



**Industrial Sector Development  
Strategic Plan & Implementation mechanisms  
(2020-2025)**

**Prepared by  
The Ministry of Industry, Advanced Technology and Knowledge  
Services**

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## Introduction

Lebanon suffers from an unremitting trade deficit, touching a yearly 16 billion US dollars low by the end of 2019, according to the Ministry of Finance figures. Lebanon also suffers from a growing public fiscal deficit, a severe economic, monetary and living crisis, and a high unemployment rate affecting over 25% of the workforce. Recent World Bank estimates reveal that there is a 55% increase in the number of people living below poverty line in Lebanon. Additionally, Lebanon is enduring a severe and prolonged economic depression due to an assailment of compounded crises- a liquidity crunch, the banking crisis, and the Covid-19 pandemic containment related measures in terms of curfew and discontinuation of all economic sectors works.

Lately, most industrialists have been unable to purchase raw materials from foreign countries due to the shortage of hard currency.

Addressing these crises requires primarily the transition of the Lebanese economy from a rentier economy to a dynamic, productive, stable, and robust economy capable of withstanding crises. More than ever, this transition has become undeniably necessary in light of the economic and financial crises that Lebanon is enduring. A productive economy provides the Lebanese society with social safety as well as a stable and developed society that meets most of consumers' needs, mainly food, and achieves an economic return.

One of the foundations of economic security is a stable balanced economy built on advanced agriculture, capable industry, and integrated services. The industrial sector- which also includes knowledge industry, technology and services, among the three above-mentioned productive sectors- is the sector that has the most potential to create sustainable investments, reduce the trade balance deficit, and

consequently reduce the balance of payments deficit as a result of reduced imports, increased exports, and a higher level of self-sufficiency, through the production of goods and services that have competitive advantages leading to a productive, stable and sustainable economy.

Food security and social adequacy, can only be achieved through a specialized food industry based on an abundant livestock and high-quality agricultural products, at competitive prices, within an innovative agricultural strategic plan that relies on land investment, particularly the government common lands, advanced irrigation systems, and scientific soil treatment.

Now that the rentier economy is behind us, the Lebanese industry could benefit from a high level of skills of university, colleges, and institutes graduates, and from large amounts of savings coming, among others, from the Lebanese diaspora.

Nevertheless, the growth of the industrial sector is hampered by the size of the local market, high costs (such as energy and land), absence of efficient industrial zones (IZ), weak infrastructure, lack of technical vocational competencies, geopolitical issues, and the focus on packaging and/or transformation and/or assembling products with often substandard quality, rather than producing high quality/high value-added products.

The Ministry of Industry's strategic plan aims to build an advanced industrial society built on a culture of services and products industries, characterized by added-value and dynamism. The industrial capacity and dynamism are based on innovation, development and renovation, which rely on the distinguished Lebanese human capacities, advanced education systems in high schools, universities, research centers and technical institutes, in addition to appropriate

administrative support for legislations and regulations, and the vital public-private partnership (PPP), and the investment and banking sector's contribution.

## First: Strategic Benchmarks & the Industrial Vision

The Ministry of Industry plan starts with a summary of the strategic industrial axes and their implementation mechanisms, which the ministry already started implementing and monitoring to ensure the protection, development and growth of the Lebanese industrial sector, and subsequently, contribute to the growth of the overall national economy.

The Mol, while developing the strategic industrial axes, draws on the views of experts and suggestions of economic and social partners based on the Mol's plans, programs, and researches, mainly:

- The Integrated Vision for the Lebanese Industrial Sector (Lebanon Industry 2025)
- Executive Strategic Implementation Plan (2016-2020)
- Annual Operational Plans (2016-2017/ 2018-2019-2020).
- National Economic Policy 2017 (Lebanon's Economy for Sustainable Development 2025)
- Strategic Development Plan for the Industrial Zones (2018-2030)
- National Artificial Intelligence Strategy in Lebanese Industry (2020-2050)
- The McKinsey Study approved by the Lebanese government
- Proposals of the Government's Ministerial Statement (2020), particularly the part related to industry, which is consistent with the Mol's strategy content;
- Proposals of the social and economic partners in the Lebanese society.

