



# FINTECH SECTOR IN LEBANON

► 2018 FACTBOOK



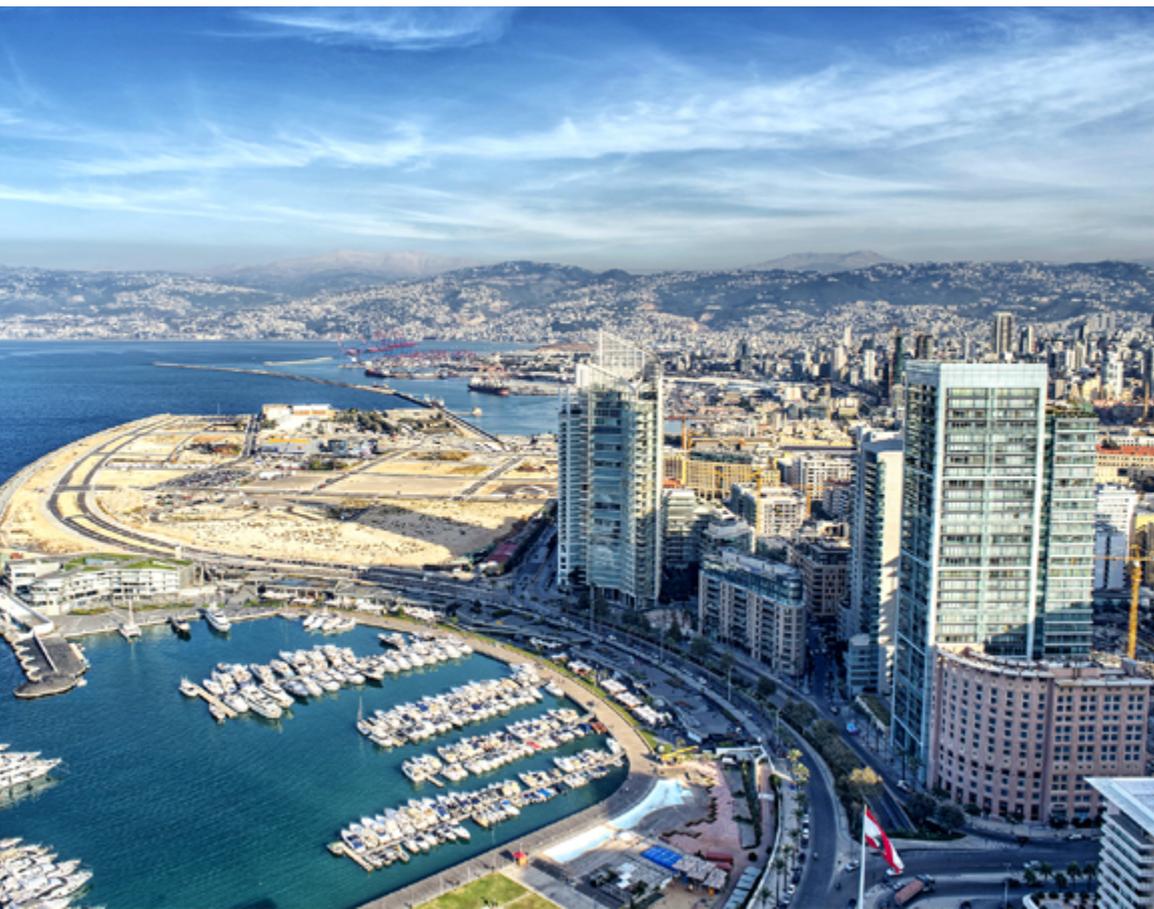
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# ALL YOU NEED TO KNOW ON LEBANON

Invest in Lebanon and enjoy the most hospitable MENA destination for business, culture and leisure with a Mediterranean climate, cosmopolitan lifestyle and a variety of touristic attractions and activities across breath-taking natural landscapes. Strategically located at the intersection of Europe, Asia and Africa, Lebanon can provide companies easy access to regional and global markets. Lebanon also boasts state-of-the-art health care services, internationally renowned for the quality medical centers and staff. A historic melting pot for multiple civilizations, Lebanon is a small, multilingual haven of culture and diversity that is worth the journey.

Lebanon, with its official non-interventionist stance toward private investments, offers one of the most liberal investment climates in the Middle East. The economic openness of the country is harnessed through the absence of legal restrictions on the entry or exit of many firms, encouraging free market competition and furthering the development of the private sector. Liberal trade and investment policies have allowed foreign direct investments to account for a considerable share of Lebanese GDP.



