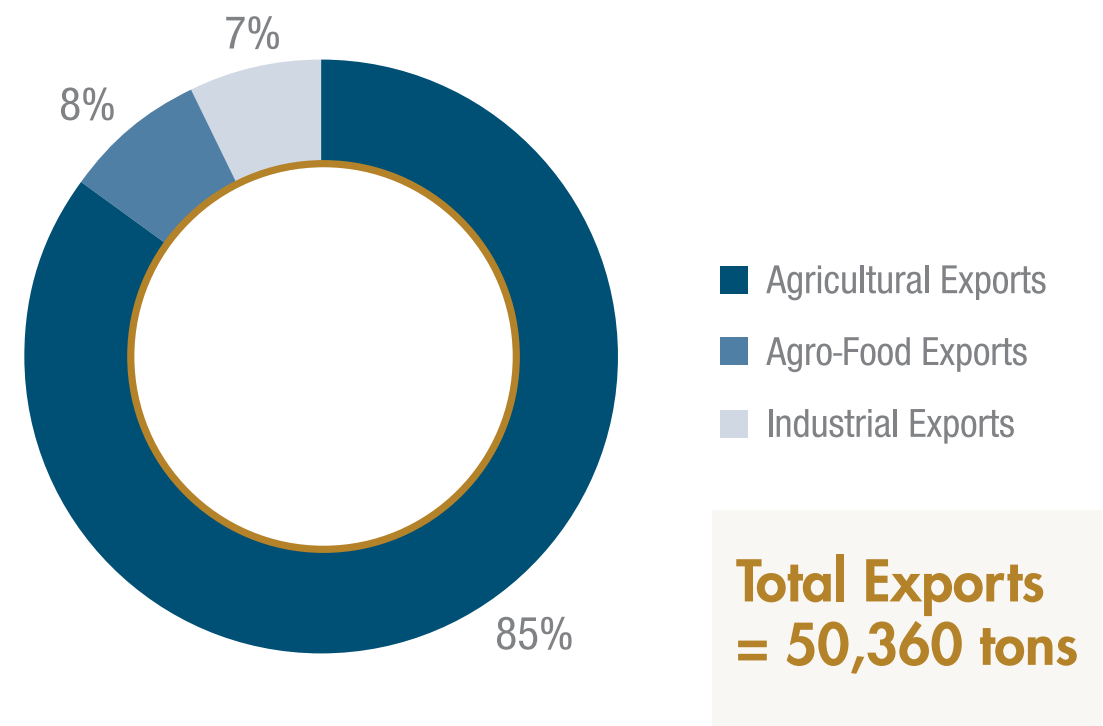


Following the closure of the Syria-Jordan border in 2015, the M.LEB program was established to subsidize the difference between land and maritime transportation costs for Lebanese exporters to Jordan and GCC countries.

Exports through M.LEB decreased by 5.4% in 2018, compared to 2017, due to an overall decrease in Lebanese exports, especially agricultural exports. Considerable drops were recorded in citrus, potatoes, apples, onions, cabbages and tomato exports.

In 2018, exports through the M.LEB program reached 50,360 tons. Agricultural exports (fruits and vegetables) grabbed the lion share of total exports (42,662 tons), followed by agro-food (4,144 tons) and industrial exports (3,554 tons) (Figure 18).

Figure 18: Distribution of Exported Quantities through M.LEB (% | 2018)



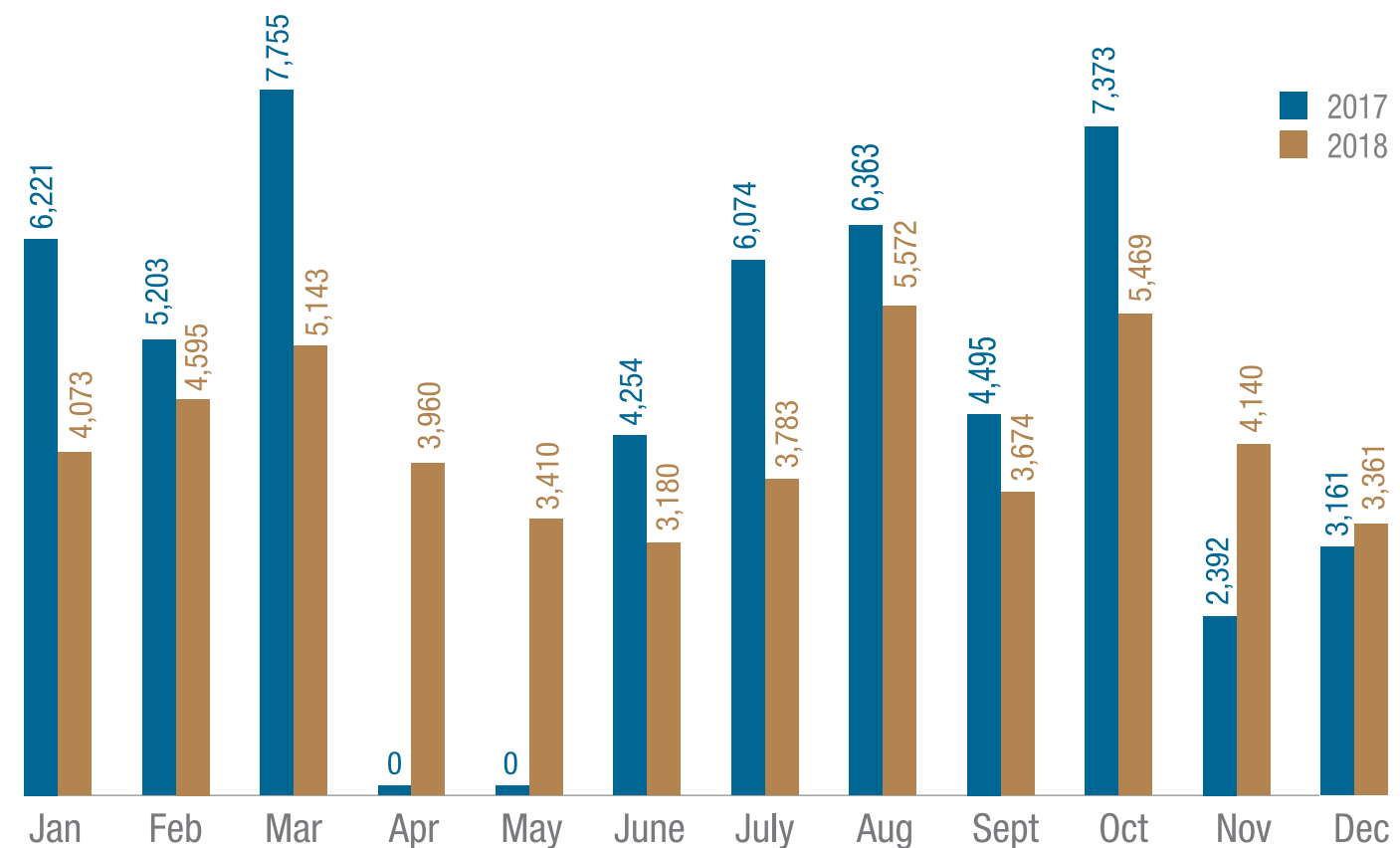
Source: IDAL's Calculations.