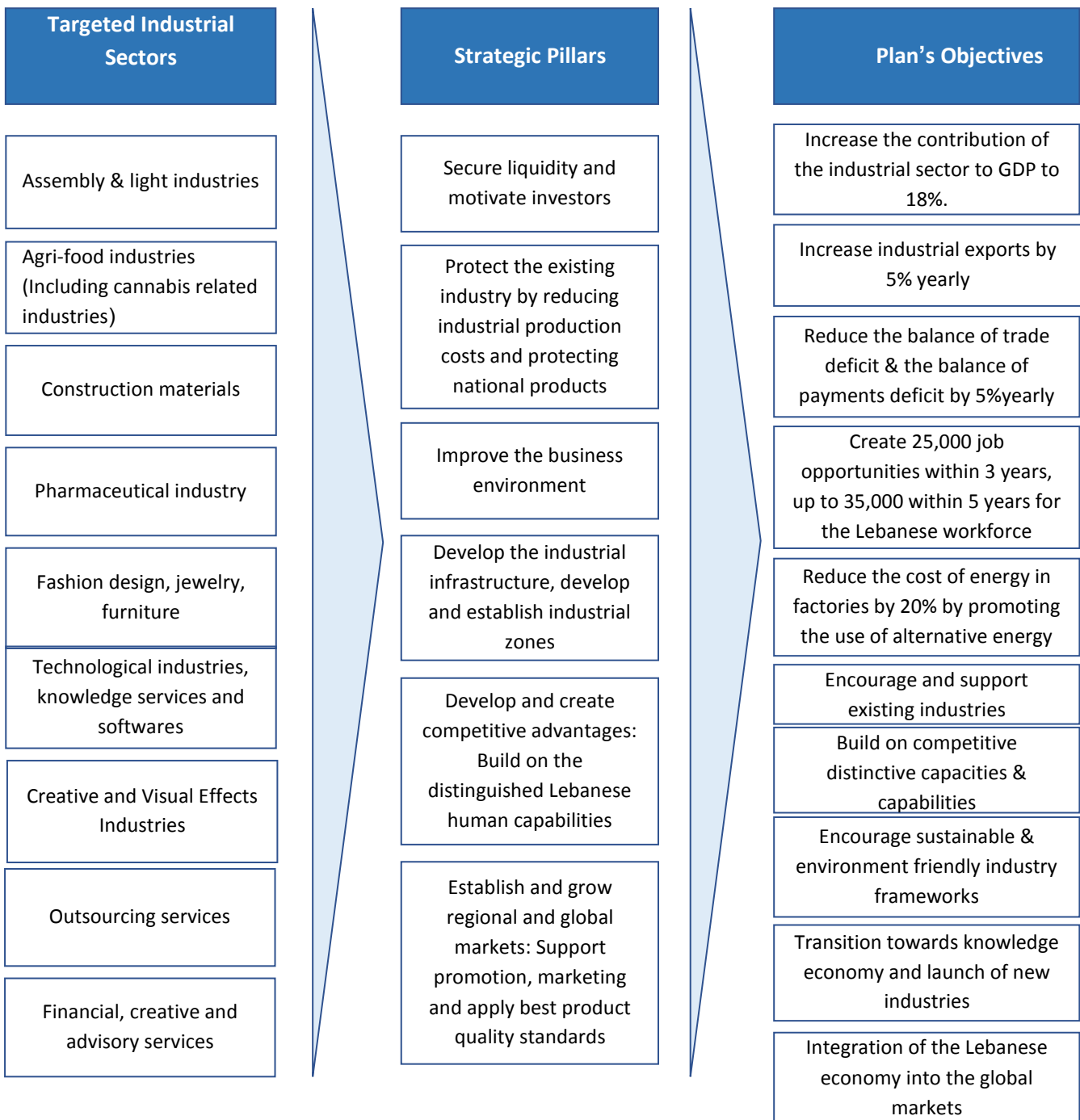
Industry is the national identity, the conversion of knowledge, capitals and raw materials into marketable products, goods or services. Lebanon must shift from tangible industries to intellectual, knowledge, technological and creativity industries.

**Industrial vision:** We are also working on "**Transforming Lebanon into** one of the Levant's leading industrialized countries, in terms of the industry's contribution to the GDP during the next decade, making the industry a major contributor to the national income", making Lebanon "**a regional pioneer specialized in high-value knowledge, technical and creative industries**, and a regional hub for industrial transformation, processing, and industries that lead to sustainable value, job creation, and a permanent reduction of the trade deficit."

