



INVESTMENT DEVELOPMENT
AUTHORITY OF **LEBANON**

Presidency of the Council of Ministers

ESTABLISHING AND EFFICIENTLY RUNNING A ONE-STOP-SHOP

GLOBAL FREE TRADE AND SPECIAL ECONOMIC ZONES SUMMIT

DUBAI, UAE

21-23 OCTOBER

Through my presidency at IDAL I have overseen many restructuring efforts that have played a significant impact in improving the investment climate in Lebanon and increasing investment flow to the country. This paper discusses the experience of an IPA in offering one stop shop services which differs from the model of a OSS in a special economic zone in terms of the boundary and scope of each entity. While SEZ are involved in dealing with one specific zone, the IPA's involvement broadens to encompass numerous government entities and stakeholders on a national scale and level. The challenges faced by IPAs are thus different and typically much complex due to the vertical involvement of many levels of governments across many sectors.

Many governments have introduced one-stop shops as part of their reform of the business climate. More specifically, OSS are mostly found in emerging economies and economies in transition to counter the existence of bureaucracy and red tape in public administrations. In these countries the experience has shown that **OSS had an impact in reducing the cost of doing business and increasing the flow of investments** through improved service delivery. At least 15 countries in the Middle East North Africa region have some kind of OSS in existence as part of their investment promotion efforts. Each offer different types of services ranging from:

1. Advisory services or One Window for information
2. Business registration
3. Issuing licenses and permits related to the operation of the project
4. Providing incentives
5. Aftercare services

The offering model of IPAs varies from one country to the other with some OSS just acting as a One window for business registration while others actually issuing licenses on behalf of other authorities. Based on my extensive experience in this sector and my contacts with multiple IPAs, I would like to discuss with you today the most optimal model that I see fit for a OSS that would provide the most optimal services to investors. More specifically, the types of services that should be centralized in OSS to make it efficient to investors

- On the **organization front**: OSS involvement should be limited to 3 tasks:
 - i. **Information provision**
 - ii. **Facilitation** through either issuing licenses in specific projects or coordinating with relevant authorities to speed the issuance of licenses. The example of countries in the MENA region and other developing economies has shown that practically all IPAs that tried to be involved in issuing licenses and permits encountered resistance by the various government agencies with the fear of seeing their authority and mandate being removed. As such we need to be realistic and focus the OSS tasks in functions where it has value add to the economy.

iii. **Aftercare services.** We have noticed that most of OSSs in developed countries and few in transition and emerging economies offer this service which is a critical function in investor retention.

- On the **governance front**: The IPA need to have strong political backing if it is involved in issuing licenses. It needs to have full cooperation from all government entities, and a properly implemented coordination mechanism need to be in place such as the one followed in **Lebanon**. The operating model that was followed consisted of assigning representatives or coordinators in the relevant ministries that would be responsible to feed the IPA with updated and credible information related to their work and mission in one hand and to follow up on the status of all licenses and permits to speed the process of permitting in the other. In Lebanon, 41 coordinators were assigned in the concerned ministries, authorities and institutions that has an influence on investments, economic sectors and regional development. By following this model, IDAL didn't see the need of having a large and overstaffed organization for the OSS; rather it operated on a **decentralized model**. **Egypt** also established a model of coordinators however with a **centralized model** with 200 staff from various organizations within GAFI and 200 staff from GAFI. OSS staff were remunerated based on the flow of investors they were able to generate and as such a fair incentive structure need to be provided to employees.
- On the **scope and function of involvement**: the OSS should be focused on specific sectors that have impact on the economy and society as job creation and regional development and rather should not carry the tasks of existing government entities. The OSS in Lebanon for example is focused on projects which match specific criteria in 8 sectors only thus streamlining its efficiency

As such, if IPA want to ensure the continuous flow of FDI, their OSS need to focus more and more on providing facilitation and aftercare services and this can be noticed from statistics compiled by UNCTAD:

- **84% of IPAs stated that Aftercare had higher or equal priority to their other activities for generating reinvestments or expansions of existing projects (UNCTAD).**
- **32% of all inward FDI came from reinvestments according to UNCTAD. This highlights the need for setting up Aftercare units to cater for these reinvestments.**
- **Noticeably, the higher the development stage of an IPA, the more diversified are its Aftercare services**

Examples of countries show that most IPAs in MENA countries still have aftercare services at their infancy stage while more advanced IPAs have strategic and more advanced services. To ensure investment retentions, IPAs need to expand the services in aftercare services and include the following:

Administrative Services

- Support in obtaining work permits for foreign nationals or spouses;
- Support in obtaining permits and permissions to expand;
- Assist in finding homes for transferred staff and schools for their children;
- Introduce investors to service suppliers.

Operational Services

- Support through the organization of seminars & training sessions;
- Business counseling;
- Help with export promotion;
- Identify local suppliers; Develop cluster networks to improve productivity and competitiveness;
- Assist in the setup of business cases to be presented to the parent company.

Strategic Services

- Support the development of new, upgraded products and services;
- Nurture local suppliers to international standards;
- Link directors and managers to high national policy and influencing networks;
- Advocate strategic policies with the government.

Lebanon's OSS is already providing some of these services and plans include implementing a standalone unit that would handle aftercare services. South Korea for example has an Investment Aftercare Team with its 'Home Doctors'* who cater for investors' needs, & the Investment Service Team. Each doctor is specialized in a field like legal, finance. In the UKTI the Investor Development Team consists of experienced Business Account Managers who work alongside existing inward investment companies to help them overcome their hurdles and give them the support they need to grow and reinvest.

Eng. NABIL A. ITANI
Chairman – General Manager
Investment Development Authority of Lebanon IDAL