The highest exported quantities through the M.LEB program were registered in August with 5,572 tons, while the exported quantities were at their lowest level in June with 3,180 tons (Figure 19).

The overall transport traffic associated with the shipment of M.LEB exports in 2018 reached 2,103 shipments on three of the four registered vessels in the program. The highest number of shipments were registered in October.

The majority of shipments were transported through Lebanese trucks, followed by Saudi Arabian and other trucks. The Med Link transported 36% of the trucks exported in 2018, followed by the Med Bridge with 34% and Bekaa Dream holding 30% of total shipments.

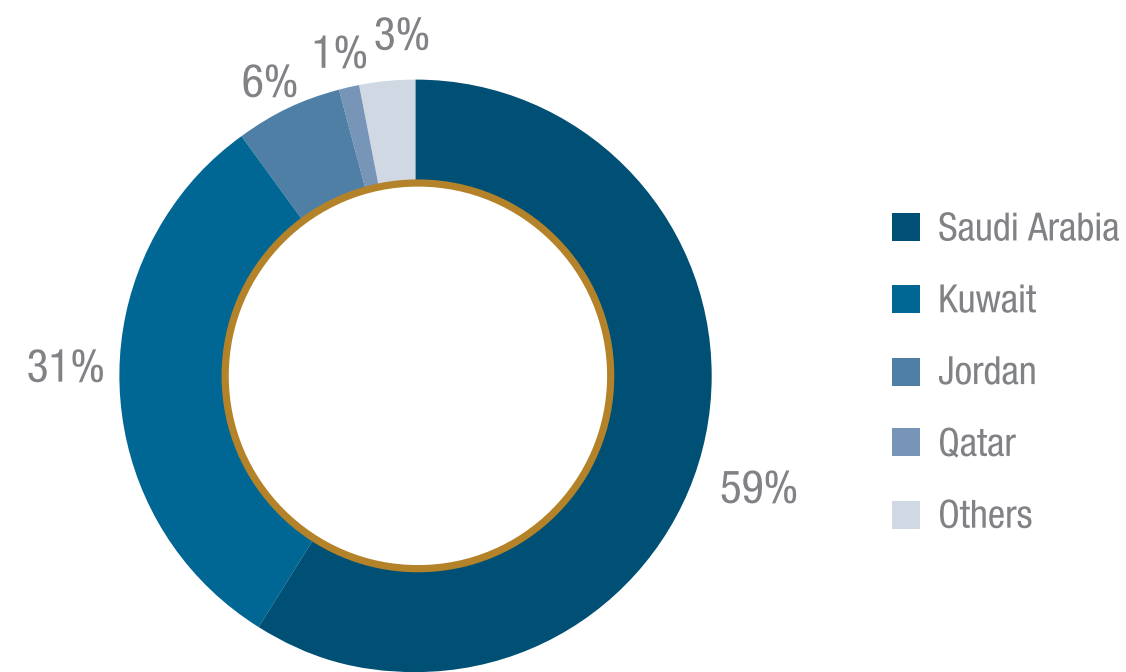
Figure 19: Monthly Exported Quantities (Tons | 2017-2018)



Source: IDAL's Calculations.

As for exporting markets, the vast majority of Lebanese products went to Gulf countries through the port of Duba in Saudi Arabia, followed by Jordan through the port of Aqaba. Saudi Arabia imported the highest share of Lebanese products (59%) followed by Kuwait (31%) and Jordan (6%) (Figure 20).

Figure 20: Exports Destination by Country (% | 2018)



Source: IDAL's Calculations.

