# IDAL
## INVEST IN LEBANON
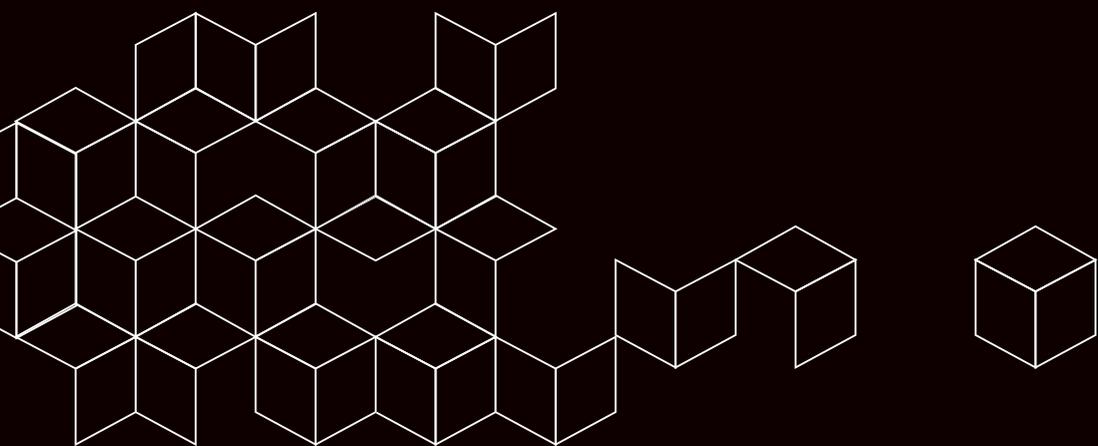
# TELECOMMUNICATION
## FACT BOOK
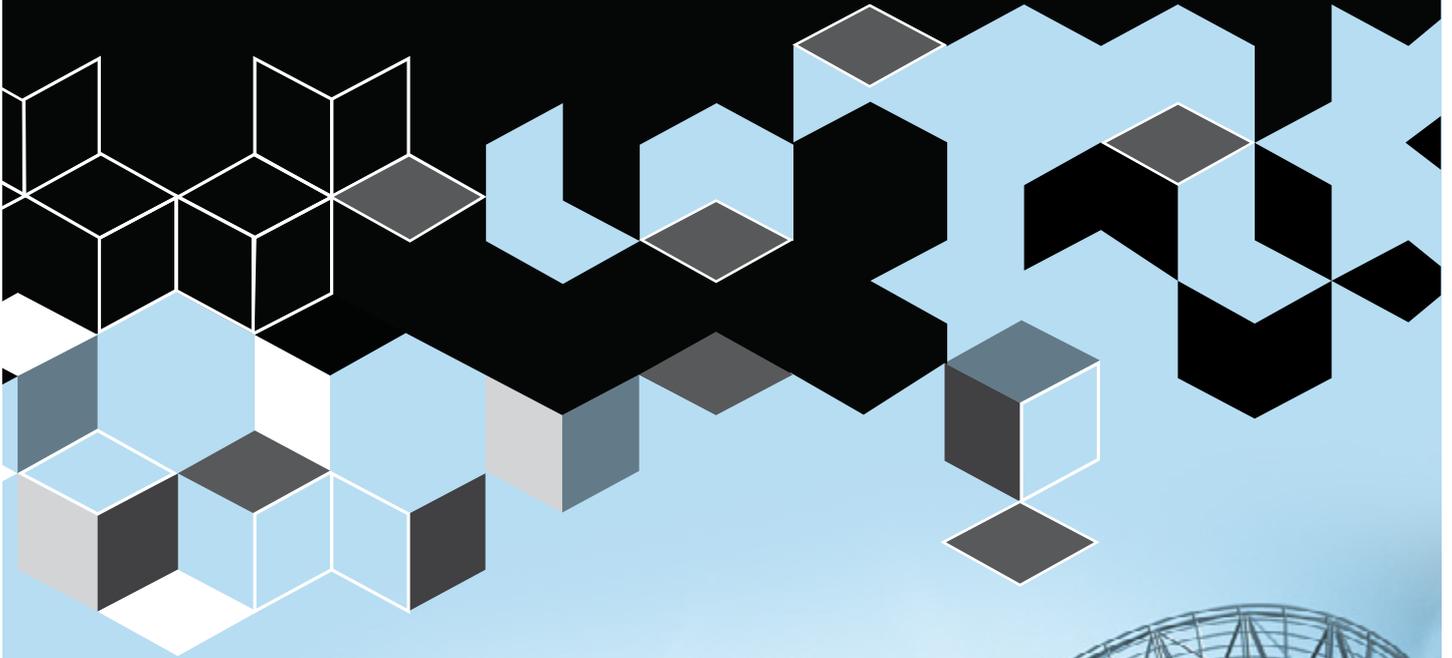
# Content

