



IDAL
INVEST IN LEBANON



INVESTMENT DEVELOPMENT
AUTHORITY OF **LEBANON**

Presidency of the Council of Ministers

INFRASTRUCTURE & LOGISTICS **TRANSPORTATION**

LAND TRANSPORTATION

Lebanon's network of land, air and sea routes provides a fast and efficient access to the rest of the region.

The Lebanese road network consists of a total of about 21,705 km of roads.

The main (or national) road network consists of about 6,380 km of mostly paved roads classified as:

- » **International Roads** (529 km)
- » **Primary Roads** (1,673 km)
- » **Secondary Roads** (1,367 km)
- » **Internal Roads** (2,811 km)

Municipal and other local roads are also mostly paved and represent the remaining 15,325 km of the Lebanese road network¹.

A double-carriage highway links the entire coast, from Tripoli in the North to Tyr in the south, passing through the capital Beirut. Beirut is also directly connected to the Bekaa valley, Lebanon's main agriculture zone, through the Damascus Road. The same road also reaches the Syrian borders.

There are four main border crossings connecting Lebanon to Syria:

- » **Masnaa to reach Damascus** (2 hours travel time from Beirut) ,
- » **Abboudiye to reach Aleppo** (5 hours travel time from Beirut),
- » **Al-Qaa to reach Homs** (2 hours and 30 minutes travel time from Beirut) and
- » **Aarida to reach Latakia** (3 hours travel time from Beirut).

While there is no accurate survey of road conditions (the last survey was done in 2000) the Ministry of Public Works and Transport (MPWT) estimates that about 65% of the main network is in good or fair condition and only 35 % is in poor condition.

The Government of Lebanon has been increasing its spending on road infrastructure in recent years to improve road conditions and safety:

- » Between 2008 and 2012, the Ministry of Public Works and Transport increased its spending on road maintenance from 39 million dollars to 175 million dollars while CDR's investment expenditures in the road sector have almost doubled during the same period.
- » In 2012, the Lebanese parliament has passed a new and modern traffic that is expected to better manage the traffic on the roads and increase safety.
- » In 2018, the Lebanese Government announced a 510 million dollars investment program in road infrastructure for the next five years (2018-2022) highlighting the priority the Government of Lebanon is giving to support the sector.

¹ <http://documents.worldbank.org/curated/en/210611486651815142/pdf/Lebanon-Roads-Employment-PAD-P160223-01262017.pdf>

AIR TRANSPORTATION

There is currently one operating International commercial airport (for cargo and passengers) in Lebanon and two military airports, one in the north (Rene Mouawad airbase or Klayat airport) and one in the Bekaa (Rayak airbase).

Beirut Rafic Hariri International Airport (RHIA) is located only 9 km (5.6 mi) away from the city center in the southern suburbs of Beirut, and is the only operational commercial airport in the country. It is always featured in the top 10 best airports in the Middle East by Skytrax² in terms of passengers experience and services.

The airport is the hub for Lebanon's national carrier, Middle East Airlines (MEA). It is also the hub for the Lebanese cargo carrier Trans Mediterranean Airways (TMA Cargo), as well as Wings of Lebanon, a private Lebanese airline involved in charter operations mainly.

RHIA ACTIVITY (2017)

NUMBER OF AIRCRAFTS LANDING & TAKING OFF	70,740
PASSENGERS (ARRIVALS +DEPARTURES)	7,601,556
ARRIVAL	3,735,976
DEPARTURE	3,774,848
TRANSIT	8,549
GRAND TOTAL	85,342,691
TOTAL FREIGHT (KGS)	77,412,499
UNLOADED (KGS)	51,931,933
LOADED (KGS)	31,986,306

Source: Beirut Rafic Hariri International Airport

There are currently plans to expand the Beirut airport to accommodate 10 million passengers a year³ as the airport has been working at full capacity in recent years putting substantial pressure on existing facilities. Moreover there are other plans to activate the Rene Mouawad Airport to accommodate commercial planes mainly low cost airlines and general cargo unlocking demand from Lebanon's northern areas and Syria's southern areas.

The planned projects are expected to contribute to the increase in competitiveness of Lebanon's transport infrastructure and help businesses access markets faster and easier.

² http://www.worldairportawards.com/Awards/airport_award_winners_2016.html

³ <http://www.dailystar.com.lb/News/Lebanon-News/2018/Jan-16/433970-airport-expansion-to-cost-approx-200-million.ashx>

SEA TRANSPORTATION

There are four main ports in Lebanon with the largest ones in Beirut and Tripoli while the ports of Sidon and Tyr are used more for fishing and recreational activities.