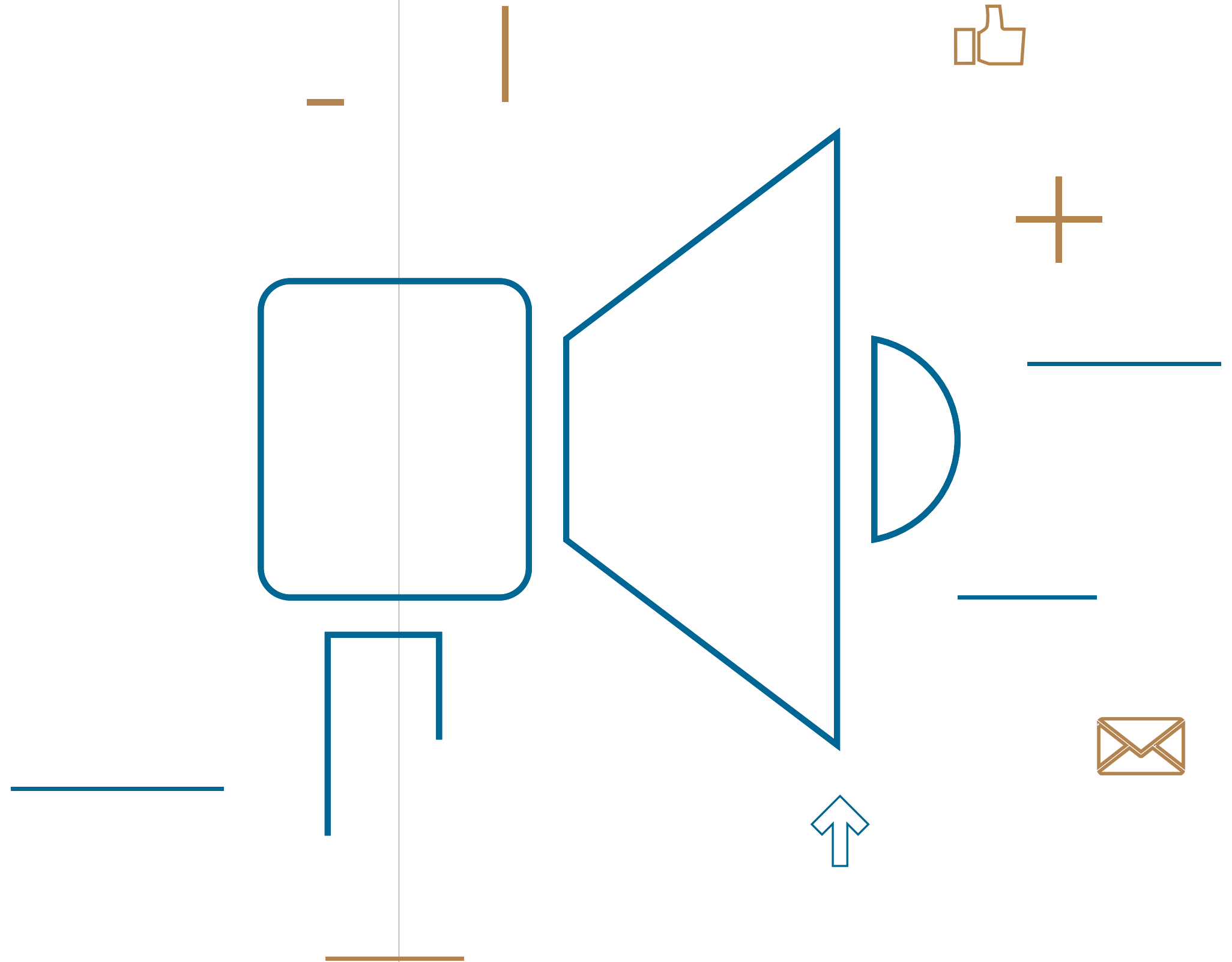
Exports through the M.LEB Program by Sub-Sectors

- **Agricultural:** Total volume of agricultural exports reached around 42,662 tons, representing 85% of the total volume of exports through the program. Citrus exports ranked first with 41% of total agricultural exports, followed by Apples and Grapes (15% each).
- **Agro-Food:** The total volume of agro-food exports reached 4,144 tons, representing 8% of the total volume of exports through the program. The top three exported goods were canned fruits and vegetables with 60% of total Agro-food exports within the program, followed by sugar and sugar confectionery (23%) and animal or vegetable fats and oils (5%).
- **Industrial:** Exports constituted around 7% of total exported volume through the program, with a total of 3,554 tons. Printed books registered the greatest share of industrial exports or 71% of total exports, followed by footwear (10%) and iron and steel articles (7%).



05

EVENTS



1. CONFERENCES & FORUMS



12 JAN, “Tripoli Economic Capital of Lebanon and its Location on the Silk Road” Conference:

IDAL participated in the conference organized by the Chamber of Commerce for Tripoli and the North.

20 FEB, Arabnet Conference:

IDAL participated in the Arabnet conference to announce the services of its Business Support Unit (BSU) for startups. IDAL had a booth at the conference with free live legal and auditing advice to all startups wishing to open and operate a business in Lebanon.

20 MARCH, CONFEX:

IDAL participated in the CONFEX conference organized under the patronage and presence of the Prime Minister. In his intervention in the “What after the economic studies and sectoral plans?” session, Chairman Nabil Itani focused on the role of IDAL in supporting productive sectors and entrepreneurs.

9-11 APRIL, AIM 2018:

IDAL participated in the Annual Investment Meeting AIM 2018 held in Dubai. Chairman Itani met with the Lebanese Ambassador in Dubai Fouad Dandan and Consul Assaf Doumit and discussed ways of enhancing and promoting Lebanon as a place to do business.

12-13 APRIL, 4th Digital Games Conference & Exhibition:

IDAL sponsored the Lebanese Pavilion at the 4th Digital Games Conference and Exhibition held in Dubai. Lebanese SMEs in the field of technology showed their readiness for investments, as they are able to take advantage of the growing trend of the digital gaming market in the MENA region.