# SECTOR
# OVERVIEW

# 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. These included the upgrading of the country's infrastructure, the regulation of telecom services as well as the revision of tariffs, coverage and accessibility. Telecom solutions have since diversified, ranging now from basic telecommunication services to innovative Value Added Services solutions **(VAS).**

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 2011.

## FIXED TELEPHONY

Day-to-day operations in fixed telephony are carried out by the state-owned enterprise **OGERO**[1], the only entity responsible for fixed telecom operations in the country. Fixed telephone subscribers currently amount to 854,000 corresponding to a penetration rate of 21%, the highest in the region **(Table1)** compared to a regional average of 9.6%

**Table 1:** Fixed-telephone subscriptions in Lebanon

| Fixed-Telephone subscriptions | April 2012 |
|---|---|
| Fixed Telephone subscriptions **000s** | **854** |
| Fixed Telephone Penetration rate | **21%** |

**Source:** Ministry of Telecommunications, **2012**

## 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 second.

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 countries. Mobile penetration rates hovered at 78.7% in 2011, similar to levels registered in selected emerging economies but still lower than the Arab average of 96.7%, highlighting room for additional growth in the medium term.

Mobile broadband penetration rates have also been on the rise, reaching 17.2% at end of May 2012, compared to 13.3% in Arab states. The 722,000 mobile broadband subscribers record a 158% increase from the 280,000 subscribers base the year before **(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. As a matter of fact, mobile broadband speed increased by 18 times at end of May 2012 to reach 1.2 megabytes, while the prices went down by 40% during the same period.

**Table 2: Mobile broadband subscriptions in Lebanon**

| Mobile Broadband subscriptions | 2011 | 2012 |
|---|---|---|
| Mobile broadband penetration rates | **6.7%** | **17.2%** |
| Number of mobile broadband subscribers | **280,000** | **722,000** |
| Average speed of mobile broadband | **70 Kilobytes** | **1.2 Megabytes** |

**Source:** Ministry of Telecommunications, **2012**

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[1] **OGERO** Organisme de Gestion et d'Exploitation de l'ex Radio Orient

Mobile broadband speed increased by 18 times at end of May 2012 to reach 1.2 megabytes, while the prices went down by

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According to UNCTAD, around

# 37%

of the Lebanese population was using a smartphone in 2011.

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. According to UNCTAD, a high percentage of the Arab population are using smartphones with 57% of the KSA population, 48% of the Jordanian and 37% of the Lebanese population using these phones in 2011.

**Figure 1:** Forecasted mobile subscribers penetration in Lebanon | % population
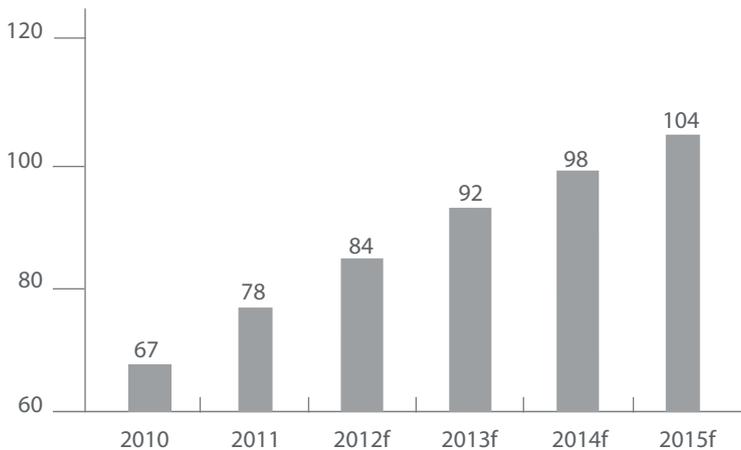