# ECONOMIC PROFILE AND SYSTEM

**GDP at current prices (2017):** USD 52.7 Billion

**GDP/Capita (2017):** USD 11,680

**Real GDP growth (proj-2018):** 2.0%

**GDP composition by sector (2015):**

Agriculture: 3.5%

Mining, Manufacturing, and Utilities: 11%

Financial Services: 8%

Professional and Administrative Services: 7%

Education and Health Services: 11.5%

Real Estate: 14%

Public Administration: 9.3%

Trade: 13%

**Current Account balance (Sept. 2017):** USD -0.72 Billion

**Balance of Payments (2017):** USD -156 Million

**Domestic credit to private sector (2017):** 102.8% of GDP

**Corporate tax rate:** 17%

**Main Import Partners (2017):** USA, Greece, Russia, Italy, Spain, Ukraine

**Main Export Partners (2017):** Turkey, Syria, KSA, Egypt, Kuwait, UAE, Iraq

**FDI inflows (2017):** USD 2.62 Billion

**Airport passengers (2017):** 8.24 Million

*Source: International Monetary Fund (IMF), World Bank, Bank Audi, Central Administration for Statistics (CAS), Ministry of Economy and Trade, Lebanese Customs Administration*

**Note:** Latest available figures in the time of publication.



# SECTOR OVERVIEW

## 01. SECTOR DEFINITION

Financial technology (fintech) refers to an emerging financial services sector that is using ICT and technology innovations to disrupt the traditional financial system. Fintech encompasses a number of different services, including:

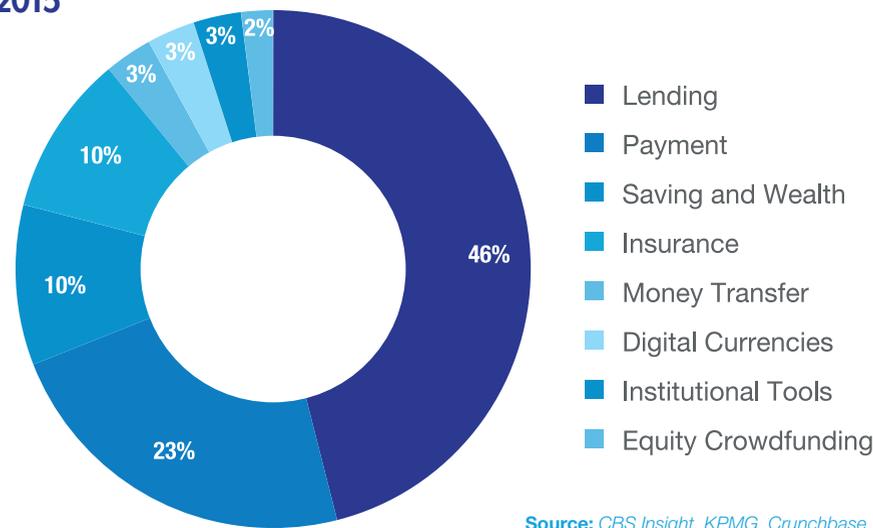
- Mobile and online banking
- Payment platforms
- Lending and capital raising platforms
- Money transfer platforms
- Blockchain and crypto-currencies
- Wealth management
- Insurance services

## GLOBAL OVERVIEW

Global investments in fintech are growing at a rapid pace. In 2017, fintech companies backed by venture capitals raised USD 13 billion, a 94% increase from the USD 6.7 billion registered in 2014<sup>1</sup>. The number of investment deals in fintech exceeded 1,000 in 2017, up from 586 in 2014<sup>2</sup>.

In 2015, lending and payment innovations were the most popular fintech subsectors for private investments, accounting for 46% and 23% of total private investments respectively (Figure 1).