17-21 APRIL, Regional Seminar:

IDAL and the OECD organized a regional seminar on “Promoting business linkages in global value chains: Policies and tools”, hosting government representatives along with investment and development officials from Mediterranean countries.

This conference provided the necessary tools to improve linkages and boost regional economic development. The seminar’s recommendations emphasized on the need to promote economic zones, boost expatriate investments and activate the cooperation between the public and private sectors among others.

23- APRIL, “Future Health” Forum:

IDAL participated in the “Future Health” Forum organized by the Ministry of Public Health along with Al-Iktissad Wal-Aamal Group. Lebanon boosts many promising opportunities enabling it to become a hub for health tourism in the region.

25-26 APRIL, SMARTEX:

As a strategic partner, IDAL sponsored the SMARTEX Conference and Exhibition, which was inaugurated under the patronage of the Minister of Communications. The Smartex focused on the innovation and entrepreneurship role in launching creative ideas and turning them into projects.

30 APRIL, ArabNet Digital Summit:

IDAL sponsored the participation of nine Lebanese startups in the Arabnet Digital Summit held in Dubai, which hosted more than 1,800 participants from 30 countries around the world. Lebanon’s participation in this global event has allowed access to the latest innovations that will characterize the digital world in the region.

12 JULY, Arab Economic Forum:

IDAL participated in the Arab Economic Forum in its 26th edition as a golden sponsor. During the session on “The future of investment in the Arab countries,” Chairman Itani stressed on the need to support and encourage new sectors that are based on innovation and knowledge.

1. CONFERENCES & FORUMS



4-5 OCT, TAIEX Workshop:

IDAL, in cooperation with TAIEX, and with the support of the EU Delegation in Lebanon, organized a workshop on enhancing the business environment. Experts Wadih Al-Ashqar, CEO of Start-up Stockholm and Philippe Yverniaux, Director of International Cooperation at Business France, highlighted their countries' experiences in supporting and providing suitable growth environment to startups. The recommendations emphasized on the need to activate partnerships with the business community, incubators and chambers of commerce, promote exports of startups and update related laws.

12-15 OCT, 3rd Annual Lebanese Bulgarian Business Council:

IDAL participated in the third meeting of the Lebanese-Bulgarian Business Council held in Bulgaria, under the patronage of the Lebanese-Bulgarian Chamber of Commerce in the presence of organizations, associations and representatives from all business sectors.

14-18 OCT, GITEX:

IDAL participated in GITEX 2018, held in Dubai, supporting 21 Lebanese companies in two distinct pavilions: the first sponsored by Lebanon Softshore Cluster dedicated to small and medium-sized enterprises and the second sponsored by Speed@BDD dedicated to startups.

Lebanon won the first prize at GITEX Future Stars for Startups. Spike, an application for diabetics, won the Supernova Champion Competition, with a prize of USD 100,000. Maj Solution also won the Best Female Led Startup category with a prize of USD 10,000 in financing. The application seeks to move construction towards digitalization. Also, Slidr.com won the first prize for Automatic Placement through Fintech Hive's Investor's Day for its innovative application that enables lower price detection of the latest products, electronics and accessories. Spike also won the challenge of innovation in health care.

22 OCT, The World Investment Forum:

IDAL participated in the "World Investment Forum in Sustainable Development" organized by UNCTAD in Geneva.

22-23 OCT, OECD Regional Seminar:

IDAL, represented by its Chairman Itani, participated in the OECD conference on "Making Investment Promotion Work for Sustainable Development: Trends and Practices in the Mediterranean", held in Paris. IDAL's intervention tackled the role of IPAs in attracting new qualitative investments, positively impacting society in terms of reducing unemployment and alleviating poverty.

27-29 NOV, The Seedstars MENA Regional Summit:

IDAL sponsored the Seedstars MENA Regional Summit hosted under the Patronage of the Prime Minister's Office held in Beirut. The summit aimed at bridging the gap between ecosystems and connecting regional stakeholders in order to promote and foster entrepreneurship and technology in emerging markets as a way to impact people's lives. IDAL sponsored two workshops in the summit; a Healthtech workshop and a private investor forum. The Healthtech workshop gathered 30 participants to discuss the use of technology to tackle health-related local and regional issues, map the Healthtech landscape in MENA, and come up with concrete advice to foster the scaling of Healthtech solutions.

4 DEC, Investment Policy Review- Special Meeting on Lebanon:

IDAL's Chairman headed the Lebanese delegation to the special meeting on Lebanon held at the UN in Geneva, in cooperation with UNCTAD to present the "Investment Policy Review". The recommendations focused on the revision of the legal framework for investment, reforms of the business environment, the development of a strategy to promote investment and the enhancement of IDAL's institutional framework.



2. DIASPORA ENGAGEMENT



2-3 FEB, LDE for Africa:

IDAL took part in the Lebanese Diaspora Energy - LDE conference organized by the Ministry of Foreign Affairs in Ivory Coast. It provided a great opportunity to meet with expatriates and to promote investments in Lebanon. On the sidelines of the conference, IDAL's pavilion was visited by a great number of expatriate businessmen who were briefed on the services and facilities provided by IDAL.

7-12 FEB, LDE Australia:

IDAL's participation at the LDE Conference, organized by the Ministry of Foreign Affairs in Australia, was a great opportunity to promote the investments in Lebanon. The conference was also an opportunity for IDAL's Chairman to meet with expatriates in Sydney and Melbourne, where expatriate affairs were discussed, focusing on how to involve the Lebanese Diaspora in economic development. On the sidelines of the conference, IDAL's pavilion was visited by a great number of expatriate businessmen who were briefed on the services and facilities provided by IDAL.