The five-year plan can be summarized as follows:

*(but in light of the recent crisis, the current situation requires urgent and exceptional measures to support the industrial sector, based on supporting existing industries, securing raw materials, accelerating and facilitating export customs, and granting temporary exemptions to small-scale exporters). (See section 7 for more details).*

**Industrial Vision: “ Turning Lebanon into a regional industrial pioneer specialized in knowledge, technical and creative industries**



**Contributing Factors**

|  |   |   |                        |
|--|---|---|------------------------|
| Implement reforms to develop the broad economic environment, especially energy and | Economic Researcher, Bassam Jouney - Ministry of industry 2021<br>A sound monetary and banking system | Develop high-quality technical and vocational education | security and stability |
|--|---|---|------------------------|

## Second: Industrial strategy and objectives

### Industrial strategy

Build the Lebanese industrial capacities for the steady development of various industrial sectors, mainly in the knowledge, technical, pharmaceutical, hospital, food, chemical and cosmetic sectors through pioneering industrial framing, effective encouragement of the private sector, targeted financing, national promotion, and cooperation with other ministries and departments.

- Focus on high-growth industries and high value-added niche markets geared towards reducing imports and increasing exports, where Lebanon enjoys or can develop a regional (if not global) competitive advantage.
- Identify and focus investments on "import substitution industries" that could have the greatest impact on the trade deficit (including generic drugs and food processing).
- Exploit the positive impact, comparative and competitive advantage of the following Lebanese environmental, societal, and human capacities:
  - Financial strength and knowledge of the Lebanese diaspora and local investors;
  - Availability of highly skilled labor;
  - Production of the agricultural sector;
  - Regional market needs and reconstruction needs;
  - Excellence in knowledge industry and technology.

## Objectives of the plan

The industrial plan aims, within the given five years time frame, starting from the date of its approval, to:

- Increase the industry's contribution to the national product at a minimum annual rate of 2% for the next five years, to reach 18% within five years.
- Increase industrial exports by 5% annually over the average recorded in 2019.
- Reduce the deficit in the balance of trade and in the balance of payments by 5% annually compared to its rates in 2019.
- Reduce unemployment and create new decent and sustainable job opportunities, particularly for university graduates and professionals, with at least 25,000 job opportunities within 3 years, up to 35,000 job opportunities within 5 years, designed for the Lebanese workforce, as a social safety net.
- Reduce factories energy cost by 20% by promoting the use of alternative energy
- Encourage and support existing industries.
- Shift to knowledge economy and launch new industries
- Encourage sustainable and environment friendly industry frameworks
- Build upon the competitive capacities and capabilities
- Integrate the Lebanese economy into international markets



## Plan outline

- Secure liquidity and motivate investors
  - Secure liquidity to purchase raw materials and industrial equipment amounting to 2.5 billion USD annually
  - Develop a fiscal stimulus plan that provides soft loans for imports of 300 billion LBP worth and grants amounting to 140-200 billion LBP
  - Secure funds and liquidity (1.6 billion dollars) and investments
  - Offer subsidized loans (3-5 billion dollars during the plan's time frame) to encourage investment in the targeted industries
  - Work with investors and expatriates to invest in the industrial sector and provide incentives, by cooperating with the Investment Development Authority of Lebanon (IDAL), for instance, offering tax cut on profits for 10 years as financial incentives to attract new investments in the industrial sector;
- Protect the existing industry by reducing industrial costs and protecting national products
  - Reduce the electricity bill for industrial enterprises (20%) or approve the MoI's draft bill for industrial energy subsidy for three years, pending finding alternatives
  - Reduce transportation and transit fees, Chamber of Commerce, Industry & Agriculture in Lebanon (CCIAL) fees, and import/export fees.
  - Support domestic products through public official procurement, coverage or payment restriction- the pharmaceutical sector, for example (starting 2021).