**Figure 1: Capital Deployed in Private Fintech Companies by Business Area % | 2015**

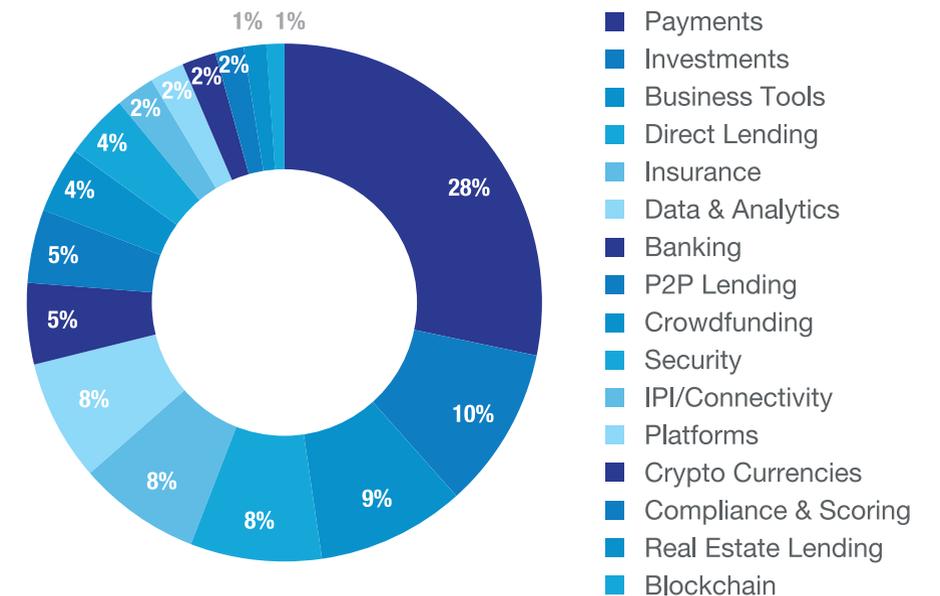


Source: CBS Insight, KPMG, Crunchbase, and Citi Research

In 2016, there were around **1130 fintech companies in the world**, the majority of which were focused on payment or

investment activities, accounting for 28% and 10% of total fintech startups respectively (Figure 2)<sup>3</sup>.

**Figure 2: Distribution of Fintech Startups by Activity % | 2016**



Source: VB Profiles, 2016

The fast rise of fintech can act either as an opportunity or a challenge for the traditional banking sector, depending on the startups and the banks' strategy. Startups that seek to partner with banks, however, represent the largest majority, and receive the largest share of investments. Global investments in

collaborative fintech startups increased by 138% from 2014 to 2015, compared to only 23% for competitive ones during the same period<sup>4</sup>. Worldwide, around 60% of banks would partner with a fintech startup, of which 34% would collaborate with a fintech startup, and 66% would consider acquiring one<sup>5</sup>.

1 The Pulse of Fintech Q4, 2017

2 The Pulse of Fintech, 2015

3 Forbes, 2016

4 Accenture, 2016

5 BI Intelligence, 2016

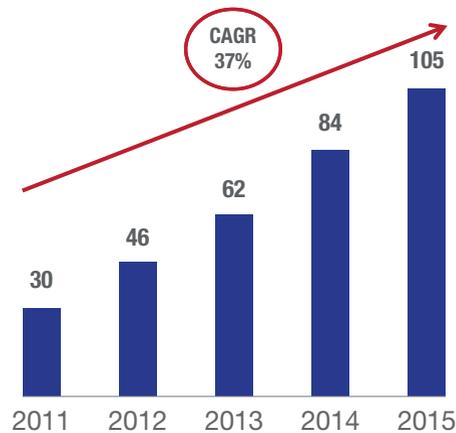
## 02. REGIONAL OVERVIEW

The MENA region is following the global trend in Fintech development. MENA fintech startups raised more than USD 100 million in funding in the last 10 years, and this number is expected to double by 2020<sup>6</sup>. In 2017 alone, MENA startups raised USD 50 million in funding, a 270% increase from USD 18 million in 2016<sup>7</sup>. By 2017, disclosed fintech investments in the MENA reached USD 24 million in 2017, an increase of 13% from the USD 18 million raised in 2016<sup>8</sup>.

The number of fintech startups is also increasing at a CAGR of 40% from 2011 to 2015<sup>9</sup>. This number is expected to reach 250 by 2020<sup>10</sup> (Figure 3).

The main activity of these startups follows the global trends, with 84% of the startups offering payment solutions or money lending and capital raising activities<sup>11</sup>.

Figure 3: Number of Fintech Startups in the MENA | 2011 - 2015



Source: Wamda, 2017

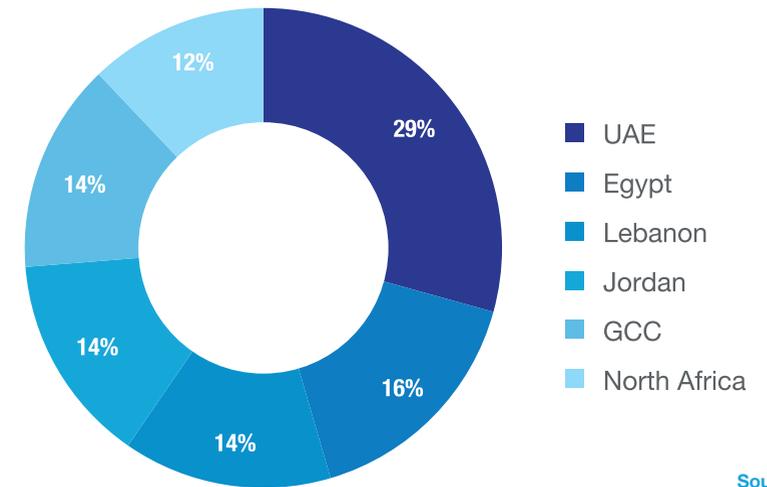
6 Wamda, 2017  
 7 Disclosed Investments - Wamda, 2017  
 8-10 Arabnet, 2018  
 9-11 Wamda, 2017

