



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 fast and efficient access to the rest of the region.

The Lebanese road network consists of around 21,705 kms of roads.

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

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

Municipal and other local roads are also mostly paved and represent the remaining 15,325 kms of the country's 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 Damascus** (2 hours travel time from Beirut) ,
- » **Abboudiye to Aleppo** (5 hours travel time from Beirut),
- » **Al-Qaa to Homs** (2.3 hours travel time from Beirut)
- » **Aarida to Latakia** (3 hours travel time from Beirut).

While there is no updated survey of road conditions, the Ministry of Public Works and Transport (MPWT) estimates that about 65% of the main network is in good or fair condition, while 35% is in poor condition.

The Government of Lebanon has been investing in road infrastructure to improve road conditions and safety as follows:

- » From 2008 - 2012, the MPWT increased its spending on road maintenance from \$39 million to \$175 million, while the Council for Development and Reconstruction (CDR)'s spending on road development almost doubled during the same period.
- » In 2012, Lebanon passed a new and modern traffic law, expected to improve traffic management and road safety.
- » In 2018, the government announced a \$510 million investment program in road infrastructure for 2018-2022, highlighting the importance given by the government to supporting the sector.

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

AIR TRANSPORTATION

There is currently only one operating international commercial airport (for cargo and passengers) in Lebanon and two military airports, Rene Mouawad airbase (in North Lebanon) and Rayak airbase (in the Bekaa).

The Beirut Rafic Hariri International Airport (BRHIA) is located only 9 kms away from the city center, south of Beirut. BRHIA is regularly featured in the top 10 best airports in the Middle East by Skytrax² based on passenger experience and services. It also serves as the hub for Lebanon's national carrier, Middle East Airlines (MEA), local cargo carrier Trans Mediterranean Airways (TMA), as well as Wings of Lebanon, a private Lebanese airline specialized in charter operations.

BRHIA ACTIVITY (2018)

NUMBER OF AIRCRAFTS LANDING & TAKING OFF	68,243
PASSENGERS (ARRIVALS +DEPARTURES)	8,206,789
ARRIVAL	4,124,254
DEPARTURE	4,082,535
TRANSIT	6,978
TOTAL	8,213,767
TOTAL FREIGHT (KGS)	89,030,676
UNLOADED (KGS)	52,522,809
LOADED (KGS)	36,507,867

Source: BRHIA

While the BRHIA is currently undergoing rehabilitation work, there are plans to expand the airport to accommodate 10 million passengers a year³. 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, the largest being in Beirut followed by Tripoli, while the ports of Sidon and Tyr are much smaller and used mainly for fishing and recreational activities.

THE PORT OF BEIRUT The Port of Beirut is Lebanon's main port, located in the center of the city. It 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 a small passenger terminal, a logistics free zone established in 2007 (positioning Beirut as a hub for merchandises distribution in the Middle East), a grain silo with a capacity of 120,000 tons, a duty-free market and hundreds of warehouses for general cargo.

The port is operated and managed by the Gestion et Exploitation du Port de Beyrouth authority. Container terminal operations are subcontracted to the private Beirut Container Terminal Consortium (BCTC) since 2004. The container terminal is considered among the best performing terminals globally and in the region and considerably well connected. The UNCTAD Liner Shipping Connectivity Index ranked Beirut 35 out of 150 countries and 6 in the Middle East, outperforming countries such as Qatar, Jordan and Iraq.

The Port of Beirut has been selected as a transshipment hub for Swiss-based MSC and French-based CMA CGM, the second and third largest container shipping companies in the world respectively.