- Reduce the contributions fees to the National Social Security Fund (NSSF) (25% for two years)
- Exempt industrial exports from income tax by 100% instead of 50%
- Improve the business environment
  - Simplify import and export permitting procedures and create a one-stop shop where all administrative procedures for the establishment of industrial enterprises and facilities are provided.
  - Reduce the industrial environmental impact by temporarily closing the polluting factories and encouraging industrialists to use alternative energy
- Develop industrial infrastructures, develop and establish new IZs (130 million USD over 3 years),
  - Development of existing IZs plans (Tripoli Special Economic Zone, in addition to another three IZs minimum);
  - Development of the other IZs throughout Lebanon
  - Leasing municipal and state lands to non-polluting, export-oriented industries at below-market prices
- Develop and create competitive advantages: build on the distinguished Lebanese human capacities
  - Exempt factories up to 50% of their production expenditures on research, development (R&D), and innovation
  - Encourage and promote R&D, financing, and agreements with the private and public sectors
- Establish and develop regional and global markets: offering support for marketing and promotion, and adhering to the best product quality standards

- Activate economic missions and support industrial exports by participating in exhibitions (2021+)
- Review, amend and conclude new trade agreements, head east and open new horizons and opportunities
- Partnership with the Media- a media plan that supports and guides Lebanese industries
- Adopt, implement and enforce compliance with industrial quality standards, create and promote a brand for high-quality products “Proudly Made in Lebanon” in accordance with European standards with an annual budget of \$2 million (2021+)

Lebanon's industrial strategy is based on the following principles:

- Reliance on the free economic system, where the government does not interfere in the markets directly, but rather works to improve the business environment, stimulates and encourages companies and emerging sectors by:
  - Simplifying administrative and legal procedures
  - Encouraging and developing national industries by reducing production costs and increasing the consumption of local products
  - Adhering to laws and standards to create a fair market and allow companies to grow
  - Preventing monopolies, protecting national products from unfair competition by taking anti-smuggling and anti-dumping measures, and imposing protection fees for national industries (when needed).
  - Launching industrial infrastructure development projects, most importantly the establishment of industrial zones, creativity centers, and entrepreneurship.

- Support industrial exports consistent with the provisions of international trade agreements, and secure foreign markets
- Apply and adhere to international quality standards, as they protect local consumers, boost Lebanon's industrial reputation, and ensure the existence of sustainable foreign markets
- Focus on creating and strengthening sectors with regional (if not global) competitive advantages that allow sustainable growth and job creation.
  - Focus on high growth industries and niche value-added markets geared towards increasing exports
  - There is no preference for material goods over services- the main difference is speed and impact (in the short term as we face the current crisis), sustainable competitive advantage, potential market size and ability to create job opportunities (in the long run)
  - Invest in R&D to create differential advantages based on knowledge and technology that would enable the Lebanese innovator to access global production chains and international markets with scientific content products, key for sustainable growth and job creation.
  - Promote efficiency in production, university education and scientific research in the industrial sector, work on capacity-building and provide technical education centers (coding and programming) and specialized education centers to attract regional students in all fields, and international students for specific specializations determined in view of the needs of the local market (and target markets)
- Adopt dynamic and productive approach in the work of the ministry and public administration to keep pace with the private sector and adjoin technology and services sectors to the ministry so it becomes: “The Ministry of Industry, Advanced Technology and Knowledge Services”.
- Adopt methods that limit environmental impacts for societal safety and health

## Contributing factors

- Implement broad economic environment reforms
- Develop superior technical and vocational education

### Third: The strategy's pillars

The plan's implementation approach to deal with the immediate requirements, rest on the following pillars:

1. Provide liquidity and motivate investors
2. Protect the existing industry by reducing industrial costs and protecting national products
3. Improve the business environment
4. Develop industrial infrastructures, develop and establish IZs
5. Develop and create competitive advantages: building on the intrinsic differentiated Lebanese human capacities
6. Establish and develop regional and global markets: supporting promotion and marketing, raising awareness and raising product quality standards