10-11 MAY, LDE Beirut:

IDAL took part in the Lebanese Diaspora Energy - LDE conference held in Beirut in its fifth edition. The conference was a great opportunity to meet with our Lebanese Diaspora from all over the world, share their interest in investing in Lebanon, celebrate their stories of success and engage in a strong and symbiotic partnership with their fellow countrymen.

6 AUGUST, Immigrant's Reunion 2018:

As a gold sponsor, IDAL supported the Immigrants' Reunion 2018 organized by the Lebanese International Business Council (LIBC) in Beirut under the patronage of Prime Minister Saad Hariri. IDAL's session on a "New Vision for Investment in ICT" focused on the sector's potential and the promising opportunities it offers. IDAL deploys every effort to promote Lebanon as an ICT platform in the region based on the enabling environment which boosts, among others business accelerators, incubators and funds that provide financing to investors in the sector.



3. SECTOR PROMOTION



23 JAN, Visiting Incubators & Business Accelerators:

IDAL visited a number of incubators and business accelerators, where it held meetings with startups in order to introduce the newly established Business Support Unit at its premises.

7-9 FEB, Fruit Logistica Exhibition:

Within the framework of support to productive Lebanese sectors, IDAL's Chairman inaugurated the Lebanese pavilion at Fruit Logistica exhibition, which was held in Germany.

19 FEB, Launch of the Business Support Unit (BSU):

IDAL announced the launch of the Business Support Unit (BSU) in the presence and patronage of the Prime Minister. The unit is an answer to a need from the business community and is the first of its kind within the framework of a government entity in Lebanon, providing free legal advice and financial services to start-ups, allowing their owners to build on sound legal and scientific grounds, which will enhance the entrepreneurship and attractiveness of the investment climate in Lebanon.

3 MARCH, Workshop for Specialized Economic Clusters:

Upon invitation from the Cultural Salon in Qobayat, IDAL organized a workshop to promote the concept of productive designation of the region, in preparation for the launch of an initiative aimed at establishing specialized economic clusters (one cluster, one product).

12 MAY, Iklim Al Kharoub Cluster:

IDAL sponsored the launching of the first phase of the special economic zone project in the Iklim Al Kharoub region. IDAL is working to spread the specialized economic zones culture (One Cluster One Product) to all Lebanese regions. The institutions related to a certain production are grouped together in one place to deliver one product bearing the identity of the region in which it is famous and linked geographically to it.

18 SEP, Workshop in Higher Metn:

IDAL, in collaboration with the Higher Metn Municipality Union, organized a workshop to discuss the investment opportunities available in the region to leverage the competitive advantages and ways of supporting SMEs. IDAL suggested the development of the 'One Cluster-One Product' initiative focusing on pine nuts, apples, honey, health and eco-tourism.

2 OCT, Ministry of Economy & Trade Workshop:

IDAL participated in a workshop organized by the Ministry of Economy & Trade on "Enhancing the Work of Small and Medium Enterprises in Lebanon". IDAL presented a proposal for the establishment of the 'One Product-One Cluster' initiative to be included in the reform agenda of the government. These clusters will contribute to the economic growth in Lebanon through the generation of new job opportunities, increasing Lebanese competitiveness, the enhancement of innovation and entrepreneurship and the growth of export capacity.

12 DEC, Seminar on "Global Value Chain":

IDAL, in collaboration with SGS Company, organized a seminar on the "Global Value Chain", which highlighted new prospects for development in the agriculture sector. The Global Value Chain consists of a comprehensive development process that includes a series of activities contributing to the establishment of product value, from research and development to manufacturing and marketing, thus preserving the Lebanese product position in traditional markets and allowing access to new markets.



4. FOREIGN DELEGATIONS & DIPLOMATIC VISITS



23 FEB, Visit of Egyptian Minister of Investment:

Chairman of IDAL met with the Egyptian Minister of Investment Mrs. Sahar Nasr. Discussions tackled ways to strengthen economic ties, specifically investment, between Egypt and Lebanon. IDAL urged the enhancement of the Memorandum of Cooperation signed between IDAL and Egypt's General Authority for Investment (GAFI).

14 MARCH, Visit of Polish Business Delegation:

IDAL welcomed a delegation of Polish businessmen at its premises, where they discussed ways to enhance economic and investment cooperation between Lebanon and Poland.

22 MARCH, Visit of Delegation from Çukurova Development Agency:

IDAL welcomed two experts from the Çukurova Development Agency, Turkey. Discussions tackled the strengthening of bilateral relations, especially encouraging investments and exchanging expertise.

22 MARCH, Egyptian Ambassador Visit:

IDAL's Chairman met with Egyptian Ambassador to Lebanon Nazih Al-Najari. Discussions tackled the possibility of enhancing the M.LEB program through the opening of a passageway for trucks, from Fouad Port by land to Safaga Port, and then by sea to Duba in Saudi Arabia.

14 MAY, Ambassador to Canada:

IDAL's Chairman met with Lebanese Ambassador to Canada Fadi Ziadeh who invited IDAL to be a main partner at the LDE Youth Conference in Montreal in Sept 15-16 2018.

7 JUNE, Meeting with Secretary General of the Federation of Arab Chambers:

IDAL's Chairman and the Secretary General of the Federation of Arab Chambers Dr. Khaled Hanafi discussed ways to enhance economic relations between Arab countries through the strengthening and the increase of inter-Arab trade, the activation of inter-Arab investments and the attraction of FDI to the region. They stressed on the need to keep pace with modern technology and encourage entrepreneurship and its role in inspiring Arab youth to launch innovative ideas and turn them into viable projects.