## 03. LOCAL OVERVIEW

Lebanon is the region's 3<sup>rd</sup> most advanced fintech startup ecosystem, hosting 14% of the region's fintech startups<sup>12</sup> (Figure 4), and is the 4<sup>th</sup> most served market by

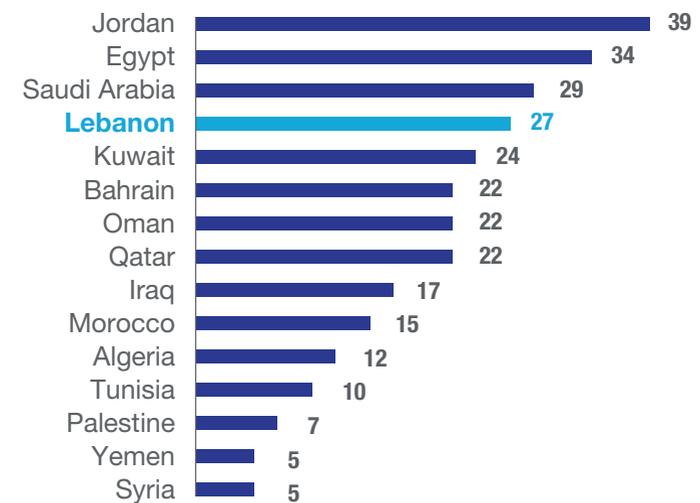
fintech companies, with 27% of MENA fintech startups serving the Lebanese market<sup>13</sup> (Figure 5).

Figure 4: Share of Fintech Startups by MENA Countries % | 2015



Source: Payfort, 2017

Figure 5: Percentage of Fintech Startups Serving MENA Countries % | 2016



Source: Payfort, 2017

12-13 Payfort, 2017

# LEBANON'S COMPETITIVE ADVANTAGES

## 01. STRONG AND SUPPORTIVE BANKING SYSTEM

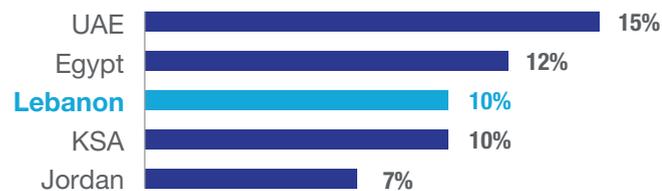
The Lebanese population is adapting to financial technology innovations. In 2017, 54% of people with a bank account had adopted digital banking in Lebanon, an important increase from 38% in 2016<sup>14</sup>.

Lebanon ranked **3<sup>rd</sup>** in the region for the **adoption of Digital Banking Services (Figure 6)** in 2016, and **2<sup>nd</sup>** for percentage of **People who only use Mobile Banking (Figure 7)**.

Lebanon has one of the strongest banking systems in the region, and ranks **45<sup>th</sup> worldwide on the Soundness of Banks' ranking (Figure 8)**. Despite continuing

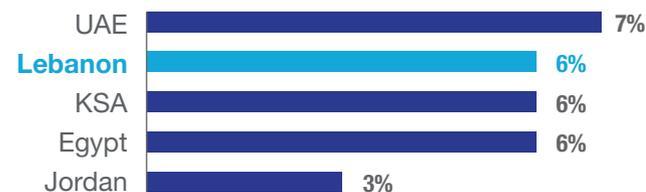
regional imbalances, the banking sector played an important role in maintaining economic stability thanks to a stable and consistent monetary policy.

**Figure 6: Percentage of people who have a Bank Account and only use Online Banking % | 2016**



Source: Arabnet, 2016

**Figure 7: Percentage of people who have a Bank Account and only use Mobile Banking % | 2016**

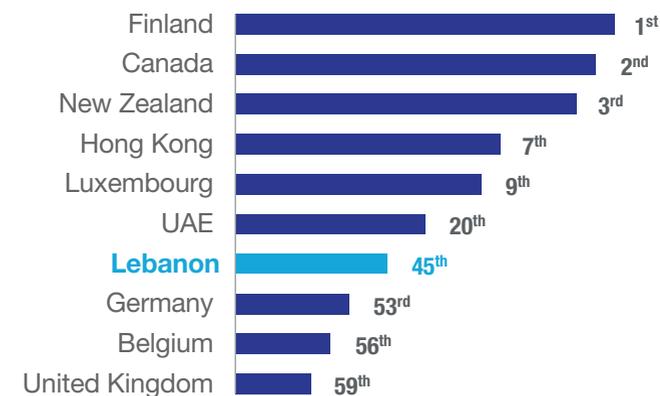


Source: Arabnet, 2016

In Lebanon, fintech also represents an important opportunity to lower or even remove barriers to financial inclusion. In 2017, Lebanon was ranked 85<sup>th</sup> worldwide for its Bank Account Penetration Rate of 44.8%, lower than the global average of