## 1. Provide liquidity and motivate investors

- Provide liquidity (Short Term)
  - Use industrial deposits to import raw materials, manufacturing, spare parts and equipment amounting to \$100 million (Bridge Fund)
  - Secure liquidity/loans to purchase industrial raw materials amounting to \$200 million (rolls over to the Oxygen Fund)
  - The fiscal stimulus plan that provides easy loans for imports worth 300 billion Lebanese Pounds and grants of 140-200 billion LBP- see section 7 for more details
  - Secure liquidity and loans of 140 billion LBP for small and medium industrial enterprises (SMEs) and new participatory projects
  - Establish a special financing fund for loans worth \$150 million, with the support of EBRD
  - Create a special financing fund for loans worth 400-600 million dollars (Oxygen Fund)
- Agree with the Association of Banks on:
  - Reducing interest on existing and future industrial loans (maximum BRR + 1)
  - Rescheduling the existing industrial loans
  - Extend deadlines (until the end of 2020)
  - Grant new loans and secure loans for operating expenses up to an additional 3 months, including Kafalat loans
- **Encourage banks to participate in factories' capital and secure and develop funding through Venture Capital** to become part of production-oriented instead of rentier economy, to fortify both banking and

industrial sectors, boost the economy, and look into the circumstances of troubled industrial enterprises.

- Legislate and secure the “industrial dollar” that would be set at a fixed rate in comparison with the official exchange rate.
- Establish a National Fund/Bank for Industrial Investment and Development and encourage investors, the private sector and investment funds to invest in the industrial sector
- Spur and regulate non-traditional industries, **such as the Ministry's support for rural industrialists and artisans, the legalization and organization of their work** to help them by:
  - Finding investors interested in the industrial sector and providing incentives for industrialists and investors, through programmed cooperation with IDAL, and concluding an agreement to stimulate and assist investors in the industrial sector
  - Issuing decrees for defining industrial zones, determining information and communication technology, reducing requirements for investment, and creating a one-stop shop
  - Value-added tax
  - Exemption from income tax and profits tax, up to 100%
  - Exemption from the factory’s premises registration fee, up to 100%
  - Exemption from construction fees, up to 50%
- Exempt industrialists from the payment of employer contribution (23%) to NSSF for two years or more and create Committees of Employees, especially for employees working in the sectors of informatics, communication technologies, digital transformation industries, innovations, creativity and knowledge.

## 2. Protect the existing industry by reducing industrial costs and secure justice in local markets

- Reduce industrial costs (taxes, customs, duties, and energy)
- Reduce fees (including the incentives list) for transportation, transit, and Chambers (by working with other institutions), and export and import fees
- Stop tax evasion, smuggling, and dumping
- Impose fees on imported products, where needed and/or allowed by agreements
- Determine uses, coverage, or payment limitations (medication)
- Break monopolies, control tax evasion and smuggling, address taxes and fees, and fight dumping
- Support national products through public official procurement
- Reduce (or increase) prices when hiring Lebanese
- Reduce the contribution fees to the NSSF (25% for 2 years)
- **Reduce electricity rates** for industrial enterprises (20%) or pass the Ministry of Industry bill for Industrial Energy Subsidy for three years, pending finding alternatives
- Exemption of industrial exports by 100% from income tax instead of 50%
- Merge factories by the parliamentary committees in a new motivating formula
- **Offer support for rural industrialists and artisans by the Mol, legalize and organize their entrepreneurship to help them by:**
  - Facilitating their financing through Micro Finance associations, which can benefit around one hundred and fifty thousand families,



most of them artisans,

- Presenting an appropriate offer to provide them with health insurance (sort of mutual fund)
- Listing them on electronic marketing platforms to secure internal and external marketing opportunities

### **3. Improvement of the business environment**

- Pass new laws and amend laws in force
  - Consumer Protection Law
  - Intellectual Property Protection Law
  - Anti-corruption laws, regulations and procedures
- Simplify permitting, import and export procedures
- Establish a one-stop shop for all administrative procedures for establishing companies and industrial enterprises
- Develop procedures for raw materials port clearance
- Reduce the industry environmental impact through the temporary closure of polluting factories and encourage industrialists to use alternative energy

### **4. Development of industrial infrastructure, development and establishment of IZs**

- Develop existing IZs, finance and establish new specialized IZs in all Lebanese districts, including coastal areas, equipped with:
  - Newest infrastructure
  - Operated by alternative green energy, even if only partially
  - Connected via a modern railway network
  - Establish a dry port for a free zone