**Source:** Deloitte & Touche

## BROADBAND

By end of 2010, Internet and wireless broadband services were provided to both residential and corporate users by 30 licensed Internet Service Providers.
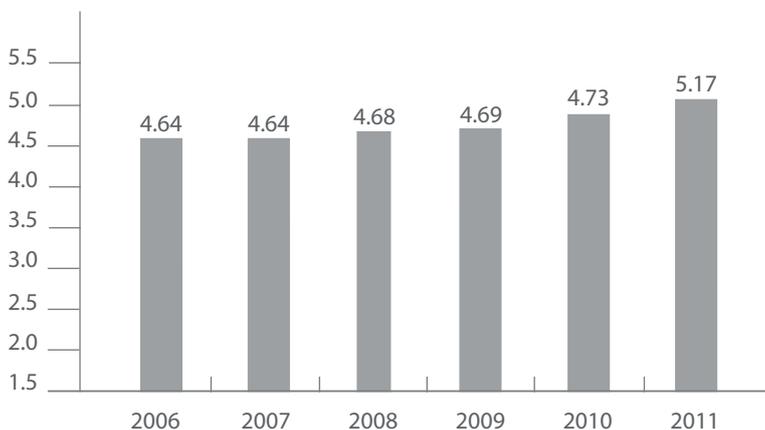
Fixed broadband penetration rates reached 5.2% in 2011 per inhabitant **(Figure 2)**, one of the highest rates amongst the Levant countries, and fairly well ranked compared to other MENA economies **(Figure 3).**

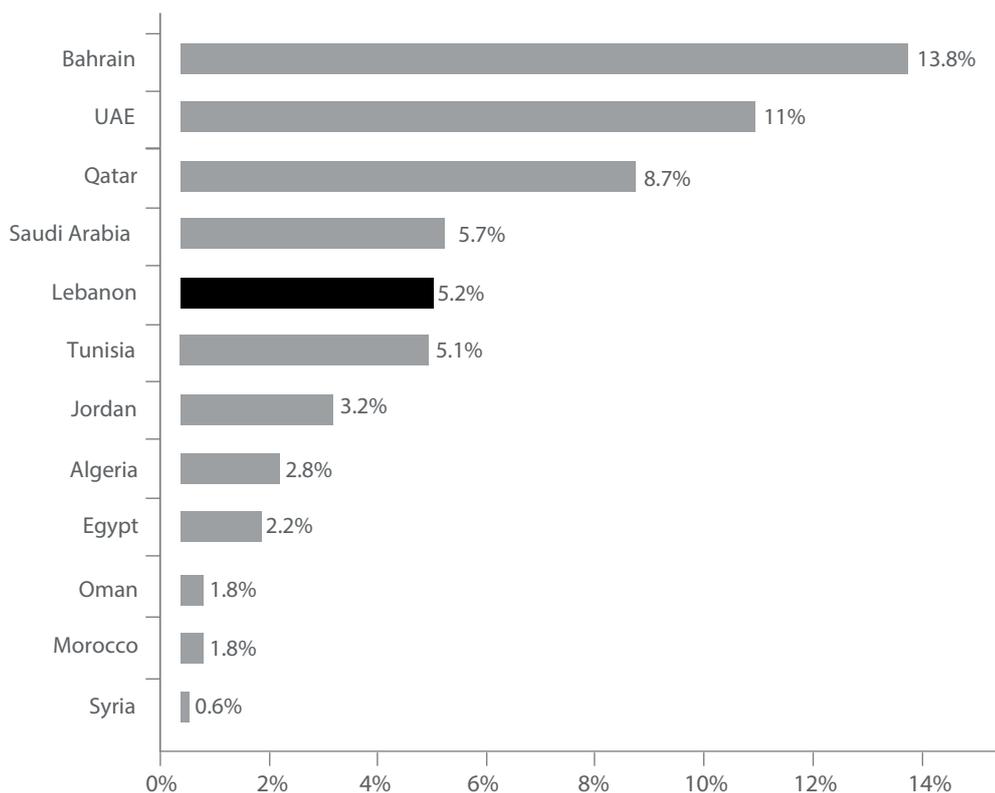Fixed broadband penetration rate reached a value of