67.1%<sup>15</sup>, due to geographical restrictions or lack of appropriate banking services. Fintech innovations that provide digital financial services can bypass geographic constraints and can easily adapt to customers' demands.

**Figure 8: Soundness of Banks Ranking | 2017**



**Note:** Standing among 137 countries. Ranking on the degree of soundness of financial institutions.

Source: Global Competitiveness Report 2017-2018

Lebanese banks have been ranked among the World's Biggest Public Companies survey by Forbes. Bank Audi comes first in the Lebanese list with USD 44.5 billion of assets followed by Blom Bank with USD 29.5 billion<sup>16</sup>.

Lebanese banks have started to adopt financial innovations, presenting important opportunities for cooperation with fintech companies:

➤ Fransabank invested USD 2.5 million in local fintech startup PinPay<sup>17</sup>. Part of the investment deals stipulated that Fransabank will also adopt PinPay's payment provider platform for its customer, thereby replacing the Simba mobile payment application provided by Viamobile, a Tunisian payment provider.

➤ Bank Audi has launched a mobile contactless payment service, "Tap2Pay" to optimize cashless payments in Lebanon and in the region through different devices such as cards, mobiles, stickers, watches and bracelets.

14 Moody's Report, Forbes Middle East "Lebanon's Bond with Fintech", 2018

15 World Bank, 2018

16 Forbes "The World's Biggest Public Companies", 2017

17 Wamda, 2016

## 02. STRONG HUMAN CAPITAL BASE

Lebanon's solid educational system is at the basis of the country's highly qualified labor force. Lebanon ranks 18<sup>th</sup> worldwide for the Quality of its Higher Educational System, while it occupies the 4<sup>th</sup> place globally for the Quality of its Math and Science Education<sup>18</sup>.

Lebanon ranked 8<sup>th</sup> in the MENA region in 2015 on the ICT Development Skills Index (IDI), which measures ICT capabilities and skills<sup>19</sup>. Lebanon was also

ranked as the 3<sup>rd</sup> most dynamic countries as it upped 21 ranks between 2010 and 2015<sup>20</sup>.

More than 30% of the country's workforce is employed in knowledge intensive activities<sup>21</sup>.

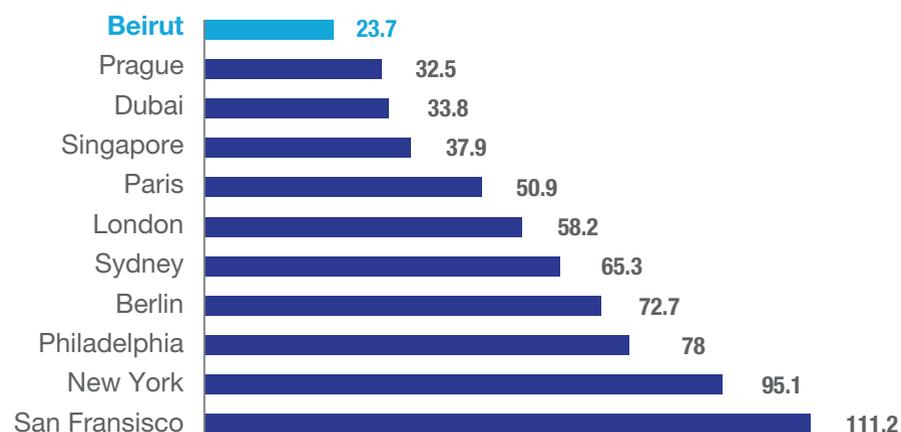
The majority of the labor force is trilingual, and possesses one of the most competitive technical skills in the region.

## 03. HIGHLY SKILLED AND COST COMPETITIVE LABOR FORCE

The Lebanese workforce is not only adequately skilled, but highly cost competitive as well. The labor base is relatively cheaper than the US, Europe and

GCC countries, with the average wage of a software engineer nearly 27% lower than in the GCC and 55% lower than in selected developed economies (Figures 9).