THE PORT OF BEIRUT is the main port in Lebanon located in downtown Beirut, and is one of the largest ports on the Eastern Mediterranean with a total area of 1.2 million m² including four basins, 16 quays and a new container terminal capable of handling 1.7 million TEU per year⁴. Other facilities in the port include (1) a small passenger terminal, (2) a logistics free zone established in 2007 to position Beirut as a main hub for merchandises distribution in the Middle East, (3) a grain silo with a capacity of 120,000 tons, (4) a duty free market, and (5) hundreds of warehouses for general cargo.

The port is operated and managed by the Gestion et exploitation du port de Beyrouth (GEPB) authority. Container terminal operations are subcontracted to a private consortium called the Beirut Container Terminal Consortium (BCTC) since 2004.

The port has been selected as a transshipment hub for the 2nd and 3rd largest container shipping companies in the world: Swiss-based Mediterranean Company (MSC) and French-based CMA-CGM.

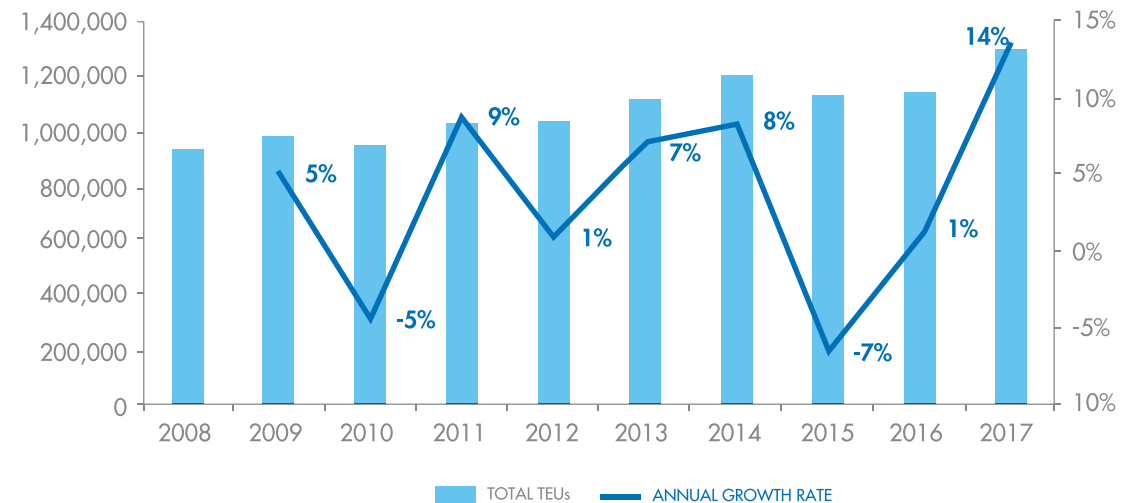
PERFORMANCE OF THE PORT OF BEIRUT IN RECENT YEARS

The Port of Beirut underwent great pressure after the outbreak of the Syrian war in 2011 as imports through Syria's ports became impractical leading Port of Beirut to become the main gateway for trade for Syria and Lebanon. Moreover, exporters from both countries have shifted their operations from land routes to the sea leading to an increase in exports through the port⁵.

Total TEUs handled by the container terminal have increased by a CAGR of 4% between 2008 and 2017 with highest increase seen in the last years (17% increase year on year between 2016 and 2017).

In 2017, the Port of Beirut handled 77% of total imports of the country and 51% of its exports making the port Lebanon's main trade gateway.

FIGURE 2: PORT OF BEIRUT CONTAINER TERMINAL PERFORMANCE



Source: BCTC

⁴ <http://www.businessnews.com.lb/cms/Story/StoryDetails.aspx?ItemID=3668>

⁵ <http://www.dailystar.com.lb/Business/Lebanon/2013/Jan-12/201926-beirut-port-expansion-ongoing-as-syria-conflict-redirects-trade.ashx>

The container terminal at the Port of Beirut is considered among the best performing terminals globally and in the region as it is well integrated into the existing liner shipping network measured by the UNCTAD Liner Shipping Connectivity Index ranking 35th out of 150 countries and 6th in the Middle East outperforming countries such as Qatar, Jordan and Iraq.

BEIRUT PORT INDICATORS (2017)

SIZE OF HARBOR	1.2 KM ²
NO. OF VESSELS	2,261
TEU LOCAL	897,787
TEU TRANSSHIPMENT	407,251

Source: Port of Beirut

FUTURE PLANS

The historic first basin of the port, which hosts the Beirut Naval Base, is planned to be redeveloped and transformed into a public promenade along with the construction of leisure commercial properties and a new cruise terminal to position Beirut as a new Mediterranean cruise destination⁶.

The port at the moment lacks a railway connection, however, there are long term national plans to rehabilitate the railway system in Lebanon and link it to the port.

THE PORT OF TRIPOLI Is the second largest port in Lebanon after the Port of Beirut. The port is currently undergoing major expansion in order to develop it as a leading container terminal for regional shipping and help create jobs to the second largest city of Lebanon, Tripoli.