# 5.2% e

in 2011 per 100 inhabitants

**Figure 2:** Fixed Broadband Penetration rates in Lebanon | subscriptions per 100 inhabitants



**Source:** International Telecommunication Union

5

**Figure 3:** Fixed Broadband Penetration in Selected Arab Countries at **end-2011 | subscriptions per 100 inhabitants**



| Country | Penetration |
|---|---|
| Bahrain | 13.8% |
| UAE | 11% |
| Qatar | 8.7% |
| Saudi Arabia | 5.7% |
| Lebanon | 5.2% |
| Tunisia | 5.1% |
| Jordan | 3.2% |
| Algeria | 2.8% |
| Egypt | 2.2% |
| Oman | 1.8% |
| Morocco | 1.8% |
| Syria | 0.6% |

**Source:** International Telecommunication Union

The fixed broadband penetration rate per household hovers now at 24 %, compared to a 20% rate in 2011, (Table 3) still a low figure compared to selected MENA countries but clearly highlighting opportunities for providers (Figure 4).
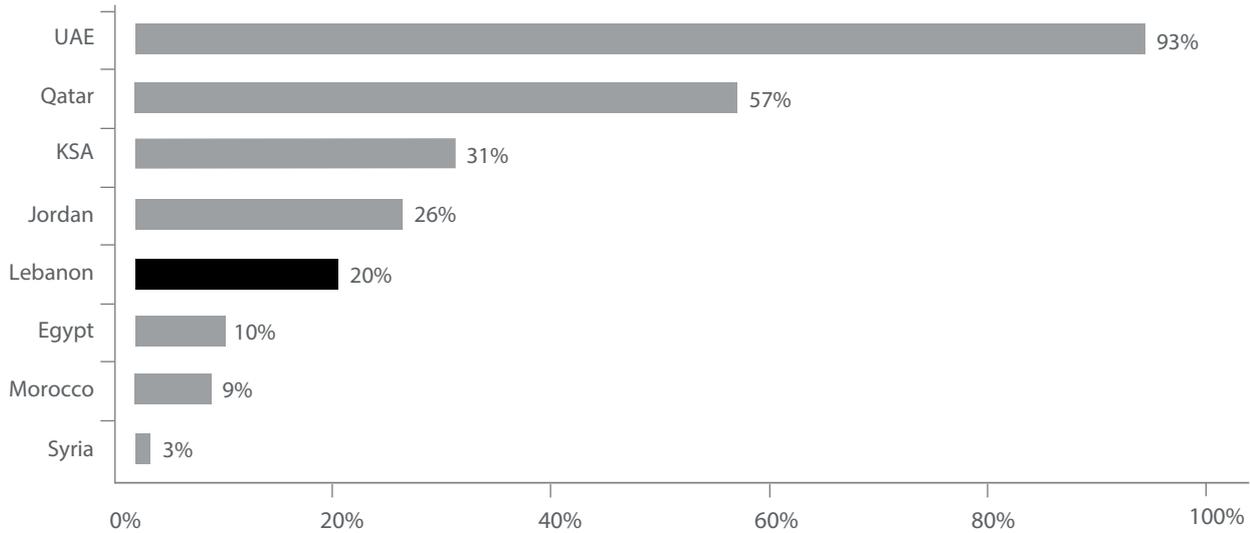
However the aggressive upgrade of the internet infrastructure and the expansion and modernization of national transmission network are expected to fuel an exponential expansion of the subscribers base.

