

IDAL
INVEST IN LEBANON

TELECOMMUNICATION

FACT BOOK
2016



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SECTOR OVERVIEW

Telecommunication is the second income-generating sector for Lebanon's state treasury after the VAT, with net revenues exceeding USD 1.4 billion in 2011¹.

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. The "Lebanon 2020 Digital Telecom Vision" project, launched on July 1st 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, which will be covered by the Ministry of

Telecommunication's budget². It plans to make fiber-optic connectivity as well as 5G connections available throughout the country by 2020.

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. Government plans to liberalize the market including launching a third mobile market operator seem to have lost impetus.

FIXED TELEPHONY

Day-to-day operations in fixed telephony are carried out by the state-owned enterprise OGERO, the only entity responsible for fixed telecom operations in the country. Fixed telephone subscribers amounted to 970,000 in 2015, corresponding to a penetration rate of 19.19%, higher than the average of developing countries (9.3%), and the average of Arab states (7.8%)³.

The fixed-line market is expected to follow regional trends and continue to show growth, although less than 1% a year from 2016 onwards⁴.

Table 1: Fixed-telephone subscriptions in Lebanon | 2015

Lebanon Fixed-Telephone subscriptions	2015
Fixed Telephone subscriptions (000s)	970,000
Fixed Telephone penetration rate (%)	19.19%

Source: International Telecommunication Union

¹ Latest available figures, Lebanese Ministry of Telecommunications One Year Progress Report 2011-2012

² Ministry of Telecommunications, 2015

³ ITU, 2015

⁴ BMI, 2016

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). Today, mobile broadband services cover around 90% of Lebanon with a capacity of 33 gigabytes per second⁵.

At the end of 2015, there was an estimated 4.5 million mobile accounts registered in Lebanon⁶, with 52% of adults using smartphones, a percentage higher than France (49%), and higher than the global median (43%)⁷.

Mobile subscriptions have grown significantly over the last years, registering a CAGR of 5.71% between 2010 and 2015⁸.

In 2015, mobile subscriptions penetration rates hovered at 87.07%, up from 65.97% in 2010⁹. However, this figure still remains

lower than the Arab countries average of 110%, and the developing world average of 93%¹⁰. Mobile growth is forecasted to average just 1.45% over 2016-2020, with penetration remaining under 90% by end of 2020¹¹.

Mobile broadband penetration rates have also been on the rise, reaching 53.5% in 2014¹², up from 43% in 2013¹³. In 2015, there was an estimated 2.8 million subscribers using mobile data services¹⁴, recording a 768% increase from the 280,000 subscribers in 2011¹⁵ (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. Mobile broadband is expected to be the highest area of expansion in the telecom market, with the introduction of 3G and 4G connections as the sectors main driver¹⁶.

Table 2: Mobile broadband penetration rates in Lebanon

Year	2011	2014
Mobile broadband penetration rates	6.7%	53.5%

Source: BMI, Ministry of Telecommunications

⁵ Latest available figures, Euromoney 2013 Guide to Lebanon

⁶ BMI, 2016

⁷ Pew Research, 2015

⁸ IDAL's calculations based on ITU

⁹ ITU, 2015

¹⁰ ITU, 2015

¹¹ BMI, 2016

¹² UNESCO, The State of Broadband, 2015

¹³ Ministry of telecommunications, 2013

¹⁴ BMI, 2016

¹⁵ Ministry of telecommunications, 2013

¹⁶ BMI, 2016

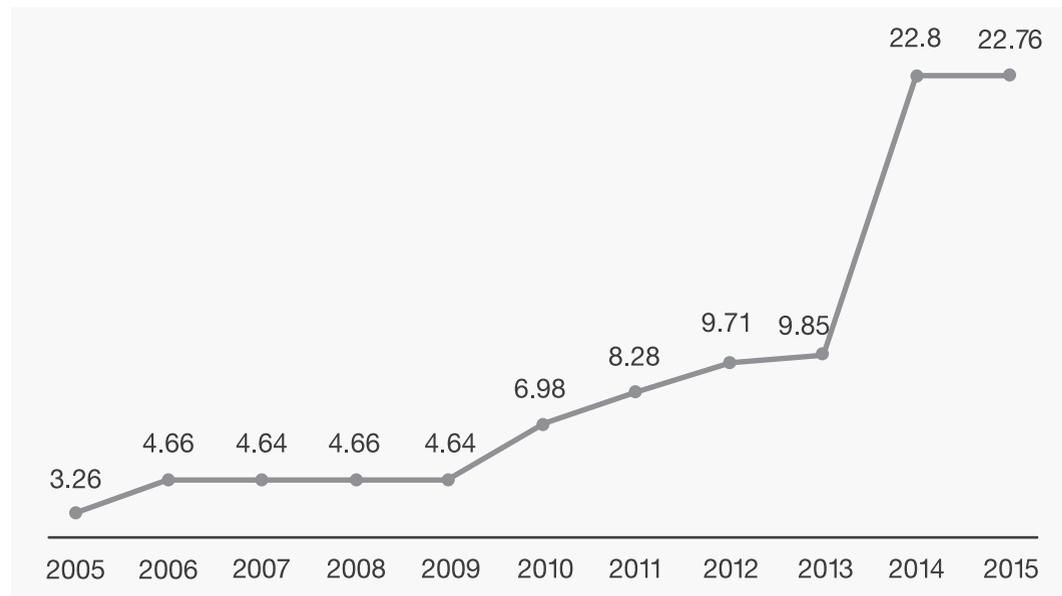
BROADBAND

By the end of 2010, Internet and wireless broadband services were provided to both residential and corporate users in Lebanon by 30 licensed Internet Service Providers.