The port of Tripoli has several competitive advantages that differentiates it from other neighboring ports. It is located only 30 km away from the border with Syria with easy and fast accessibility to the Gulf markets. It also has competitive taxes and tariffs costs.

The Port of Tripoli has many facilities including a 150,000 sqm Free Zone, a 880 sqm Duty-Free market, and several warehouses.

In 2012, The UAE-based Gulftainer was awarded a 25-years concession to develop and operate a new container terminal at the Port of Tripoli. Once completed, the new Gulftainer Terminal will be able to accommodate some of the largest container vessels operating in the eastern Mediterranean, alleviating congestion in the Port of Beirut and acting as an alternative to the nearby ports of Latakia and Tartous in Syria.

In 2016, the transshipment operator CMA CGM opened offices at the Port of Tripoli (PoT). Other companies such as the Danish firm Maersk, UAE-based United Arab Shipping Company (UASC), Italian Tarros, and Turkish Arkas also joined the port of Tripoli in the same year highlighting the growth of activity in the port. The port along with the Tripoli Special Economic Zone are expected to play a major role in the reconstruction of Syria and serve as an intersection point on the Silk Road between East Asia and Europe

TRIPOLI PORT INDICATORS (2016)

SIZE OF HARBOR	0.3 KM ²
NO. OF SHIPS	814
NO. OF VESSELS	2,481
TONS OF GOODS ('000)	1,917
ANNUAL REVENUE (USD MILLION)	15.25

Source: Port of Tripoli

⁶ <http://www.libc.net/2017/02/17/new-expansion-of-beirut-port-to-transform-the-capital-into-a-mediterranean-cruise-attraction/>



TRIPOLI SPECIAL ECONOMIC ZONE (TSEZ)

The TSEZ law was ratified by Parliament in 2008 while all related implementation decrees were subsequently issued in 2009. The board of directors was later appointed in 2015.

The 50 hectares area specified for the TSEZ is currently being reclaimed. Reclamation works are expected to be completed in 2018 while infrastructure works are expected to be completed in 2020. In 2018, it was announced that the council of ministers allocated for the Tripoli Special Economic Zone a space from the Rashid Karame International Fair to create the Knowledge & Innovation City “KIC” which is expected to stimulate the creation of value added jobs in the second largest city, Tripoli.

WHAT ARE THE INCENTIVES OFFERED BY THE TSEZ?

THE INVESTMENT PROJECT EXECUTED WITHIN THIS ZONE SHALL BE EXEMPT FROM:

- » customs duties, including the minimum rates of duty,
- » domestic consumption taxes,
- » Value Added Tax,
- » import and export duties
- » income tax on the business profits generated within the economic zone;
- » licensing fees
- » built property taxes and land taxes

ELIGIBILITY CRITERIA TO BENEFIT FROM THOSE INCENTIVES:

- » The capital of the business should be at least USD 300,000 to benefit from those incentives;
- » The Lebanese nationals account for at least 50% of the company's manpower.

UNIQUE SELLING POINTS OF THE TSEZ

- » Substantial financial and nonfinancial incentives that compare favorably with those of other SEZs in the region;
- » Market access to regional trade blocs such as the Pan Arab Free Trade Agreement (PAFTA), the EU Association agreement and the free trade agreement with Turkey;
- » Strategic geographical location providing easy access to the Arab region through Syria to Iraq, Turkey and the Gulf;
- » Only 80km from the Beirut International airport;
- » Situated in the second largest city in Lebanon thus leveraging human resource and raw material capacities in Tripoli and in its peripheral areas;
- » Promising platform for the establishment of upstream and downstream companies for future oil and gas exploration off the Lebanese shores;
- » Adjacent to the newly expanded Port of Tripoli that is strategically located only 30 km from the Syrian border (relatively low berthing, cargo, storage and terminal handling fees; quay depth of 15 m with a plan to increase to 17 m; containerized cargo handling by Gulftainer);
- » Availability of skilled and highly creative and multilingual labor force;
- » Attractive Lebanese culture and lifestyle for expatriates;
- » Entrepreneurial dynamic private sector and free market economy;
- » Attractive investment promotion law that can be leveraged.

The recent developments in ports activities are expected to boost the logistics sector in Lebanon. Currently Lebanon ranks 45th out of 50 countries in the 2018 Agility Emerging markets logistics index, increasing by two spots from the 2017 index. While the country has a score of only 2.69 for market size over 7 it has a much higher score for market compatibility (4.02) which measures the level of likely demand for logistics services based on the country's economic development and has a score of 4.11 for market connectedness.

The logistics sector in Lebanon is expected to play a bigger role in the future economic growth of the country as Lebanon has the right ingredients for the development of a world-class logistics infrastructure that could serve the eastern Mediterranean region.

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