**Table 3:** Fixed broadband in Lebanon

| Fixed Broadband subscriptions | 2011 | 2012 |
|---|---|---|
| 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**

**Figure 4:** Fixed Broadband Penetration in Selected Arab Countries at **end-2011 | subscriptions per 100 households**

| Country | Penetration |
|---------|------------|
| UAE | 93% |
| Qatar | 57% |
| KSA | 31% |
| Jordan | 26% |
| Lebanon | 20% |
| Egypt | 10% |
| Morocco | 9% |
| Syria | 3% |

**Source:** International Telecommunication Union

## 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 times. 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 development. In addition, the price of international leased lines  to companies decreased from USD 15,000 to USD 2,700. For Low and High Usage Packages, the extra MB Price in Lebanon is 58% and 54% below the Arab average respectively.

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Usage at night is now unlimited and free of charge

**33%** **BEIRUT**

cheaper for companies located at more than 20km from Beirut

## 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 with a capacity of 33 gigabytes per second, as the capacity of submarine cables increased by 11 times in the previous year. Wimax services have been deployed since 2008 and recent broadband projects also include the launch of LTE networks with a speed of 173 MB/second. Fourth generation mobile networks are made ready for any needed upgrade in the future.

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 path . The activation of the IMEWE cable in 2011 resulted in the increase in international capacity and the reduction in prices of the internet and the international leased lines.

# INVESTMENT
## OPPORTUNITIES
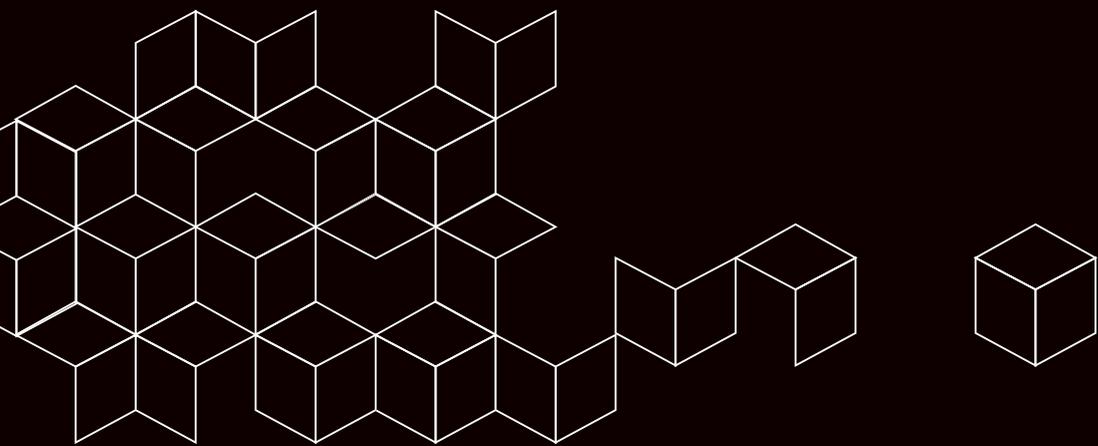
## CALL CENTERS

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 2013[2] and cover the world's largest consumer markets.

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

| *Teleperformance* Transforming Passion into Excellence | Call Center International | *Atelka* | Jana,LIBACOM |
|---|---|---|---|
| In 2009, Teleperformance, the French provider of contact based CRM has opened its call center in Lebanon. | 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, 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.



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# 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 system (CBIO) among telecommunications companies and mobile operators.  So far, this service is only available in 10 similar centers in key locations worldwide.