- Provide incubators for innovation and creativity (Incubators/ Accelerators)
  - Build a technology zone for construction, possibly in the al-Qaa region, targeting Iraq and Syria
  - Add new participatory industrial zones (through transparent bidding and invitations) and develop administrative decentralization
    - Government: subsidies, financing, permitting, roads, incentives, procedures, facilitations, and decrees
    - Ministry of Industry: permitting, guidance, specialization, priorities and evaluation
    - IDAL: support, evaluation, and incentives
    - Governorates, districts and municipalities: real estate, roads and development
    - Civil society: participation in quality control, food safety and others
    - Investors and banks: financing and investments
    - Innovators and entrepreneurs: ideas, plans, feasibility studies, and financing
    - UNIDO: Funding (& energy), and support
    - The World Bank: financing small and medium-sized factories and alternative energy projects
  - Directing agricultural guidance towards crops that can be used as raw materials for [agro-food] production
- 
- Launch an electronic platform (or support existing ones) that links national factories with each other, with consumers, farmers and merchants, and many Lebanese universities, to benefit from research and scientific ideas capacities, and encourage applied specializations that

are compatible with the needs of the labor market, with the following tasks:

- Ensuring a supply-demand matching between the demand for workers (labor market needs: employment opportunities in factories and the required qualifications) and supply (scientific fields of specializations and skills available at universities)
- Creating a space for cooperation between universities and technical institutes on the one hand, and factories on the other hand, in terms of supplying the industrial needs for technical work tools and/or manufacturing new equipment, developing existing ones, and securing jobs for graduates.
- Ensuring integration between Lebanese industrialists (clustering/chains) by identifying the needs of each of them in terms of raw materials, semi-finished products and finished products used in their manufacturing, which creates opportunities for integration between them.
- Displaying exclusively Lebanese products with their prices and work on their geo-localization.
- Adopting e-commerce for Lebanese products without middlemen between industrialists and consumers.

#### **5. Develop and create competitive advantages: building on the intrinsic distinguished Lebanese human capacities**

- Integration of knowledge industries into the industrial sector and its operations (knowledge, technology, software and applications, content, consulting)

- Exemption of factories of up to 50% of their production expenditures on development, research and innovation
- A higher level of motivation for creators, innovators, entrepreneurs, and investors in technology and knowledge industries
- Cooperation between educational and vocational institutions, civil society and industrialists by:
  - Preparing and developing academic, educational and vocational curricula and programs for the graduation of specialized industrial cadres
  - Providing technical work tools and equipment
  - Developing Training
  - Encouraging and activating R&D through funding and agreements with the private and public sectors
  - Manufacturing of new equipment
  - Establishing and activating accelerators/incubators.

#### **6. Establishing and growing regional and global markets: supporting promotion, marketing and application of best product quality standards**

- Partnership with the Media -a media plan that supports and guides Lebanese industries:
  - Continuous, positive and strict supervision to enhance quality, health and safety, preserve the environment and fight corruption, waste and bribes
  - Promotion of success stories among the youth, to give them role models to look up to and become young and successful inventors like them
  - Development of databases, information and statistics that focus on

emerging and promising companies and sectors

- Invitation to invest in the industries adopted by the industrial plan and to market Lebanon as a productive country and a destination for investment
- Guide educational institutions, parents and civil society to consolidate vocational and technical education and adopt the concepts of innovation in society
- Organize and hold exhibitions, conferences, seminars, workshops and competitions to support communication between investors and emerging companies
- Grant facilitations and discounts for advertising the national industrial products
- Launch multiple award campaigns, such as the Food Industry Media Award
- Promote economic missions and support industrial exports by participating in exhibitions
- Review and amend agreements, conclude new ones, head east and open new horizons and opportunities
- Emphasize quality, specifications, control and the environment, and set the highest standards of product quality
- The Ministry will make a great, coordinated and continuous effort to promote the “Lebanon Branding” trademark and offer incentives for industries that hold the trademark certificate with the aim of promoting and supporting Lebanese industries through traditional media outlets, conferences and exhibitions that will be held in Lebanon and abroad, in addition to seminars and workshops.



