

Press Release

Lebanon represented at the International Outsourcing Forum in France

Beirut, October 8, 2013 – The Investment Development Authority of Lebanon (IDAL) participated for the first time in the International Outsourcing Forum, held in Reims, France on the 3rd and 4th of October, where it promoted Lebanon as an outsourcing destination for multinational companies. IDAL's participation in this event comes within the institution's overall strategy to promote Lebanon as a key investment destination in the region for outsourcing activities mainly ICT services and Call Centers, two activities in which Lebanon presents a competitive advantage in.

During the two-day conference, IDAL's representatives joined several other country and city representatives in promoting the attractiveness of their regions as adequate business destinations to a large number of multinationals seeking to identify outsourcing solutions throughout their operations. Multinationals present included Alcatel Lucent, British Petroleum, DHL Express, General Electric, Llyods, Nissan Europe, Orange Business Services, Sanofi-Aventis, and many others. IDAL's representatives were also accompanied by two Lebanese companies who had the opportunity to present their service offering to international companies through customized B2B meetings.

Landscape of Business Process Outsourcing Activities in Lebanon

The Lebanese landscape for business process outsourcing (BPO) activities has been evolving over the last decade with a number of Lebanese companies mushrooming to offer a broad range of outsourcing services under three main subsectors: Call centers, BPO services, and ITO. Services offered by local companies include Sales & marketing, Technical support, Transaction processing, Customer care, Finance & accounting, CRM consulting & support, Software products, and other businesses. More than 200 companies are involved in call center, ITO (information technology outsourcing) and BPO activities, with 13 operating as call centers and the remaining offering IT solutions. In total, these companies employ more than 5050 employees with more than 90% of these employees in high value added services. These companies have already established a solid track record and now serve an array of local regional and multinational companies such as Samsung, Toshiba, Orange, Nestle, etc.

Policy Recommendations for Better Industry Positioning: What can Lebanon do to become the outsourcing hub for the MENA region? As economic growth is now coming from emerging markets, countries which are strategically positioned to access these emerging markets may be able to reap great business advantages.

Lebanon is adequately positioned to serve the growing Gulf market, given its location and cultural affinities to the region. It should therefore seek to leverage this position and attract more regional players.

Three main elements usually affect the decision of companies in the outsourcing industry: Labor (both cost and quality), Infrastructure, and an adequate Business environment. While Lebanon is able to compete successfully at this stage with regards to its labor pool, additional improvements have to be made at the level of the infrastructure and the Business Environment.

The labor pool poses as one of Lebanon's key advantages in the industry for a variety of reasons. The country has one of the best educational systems internationally, allowing Lebanon to offer a tri-lingual highly skilled labor force - a top consideration for outsourcing decisions. While this labor force may not be as cheap as global outsourcing giants like India and the Philippines, it is cost competitive and able to offer comparable quality to Eastern European countries which have recently become a preferred high quality outsourcing destinations for multinationals (with an

average labor cost of 9.6 USD / hour for Lebanon compared to around 13.2 USD / hour in the Czech Republic for instance). In fact, while cost has been the main variable in outsourcing decisions, the past 5 years have seen a heavier shift towards talent and quality considerations, with increased importance allocated to efficiency and customer satisfaction. Where Lebanon cannot position itself in terms of cost and scale, it can definitely compete at the level of productivity. According to Nabil Itani, Chairman of IDAL, hiring skilled labor in high value added sectors is being one of the key determinants for international companies for choosing Lebanon to serve the region due to the combination of talent and wages.

That being said, it remains evident that as companies move higher into the value chain of the BPO industry, activities will shift into more skill demanding subsectors, especially in the BPO and IT outsourcing industry. While the industry gains pace, ultimately it will require the presence of ITO focused university programs and training to allow for a transition from entry level call center tasks into more technical and IT focused skills that are at the high end of the outsourcing industry. This will strengthen Lebanon's positioning as a provider of high quality call center and back office operations, especially for accounting and finance tasks

One main area of improvement remains the overall business environment. Lebanon should work on improving its competitiveness ranking, be it through international rankings like AT Kearny or the World Bank Location Readiness Index. Decision makers are increasingly using these ranking systems in their analysis and country choices. While parameters relating to risk and security remain hard to improve, Lebanon should channel its efforts into improving regulatory and infrastructure related indicators. The Presidency of the Council of Ministers has already established a task force to follow-up on the indicators and ways of improving them.

The outsourcing industry is one where Lebanon is highly capable of competing at the regional and international levels, given its cost competitive and highly skilled labor force. Lebanon, however, still has long strides to go in terms of promoting these competitive advantages, while other countries have already invested much efforts into improving their country images. Going forward, the government of Lebanon, through IDAL, aims to more aggressively promote its available talent to the world. By increasing its presence in relevant forums, and utilizing multiple investment promotion tools, IDAL can showcase Lebanon's competitive advantages and position the country among other prominent locations for successful IT and outsourcing operations and as such be able to create more job opportunities in the local market.

About IDAL

The Investment Development Authority of Lebanon (IDAL) is Lebanon's national investment promotion agency. It aims to promote Lebanon as a key investment destination, and attracting, facilitating, and retaining investments in the country. IDAL provides local and foreign investors alike with a range of incentives and business support services across the following sectors; Industry, Agriculture, Agro-Industry, Tourism, Information Technology, Technology, Telecommunication, and Media. In addition to its role as an investment promotion agency, IDAL is entrusted with the active promotion and marketing of Lebanese exports including but not limited to agricultural and agro-industrial products.

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