14 JUNE, UNCTAD Delegation Visit:

IDAL's Chairman met with a delegation from UNCTAD and the Ministry of Economy & Trade to discuss the Special Economic Zone Initiative 'One Cluster-One Product' aimed at promoting economic growth by providing support to entrepreneurs.

18 SEP, Japanese First Secretary Visit:

IDAL's Chairman discussed with Mr. Mitsuhiro Wada, the First Secretary and Head of the Economic Cooperation Section of the Japanese Embassy in Lebanon, ways of enhancing bilateral investment relations, in light of the interest shown by Japanese companies in the Syria construction process. The exchange of visits between Lebanese and Japanese businessmen is sought in order to deepen knowledge about the economy of both countries.

10-11 DEC, Training Course for Newly Appointed Economic Attachés:

In cooperation with the Lebanese Ministry of Foreign Affairs, IDAL organized a two-day training course for the newly appointed economic attachés in 20 Lebanese embassies worldwide, focusing on the investment climate and the promotion of investments and Lebanese exports worldwide.



5. INVESTOR SUPPORT



16 MAY, Package Deal Contract:

IDAL handed over the Package Deal Contract to the Sunset project. The Sunset project is a tourist complex in Ramlet Al-Bayda in Beirut with an investment value of USD 37.2 million, providing 230 direct job opportunities upon completion.

30 MAY, Package Deal Contract:

IDAL handed over the Package Deal Contract to the General Paints Company S.A.L. represented by its Chairman Mr. Johnny Al-Korm. The project consists of expanding the existing factory in the Ghazir region to produce car paints and derivatives. The investment size of this expansion is around USD 8 million and will provide 50 new job opportunities in addition to the 122 already existing.

12 JUNE, Package Deal Contract:

Forest Resort Received the Package Deal Contract from IDAL. The investment value of this tourism project is around USD 18 million. Upon completion, it will provide 219 new jobs. The project is located in the Ain Saadeh region.

18 JULY, IDAL's Visit to Packaging Houses in North Lebanon:

As part of its support to Lebanese agricultural exports, IDAL's team visited a number of vegetable and fruit packing houses in North Lebanon, checking the standards adopted within the framework of the Agri Plus program. This program allowed for the improvement of the packaging centers and their development, through attaining the HACCP and ISO certificates (20 centers to date), and the increase of the number of farmers who have obtained the "Global Gap" certificate among others (16 farmhouses).

26 JULY, IDAL's Visit to Investment Projects in South Lebanon:

As part of its support to Lebanese agricultural exports, IDAL's team visited a number of projects in South Lebanon, to check the standards adopted within the framework of the Agri Plus program. 20% of the packing houses in the South have been awarded HACCP and ISO certificates.

9 AUGUST, IDAL's Visit to Investment Projects in Mount Lebanon:

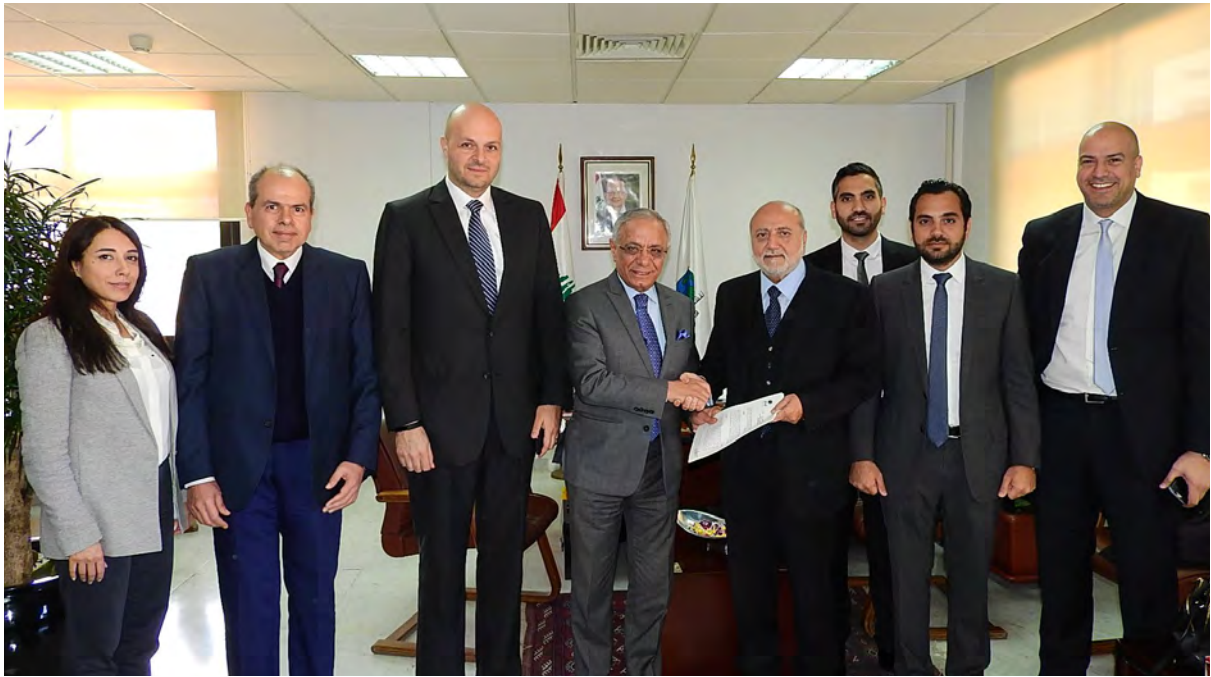
IDAL's Chairman visited investment projects that benefited from the incentives stipulated in Investment Law No. 360 in the Keserwan and Jbeil regions. The industrial sector to which these projects belong enjoys enormous potential for growth and expansion. Many promising opportunities in the industrial sub-sectors show great potential and readiness for investment.