## Fourth: The targeted industrial sectors - the suggested road map for their growth and development of their chains

In the context of implementing its plan, the MoI tries to shift investors' interests towards industrial sectors by creating regulatory frameworks that help facilitate, develop and grow work. The suggested roadmap is centered on formulating policies pertaining to the industrial sector framework, as well as the administrative sector, aimed at offering incentives to direct investments and people towards industries that can offer long term value-added for Lebanon and its people, based on the following criteria:

- Focus on high growth industries and niche value-added markets geared towards increasing exports, where Lebanon enjoys, or can develop, a regional (if not global) competitive advantage. In this context we plan to support:
  - Industries that have a proven –unfaltering current or past- regional competitive advantage even if they are under development
  - Knowledge and technology-based industries and services in which Lebanon could have a major comparative advantage in global markets
- Food, health, economic and industrial self-security
- Industries that create most job opportunities

The targeted areas can be divided into two groups:

- Traditional industries sectors and chains
- Industries, industrial and service industries based on knowledge and technology

## 1. S Industrial ectors and traditional industries chains

- **Food industries:** the plan aims to promote the food industries by working in cooperation with the Ministries of Agriculture, Health and Environment and with universities and research centers (Government-Academia-Food Industry Alliance in Lebanon (GAFAL)), in order to guide and orient farmers and raise the export capacity of food industries, support their marketing and put into effect the Food Safety and Trademarks Law, open new markets, especially for organic agriculture and value-added products, update and pass the Protected Designation of Origin draft Law.
- **Light industries and assembly**, particularly in new areas such as:
  - Electric bicycles
  - Minibuses assembly
  - Cars assembly, electric ones in particular
  - Environment friendly cars, steel industries and parts thereof
  - Small water buses for marine public transport
- **Construction materials:** Substitute imports by providing high-quality manufacturing capabilities in construction materials and industry to benefit from the highly efficient design, interior design, mechanical, electrical, civil and industrial engineers. The production of these industries can also be used in local infrastructure projects.
- **Fashion, textile, clothing, leather, and furniture design:** benefit from the value of elegant designs and proximity to the Arab and European markets. Lebanon has been a fashion producer for decades. With the rise of global e-commerce and social media, the textile and fashion design industry will



pave the way for a variety of brands and designers in the field of textiles and furniture.

- **Jewelry industry:** making use of the local workforce skilled in designing and making jewelery, especially for the Arab, regional and international market.
- **Pharmaceuticals, medicines, nutritional supplements and medical equipment:** The industrial plan supports the medicines industry, pharmaceutical products, medical equipment and parts thereof, in order to meet, in the first place, the maximum needs of the local market, and endeavor to increase its exports. The plan also includes encouraging the cosmetics industries, medicinal herbs (hemp CBD, etc.) and essential oils. It includes encouraging the medicines industry by identifying the most commonly used medicines in Lebanon and encouraging the pharmaceutical industry and the manufacture of similar or generic medicines, which contributes to reducing the cost of medicine bill for the Lebanese government, the private hospital sector, the guarantors and the consumer, at the following rates:
  - 30% during the first two years after the plan is approved
  - Up to 50% within five years after the plan is approved
  - The possibility of reaching a \$600 million worth of exports and creating about 2000 job opportunities

This will be achieved by requiring the governmental guarantors and institutions (the Ministry of Public Health, the NSSF, the Cooperative of State Employees, Mutual Funds, and Military Hospitals) to replace the imported medicine that has local similars and cover the costs of locally produced medicine giving them a preferential treatment over foreign medicines, by relying on the certificates of IRI, establishing and equipping the central laboratory so it can be able to issue Certificate of Pharmaceutical Products and ensure their quality.

- **Petro-chemical and oil derivatives industries in view of oil and gas exploration results.**

## 2. Industries, industrial and service chains based on knowledge and technology

- **Digital, knowledge and technology industries:** Start the transition towards the knowledge economy and create differential advantages within knowledge and specialized sectors (FinTech, CreativeTech, EdTech & HealthTech), including technology, communications, software, electronics, alternative energy, and advanced industrial equipment. It is worth noting that building a solid basis for these industries may take 10-15 years. It will also require building high skills and capabilities over time. We can start by securing and providing outsourcing services that would cover the comprehensive components of the product, and gradually build up sufficient talents, capabilities and competencies until the Lebanese can finally do so locally.
  - Cooperate with educational institutions, universities and institutes on research, training, and workshops
  - Support educational institutions and establish software and coding schools.
  - Work on building the "Knowledge Village in Beirut" group
  - Develop competencies in the field of equipment design (including solar energy) and e-commerce capabilities within modern integrated industrial zones serving the region and the world (incubators and free zones, and accelerating internet companies, hardware and software).