**Figure 9: Median Annual Wages of Software Engineers in Selected Countries**  
USD Thousands | 2018



Source: Payscale 2018

## 04. ACCESS TO GROWING REGIONAL MARKETS

Lebanon's access to expanding emerging markets presents significant opportunities for ICT companies to serve the region.

The ICT market in the Middle East is rapidly growing. The number of Internet users in the Arab world is expected to reach 226 million by 2018<sup>22</sup>.

The mobile industry of Arab states is expected to reach USD 164 billion by 2020<sup>23</sup>.

The Middle East could have 160 million digital users by 2025.

The African market equally presents promising potential especially for software developers and mobile applications, with 731 million SIM connection 2016<sup>24</sup>. Between 2015-2020, this number should grow at a CAGR of 6.3% reaching a penetration rate of 93%<sup>25</sup>.

Various advantages allow businesses to capture these opportunities from Lebanon, especially given the Lebanese international business culture and wide exposure to the Arab region, Africa, and Europe as well as the wide diaspora network which provides worldwide investment and business linkages opportunities.

## 05. ENABLING INFRASTRUCTURE

Companies operating out of Lebanon can also benefit from an adequate infrastructure and an enabling business environment. The growth of the ICT sector is among the government top priorities leading to increased investments in upgrading the existing telecom infrastructure. Lebanon's bandwidth has increased 10 folds since 2011<sup>26</sup>. The average speed of mobile broadband has increased 18 times and prices have declined by 40% during the same period<sup>27</sup>.

Fixed broadband penetration rate reached 25.6% in 2016, a considerable increase from 9.95% in 2013. This penetration rate is the highest amongst Levant countries and other MENA economies (Figure 10).

Mobile broadband penetration rate has also been on the rise, reaching 53.5% in 2016, up from 43% in 2013. In 2015, there was an estimated 2.8 million subscribers using mobile data services, recording a 768% increase from 280,000 subscribers in 2011<sup>28</sup>.

18 Global Competitiveness Report 2017-2018

19-20 ITU, 2015

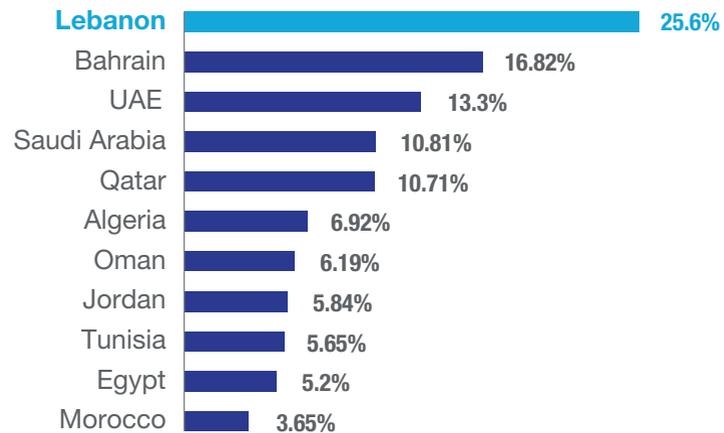
21 ITU, 2013

22 Arab Knowledge Economy Report, 2015-2016

23-24-25 GSMA Intelligence, 2015

26-27-28 Lebanese Ministry of Telecommunications, Progress Report, 2013

**Figure 10: Fixed Broadband Penetration Rates in Selected Arab Countries % | 2016**



Source: World Bank, 2016

### Selected list of Infrastructure upgrades in Lebanon during 2011-2018

- In 2018, OGERO launched a roadmap for better internet infrastructure. OGERO announced that it started deploying the public fiber optic network and 15% of the plan is completed.
- Fourth generation mobile networks launched in Beirut and some parts of Greater Beirut during 2013 and are expected to expand to other areas in the near future.

- The “Lebanon 2020 Digital Telecom Vision” project, launched in 2015, is a 5 year plan that aims to revamp the telecommunications infrastructure in the country, estimated to amount to USD 600 million in investment making fiber-optic connectivity as well as 5 G connections available through the country by 2020.
- The Mitsubishi Electric’s new India-Middle East-Western Europe (IMEWE) cable activated in 2011 resulting in an increase in international capacity and the reduction in prices of the internet and the international leased lines.

29 Lebanese Ministry of Telecommunications, Progress Report, 2013

## 06. SUPPORTIVE ECOSYSTEM

Established companies and startups in the sector can benefit from a wide range of public and private initiatives aimed at the development of the country’s digital ecosystem. These include fiscal incentives, financing options, as well as incubation and acceleration programs.

### ➤ FISCAL INCENTIVES

The country has one of the lowest tax rates globally. **The Investment Development Authority of Lebanon** offers **tax breaks** for up to 10 years, as well as other incentives to local and foreign companies operating in the ICT sector and meeting specific requirements. You can check out IDAL’s full range of incentives here.