8 OCT, Meeting with Representatives of the CCIB:

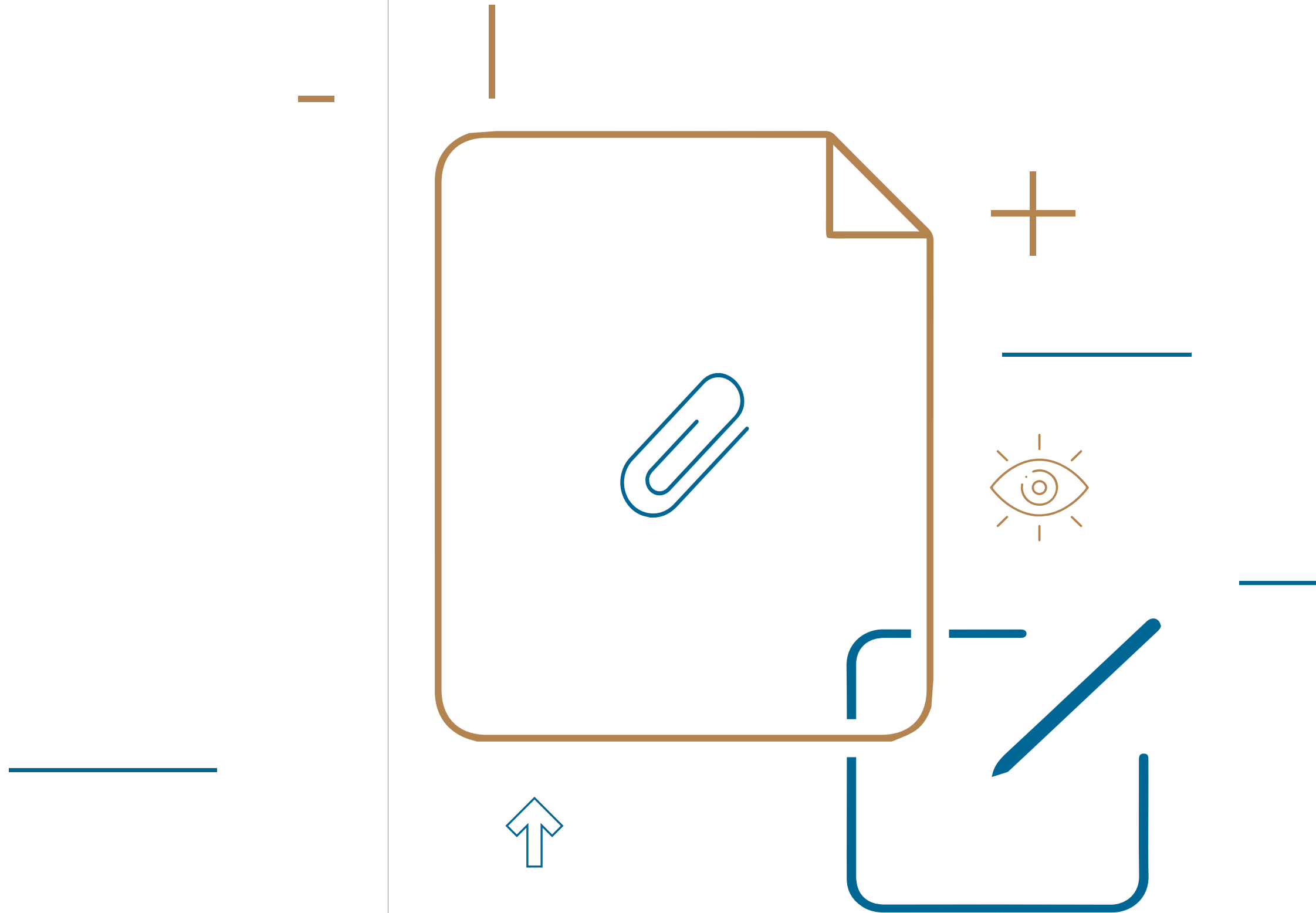
Within the framework of its support to Lebanese agricultural exports, IDAL's Chairman met with representatives of the Chambers of Commerce, Industry and Agriculture in Lebanon (CCIB) to discuss ways to increase agricultural exports and enhance their ability to enter new markets. The discussion also tackled the participation of Lebanese productive firms in international and regional exhibitions, supported by IDAL as a main partner. The Agri-Plus program was also discussed considering the improvements adopted by a number of packaging houses and agricultural crops as they have been awarded international quality certificates.