Fixed broadband penetration rates reached 22.76% in 2015 a considerable increase from 9.95% in 2013¹⁷ (Figure 2).

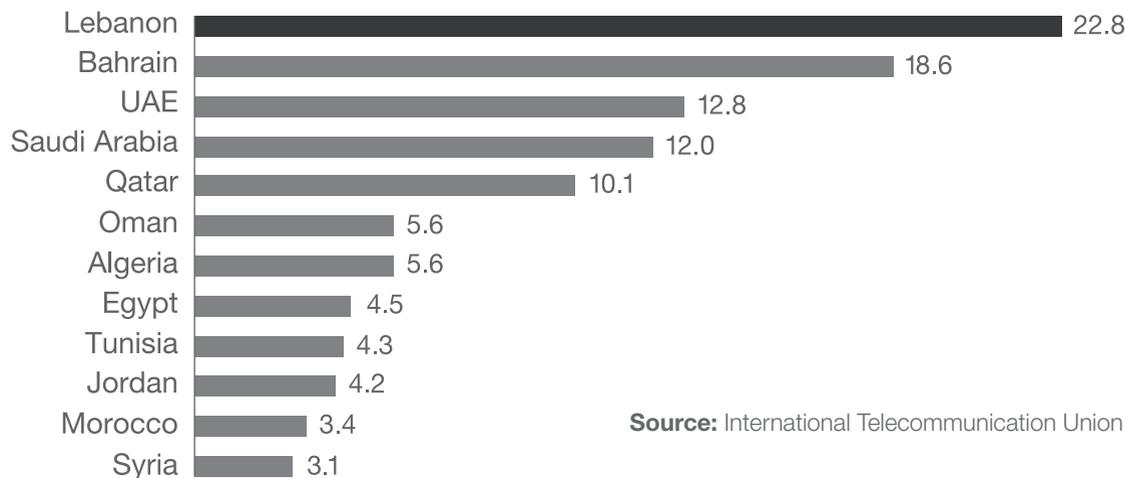
This penetration rates is the highest rate amongst the Levant countries and other MENA economies (Figure 3). Moreover, the aggressive upgrade of the internet infrastructure and the expansion and modernization of national transmission network are expected to fuel an exponential expansion of the subscribers base.

Figure 2: Evolution of Fixed Broadband Penetration rates in Lebanon (%) | 2003-2015



Source: International Telecommunication Union

Figure 3: Fixed Broadband subscriptions in Selected Arab Countries (%) | 2015



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 times¹⁸. 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 420¹⁹. It is 33% cheaper for companies located at more than 20km from Beirut, with the aim of promoting regional development²⁰. In addition, the price of international leased lines to companies decreased from USD 15,000 to USD 2,700²¹. For Low and High Usage Packages, the extra MB Price in Lebanon is 58% and 54% below the Arab average respectively²².

The "Lebanon 2020 Digital Telecom Vision" project, launched on July 1st 2015, plans to increase the speed of internet connections up to 100 megabits per second (Mb/s), compared to the current 8 Mb/s.

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, and Wimax services have been deployed since 2008.

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 path²³. The "Lebanon 2020 Digital Telecom Vision" project aims to make fiber-optic connectivity as well as 5G connections available throughout the country by the year 2020.

¹⁷ ITU, 2014

¹⁸⁻¹⁹⁻²⁰⁻²¹⁻²² Latest available figures, Lebanese Ministry of Telecommunications, 2013

²³ Latest available figures, Lebanese Ministry of Telecommunications, One Year Progress Report 2011 – 2012

INVESTMENT OPPORTUNITIES

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

In 2009, Teleperformance, the French provider of contact based CRM has opened its call center in Lebanon.

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, Smarttsource, and Telesupport 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 (VAS)

The global mobile VAS market is expected to grow at a CAGR of 10.67% over the period 2012-2016. The Middle East has played a key role in growth of the global mobile VAS market, which is estimated to have expanded from USD 200 billion in 2009 to USD 340 billion in 2014²⁴.

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.

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

"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

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

REGULATORY FRAMEWORK

In recognition of the impact of the legal environment on the performance of the 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.

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MAIN CONTACT DETAILS

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 Minister 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.idal.com.lb

OGERO
www.ogero.gov.lb

Professional Computer Association of Lebanon - PCA
www.pca.org.lb

Berytech
www.berytch.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

Kafalat
www.kafalat.com.lb

Altcity
www.altcity.me





CONTACT US

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