### ➤ FINANCING

Today, 8 **venture capital firms** have operations in Lebanon in addition to various regional VCs which have backed a number of local pioneering companies. These include the Berytech Fund, Cedrus Ventures, MEVP and LEAP. VC funds in Lebanon account for around 10% of VC transactions in the region and Lebanon is currently among the top 3 most active VC markets in the Arab World<sup>29</sup>.

**The Central Bank** of Lebanon issued Circular No. 331 in 2013, through which an amount of up to USD 650 Million will be dedicated for Lebanese banks’ equity investments into startups, incubators, accelerators, and funds operating in Lebanon. These investments will be 75% guaranteed by the Central Bank. Other financing options include the Kafalat loan guarantee scheme. **Kafalat** provides financial guarantees for loans of up to USD 400,000 granted by commercial banks to SMEs.

For more information on available financing schemes for ICT companies, please check out our "Financing your Business" fact sheet here.

### ➤ INCUBATION AND ACCELERATION

Today, there are **9 incubators and accelerators** that provide training, technical & financial assistance to new and existing businesses across Lebanon. They include Berytech, the South Business Innovation Center (SouthBIC), the Business Incubation Association in Tripoli (BIAT), Alt City, the UK Lebanon Tech Hub, speed@BDD, Smart-ESA, and Flat6labs. Other programs offer a wealth of mentorship and networking opportunities including Endeavour, LebNet, Lebanon for Entrepreneurs, Lebanese League of Women in Business, and more.

### ➤ CLUSTERING

Physical and virtual clusters equally seek to capitalize and expand on the vibrant digital community. These include the Beirut Creative Cluster and the Lebanon Softshore Cluster. Together with industry associations like the Association for Lebanese Software Industries, these associations help companies expand their market reach and develop their businesses.

# INVESTMENT OPPORTUNITIES

## ► BUSINESS PARKS

New business parks are being developed to host companies in the digital industry, and include large-scale developments like the Beirut Digital District (BDD) which provides state of the art facilities and services at reduced rates, in addition to clustering opportunities within a friendly business environment.

## ► BUSINESS SUPPORT UNIT

New Business Support Unit (BSU) was launched in 2018 by the Investment Development Authority of Lebanon (IDAL), providing startups operating in productive sectors with market information, free legal and tax/accounting advice as well as licensing support in order to help them establish and grow their company in Lebanon.

## ► SUMMER OF INNOVATION PROGRAM

Launch of the Summer of Innovation Program at the Prime Minister Office created ample opportunities for the youth in the areas of innovation, entrepreneurship and networking. The program inaugurates trainings and activities dedicated for young entrepreneurs to evolve their ability to transform the economy (DiasporaID, Startup Scouts).

## ► INSURTECH

Venture Capital investments in Insurtech companies have doubled in 2016, reaching USD 1.2 billion worldwide which indicates that the market has entailed urgent solutions to the challenges faced by insurers<sup>30</sup>. The insurance market in Lebanon is a promising business generating USD 1.6 billion gross written insurance premiums in 2016 through 52 companies operating in the sector<sup>31</sup>. The market has recorded a penetration rate of 3% in 2016, positioning the country in high rankings globally and regionally<sup>32</sup>. The sector should evolve, adopting automation systems and introducing new products.

## ► E-PAYMENT

With a smartphone or computer having a broadband connection, people can easily complete their daily financial transactions while saving money and time. Fintech industry is developing and expanding new mobile payment services in order to achieve the goal of creating a future cashless society. In Lebanon, the market is comprised of 12 payment providers offering fast and innovative payment methods<sup>33</sup>. Even though the local market is still nascent targeting other niche markets, many opportunities are available for fintech start-ups to bring new techniques to their customers.



30 KPMG

33-32 Bankmed "ANALYSIS OF LEBANON'S INSURANCE SECTOR", 2017

33 IDAL's Studies, 2018

# FINTECH SUCCESS STORIES

A NUMBER OF FINTECH COMPANIES BASED OUT OF LEBANON HAVE GROWN INTO REGIONAL AND INTERNATIONAL PLAYERS OVER THE PAST 5 YEARS

## BLUERING

Bluering is a software company that delivers corporate and **retail credit management solutions** to the global banking and financial sector. Bluering has become the leader in providing credit risk solutions in the Levant and is looking to become a major player in the Middle East, North Africa and Central Asia. Bluering has managed to add some of the most prominent regional banks to its clientele list and is now expanding into the global market.