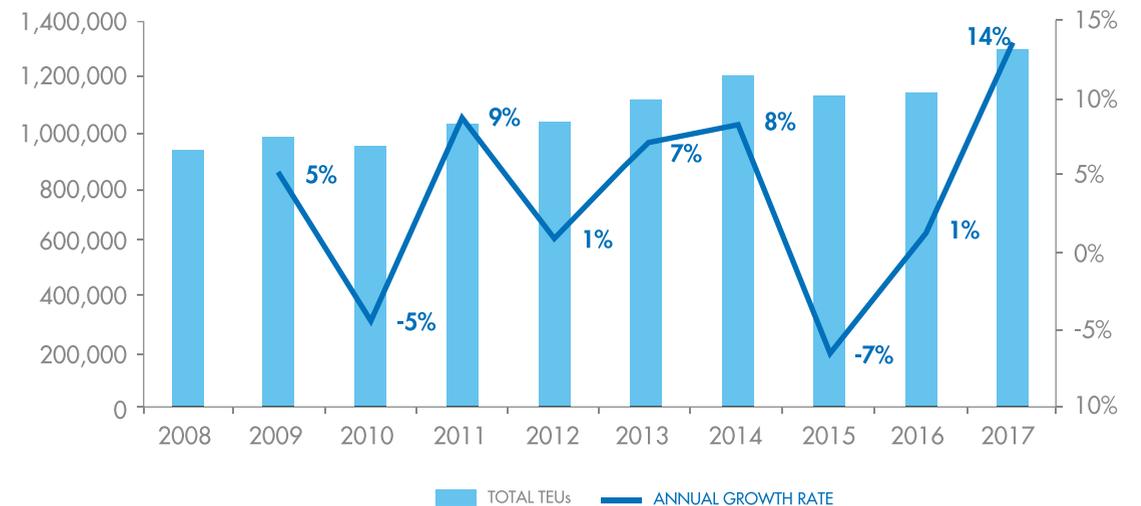
PERFORMANCE OF THE PORT OF BEIRUT

The Port of Beirut came under significant pressure following the outbreak of the war in Syria in 2011, as imports through Syria's ports stopped almost completely. The Port of Beirut became the main gateway for trade for Syria and Lebanon. Moreover, exporters from both countries have shifted operations from land to sea routes, 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 (see Figure 1), with the highest increase seen from 2016-2017, with a 17% increase year-on-year.

In 2018, the Port of Beirut handled 72% of total imports to the country and 51% of its exports, making the port Lebanon's main trade gateway.

FIGURE 1: 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>

BEIRUT PORT INDICATORS (2018)

SIZE OF HARBOR	1.2 KM ²
NO. OF VESSELS	2,242
TEU LOCAL	874,609
TEU TRANSSHIPMENT	431,146

Source: Port of Beirut

FUTURE PLANS

In line with national plans to rehabilitate Lebanon's railway system, a railway connection is expected to link the Port of Beirut with the other ports in the country and the existing road network to facilitate transportation of goods and people.

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

THE PORT OF TRIPOLI is the country's second largest port . It hosts a 150,000 sqm free zone, a 880 sqm duty-free market and several warehouses.

The port is currently undergoing major expansion to transform it into a leading container terminal for regional shipping, while creating jobs for Lebanon's second largest city.

The Port of Tripoli boasts competitive advantages that differentiate it from other neighboring ports. It is located only 30 km away from the Syrian border with easy and fast accessibility to Gulf markets, as well as offering competitive tax rates and related tariffs.

In 2012, UAE-based Gulftainer was awarded a 25-year concession to develop and operate a new container terminal at the Port of Tripoli. Once completed, the new Gulftainer Terminal will 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 neighboring Syrian ports of Latakia and Tartous.

In 2016, transshipment operator CMA CGM opened an office at the Port of Tripoli, followed by Danish firm Maersk, UAE-based United Arab Shipping Company (UASC), Italian Tarros and Turkish Arkas, a testament to the port's rising role in the region. The port, along with the development of the Tripoli Special Economic Zone (see below), is expected to play a major role in the reconstruction of Syria and along the Silk Road trade route between East Asia and Europe given its strategic location.

PORT OF TRIPOLI INDICATORS (2018)

SIZE OF HARBOR	0.3 KM ²
NO. OF SHIPS	665
TONS OF GOODS (in thousands)	1,847
ANNUAL REVENUE (USD MILLION)	24.8

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 Tripoli Special Economic Zone (TSEZ) Law was ratified in 2008, while its board of directors was appointed in 2015.

The 50-hectare area designated for the TSEZ was reclaimed in 2018, while infrastructure works are expected to be completed in 2020. In 2018, the Council of Ministers allocated part of the Rashid Karame International Fair for the TSEZ to create the Knowledge & Innovation City, expected to stimulate the creation of value-added jobs in Tripoli.

INCENTIVES OFFERED BY THE TSEZ

PROJECT EXECUTED WITHIN THIS ZONE SHALL BE EXEMPTED FROM:

- » customs duties, including the minimum rates of duty,
- » 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 THESE INCENTIVES INCLUDE:

- » Capital of the business should be at least \$300,000
- » Lebanese nationals should 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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