**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

*"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".*
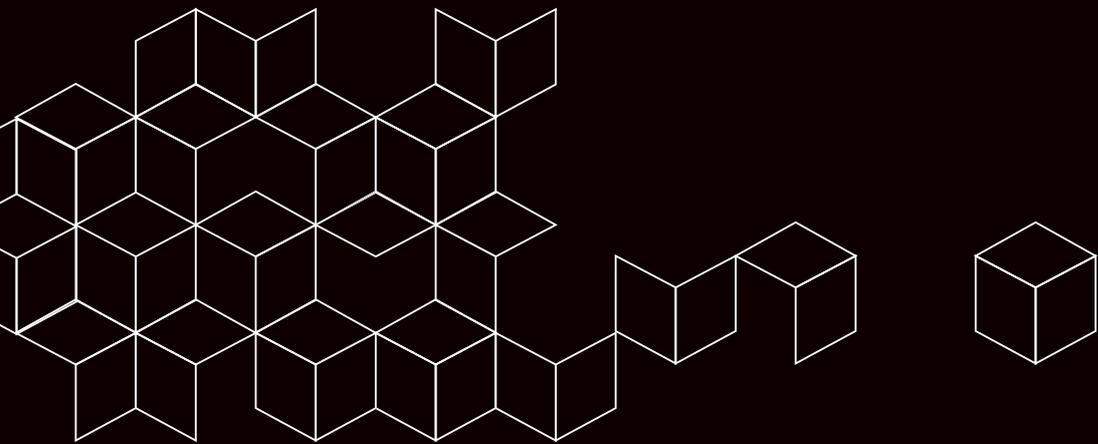
*Hans Severin, Ericsson Lebanon Communications*

# 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.
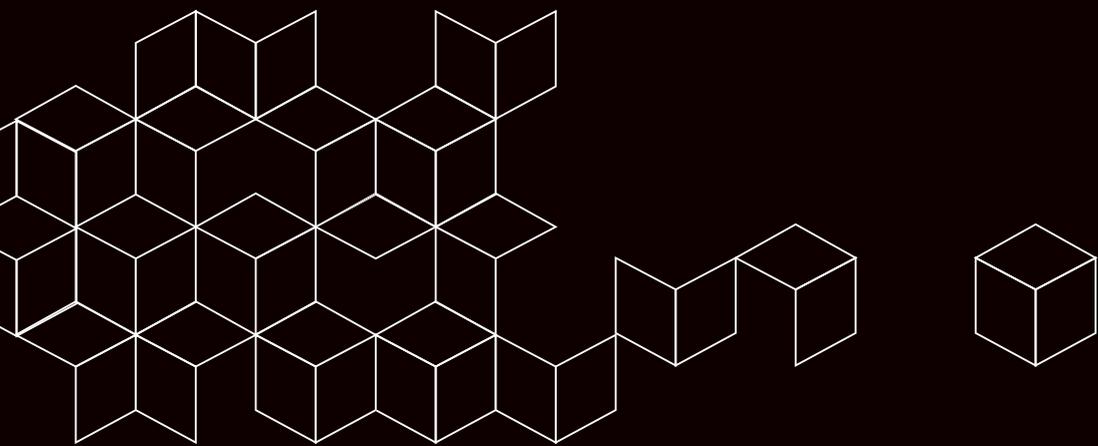
## Law on Anti-dumping, Subsidies and Safeguards

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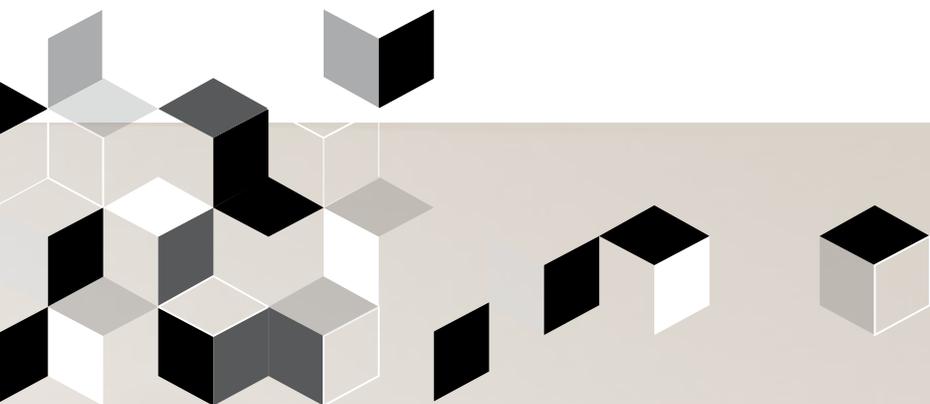
# USEFUL
# CONTACTS

# 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.berytech.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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