## BNOOKI

Bnooki.com is a **bank comparison website** that allows its users to compare banks and financial institutions offers in terms of loans, cards, accounts, insurance plans, and services. Bnooki has convinced 20 Lebanese banks to display all their details about their retail products, including hidden fees and benefits.



## CARD SWITCH

Card Switch works to **eliminate card fraud**, combat cash transactions, and enhance customers' trust and experience as well as help drive banks' card income. Card Switch's flagship product is an application that connects all payment cards (credit, debit or prepaid) with the user's smartphone allowing users to 'Switch On or Off' their cards and decide when, where and how transactions should be authorized. Card Switch was shortlisted as a finalist for the 'Best Technological Innovation' award at the Seamless event in Dubai, and were selected as one of 12 startups to present their idea in front of an international jury at Seedstars Beirut.



## CMO

CMO is a **mobile payment** application that enables customers to make direct on-line payments to merchants, and to transfer money or withdraw cash without a card from any cardless ATM. CMO merchants include leading restaurant chains, stores and taxi companies in the country such as Crepaway, McDonalds, Zaatar w Zeit, Allo Taxi, Spinney's and Samsung.



## PINPAY

PinPay is the leading **mobile payment** and bill aggregation platform in Lebanon. The PinPay App, a mobile payment service App, allows its customers to pay anywhere, to anyone, anytime. They are currently owned by and operate with 2 of the biggest banks in Lebanon and the Middle East, Bank Audi and Bankmed.



## REABLE

Reable is a startup that develops and builds applications and tools for people with special needs. Their first product, the ReAble Wallet, is an **e-wallet** app that helps people with cognitive difficulties manage their finances and conduct transactions. They already operating in six care centers in Lebanon and Canada with a total of 3,000 patients. Reable was one of 10 companies selected from 400 applications to join the Techstars 13 week accelerator program in Cape Town.



## CARD SWITCH

Zoomaal has quickly asserted itself as one of the leading **crowdfunding** platforms in the region and is backed by 4 Middle Eastern Venture Capital firms, raising more than USD 735,000 in 6 rounds of funding from investors such as MEVP, MVI, NV2, Saned Partners, Sawari Ventures, Wamda Capital, HIVOS, and Cairo Angels.



# USEFUL ADDRESSES & CONTACTS

Altcity  
[www.altcity.me](http://www.altcity.me)

Association of the Lebanese Software Industry - ASLI  
[www.alsionline.org](http://www.alsionline.org)

Association of Banks in Lebanon  
[www.abl.org.lb](http://www.abl.org.lb)

Berytech  
[www.berytch.org](http://www.berytch.org)

Beirut Creative Cluster  
[www.beirutcreativecluster.org](http://www.beirutcreativecluster.org)

Beirut Digital District (BDD)  
[www.beirutdigitaldistrict.com](http://www.beirutdigitaldistrict.com)

Business Incubation Association in Tripoli (BIAT)  
[www.biatcenter.org](http://www.biatcenter.org)

Endeavor  
[www.endeavor.org](http://www.endeavor.org)

Investment Development Authority of Lebanon - IDAL  
[www.investinlebanon.gov.lb](http://www.investinlebanon.gov.lb)

Kafalat  
[www.kafalat.com.lb](http://www.kafalat.com.lb)

Ministry of Economy and Trade  
[www.economy.gov.lb](http://www.economy.gov.lb)

Ministry of Telecommunications  
[www.mpt.gov.lb](http://www.mpt.gov.lb)

MIT Enterprise Forum Pan Arab Region  
[www.mitefarab.org](http://www.mitefarab.org)

Office of the Minister of State for Administrative Reform  
[www.omsar.gov.lb](http://www.omsar.gov.lb)

OGERO  
[www.ogero.gov.lb](http://www.ogero.gov.lb)

Presidency of the Council of Ministers, National ICT coordinating office  
[ict.pcm.gov.lb](http://ict.pcm.gov.lb)

Professional Computer Association of Lebanon - PCA  
[www.pca.org.lb](http://www.pca.org.lb)

Smart ESA  
[www.esa.edu.lb](http://www.esa.edu.lb)

South Business Innovation Center (SOUTH BIC)  
[www.southbic.org](http://www.southbic.org)

Telecommunications regulatory authority  
[www.tra.gov.lb](http://www.tra.gov.lb)

UK Lebanon Tech Hub  
[www.uklehub.com](http://www.uklehub.com)

Speed@BDD  
[www.speedlebanon.com](http://www.speedlebanon.com)

Flat6Labs  
[www.flat6labs.com](http://www.flat6labs.com)

MEVP  
[www.mevp.com](http://www.mevp.com)

Cedrus Venture  
[www.entrepreneurslebanon.com](http://www.entrepreneurslebanon.com)



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