9 OCT, IDAL's Visit to Packaging Houses in Bekaa:

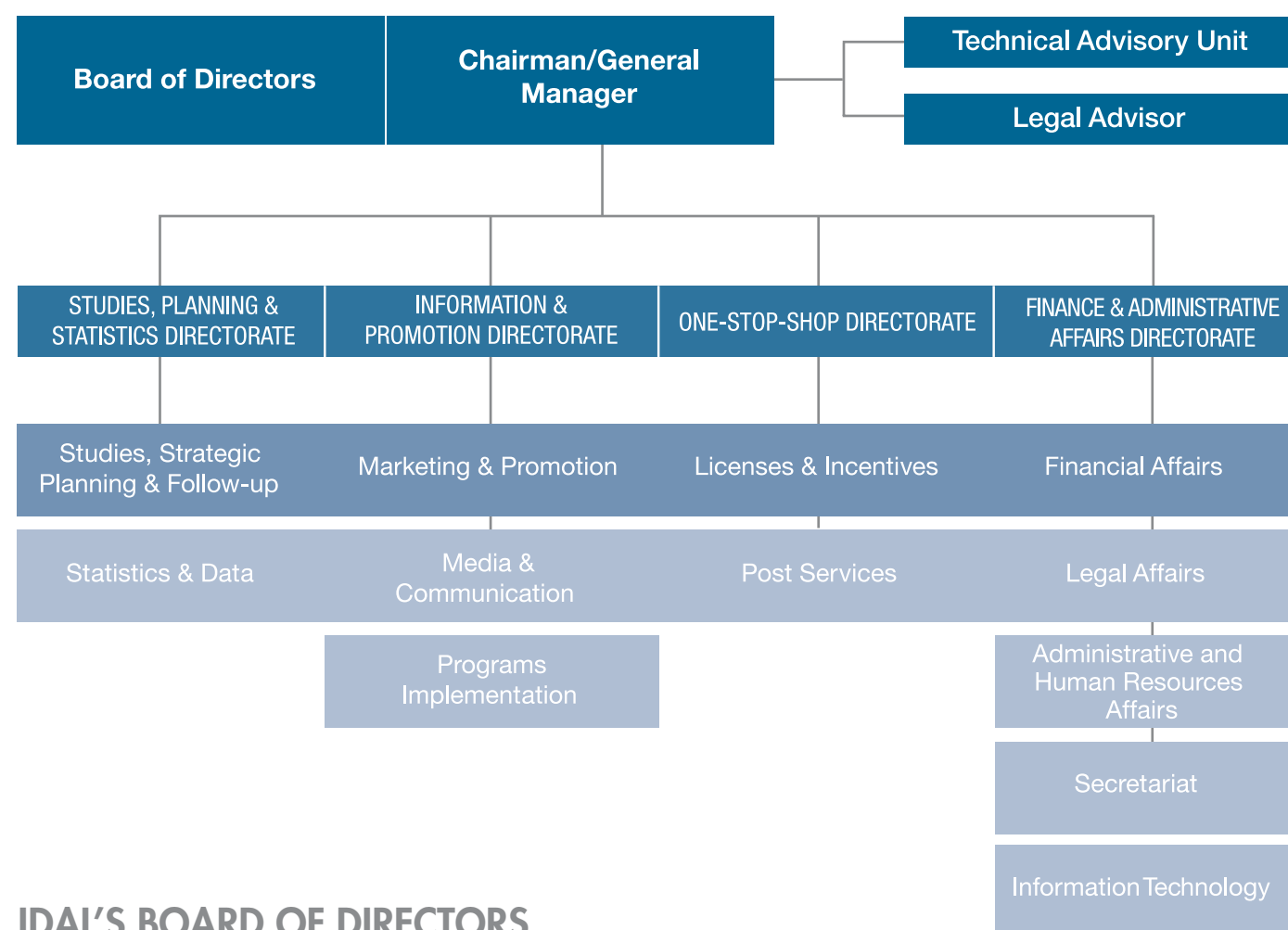
IDAL's team visited several vegetable and fruit packing houses in the Bekaa, as part of the institution's support to Lebanese exports by ensuring the adoption of quality standards within the framework of the Agri-Plus program.



APPENDIX



+ ORGANIZATION & GOVERNANCE STRUCTURE



IDAL'S BOARD OF DIRECTORS

Chairman & General Manager:

Mr. Nabil Itani

Board Members:

Mr. Georges Kassab (Full-Time Board Member)

Mr. Wassim Audi

Mr. Ramzi El Hafez

Mr. Mourched El-Hage Chahine

Mr. Farid N. El Kheshen

Government Commissioner:

Dr. Nassib Hoteit

+ ABOUT IDAL

WHO WE ARE

The Investment Development Authority of Lebanon (IDAL) is the national investment promotion agency that was established in 1994 with the aim of promoting Lebanon as a key investment destination, and attracting, facilitating and retaining investments in the country. IDAL enjoys financial and administrative autonomy and reports to the Presidency of the Council of Ministers who exercises a tutorial authority over it.

WHAT WE DO

Investment Law No. 360 that was enacted in 2001 reinforced IDAL's mission, providing a framework for regulating investment activities in Lebanon, and providing investors with a range of incentives and business support services. In addition to its role as investment promotion agency, IDAL is entrusted with the active promotion and marketing of Lebanese exports including agricultural and agro-industrial products.

OUR SERVICES

- Facilitating the issuance of permits and licenses required for starting and operating a business through coordinating with corresponding public institutions.
- Granting various types of fiscal exemptions and fees reduction to investment projects as stipulated in Investment Law No. 360.
- Providing economic, commercial, legal, industrial and other information relevant for investment decisions.
- Identifying and promoting investment opportunities in various growth promising sectors.
- Mediating between investors and entrepreneurs to identify potential joint-venture opportunities.
- Providing information on economic sectors with investment potential.
- Participating in the capital of joint-stock companies in specific fields.
- Providing advice on issues affecting the investment climate in Lebanon.
- Arranging for business meetings with officials from both private and public sectors.
- Providing after-care services for investment projects.

IDENTIFIED TARGET SECTORS

Investment Law No. 360 identified a set of priority sectors that showed the most promising opportunities in terms of their investment potential and impact on socio-economic growth. The identified sectors include: Industry, Agriculture, Agro-Industry, Tourism, Information, Communication, Technology and Media.



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