- Establish support centers, servers and direct links in different countries to purchase the necessary materials, products and equipment, and start implementing communication, commercial chains and links.
- Support the distant regions (remote villages) by establishing centers or incubators: training, attracting companies and investors, and working with Lebanon's Federation of Municipalities to establish business centers or incubators for the digital industry, mainly for startups.
- Secure a suitable work environment for startups, providing the best legal and administrative regulations, securing funding, and employing world-class digital talent
- **Creative and visual effects industries:** content industries, movies, music, visual arts and new media considering their positive impacts on the economy, by providing support in terms of incubation, talent transfer, and most importantly, global distribution.
- **Outsourcing services, financial, creative and consulting services:** Lebanon has a proven competitive advantage in consulting, and can develop capabilities in outsourcing and translation services, finance/accounting, and IT services. Services in these areas are easy to export and in large part have low capital expenditures requirements

## Fifth: Implementation of the industrial development Action Plan

The Ministry of Industry relies in implementing its current industrial plan on its own capabilities and on its three main entities: the Industrial Research Institute (IRI), the Lebanese Standards Institution (LIBNOR), and the Lebanese Accreditation Body (COLIBAC), in addition to its partnership with the Association

of Lebanese Industrialists (ALI), the Ministries of Health, Agriculture, Economy, Trade and Culture, Information, the Ministry of Foreign Affairs and Emigrants, the Investment Development Authority of Lebanon (IDAL), the Economic and Social Council, the National Economy, Trade, Industry & Planning Committee, other ministries and departments, and the civil society, among others.

**To ensure the good and speedy implementation of the provisions of the present plan, specialized committees will be established in partnership with the private sector, each will be entrusted with preparing, following up and implementing procedures related to each item within a specific timetable,** divided per responsibilities and procedures between ministries, departments and other entities (within the Ministry of Industry, with other ministries and departments, and with external parties).

## 1. Restructuring the Ministry of Industry and streamlining/rationalizing its work

- Restructure the Ministry and its institutions and streamline its work to simplify procedures and respond to industrial permitting requests as quickly as possible
  - Automate all the services provided by the Ministry of Industry, especially the industrial certificates and permits, which will lead to the speedy completion of transactions without wasting the time of investors and industrialists and improve Lebanon's current ranking ( 143<sup>rd</sup> place) on the Doing Business Index
  - Develop the Ministry of Industry work starting with the establishment of the Scientific Advisory Council of the Ministry of Industry (on 31/3/2020) in collaboration with industrialists and academic institutions to secure scientific support for the development of the industrial sector, mainly the industries related to fighting the Covid-19 pandemic, and food industries, through GAFAL.
  - Simplify procedures for industrial permitting and factories construction permitting, particularly by de-centralizing or giving total autonomy to the IZs through departments affiliated to the Mol (or a one-stop-shop)
  - Inaugurate the new headquarters of the Regional Industry Department in Nabatiyeh (done) and Baalbek / Hermel (done).
  - Open the new additional building for IRI at the university campus/Al-Hadath.
  - Take the necessary decisions to establish a "Chamber of Industry" and a "Chamber of Commerce, Industry and Agriculture at Hermel".
  - Complete the procedures for amending Decree No. 8018/2002 on the Industrial Permitting Procedures (in cooperation with other ministries).

- Complete the procedures for amending Decree #5243/2003 on the International Standard Industrial Classification (ISIC) (in cooperation with other ministries).
- Fill the vacancies in the departments acting as support to the Lebanese industry, at the lowest cost
  - Fill the 11 vacancies in the second category positions (departments' heads), and other vacancies.
  - Operationalize the procedures for appointing a new board of directors for the Lebanese Accreditation Body (COLIBAC) to launch the Quality Seal of Lebanese Industrial Products project, Lebanon Branding
  - Reinforce IRI's capacities, by providing the necessary tools and exempting it from fees and taxes on its equipment.
  - Appoint a new Board of Directors for the Lebanese Standards Institution (LIBNOR) and implement mandatory standards.
- Change the "Ministry of Industry" name into "the Ministry of Industry, Advanced Technology and Knowledge Services"
- Adopt transparency in all support mechanisms by creating a platform that details investment incentives, grants and loans available for investors and industrialists via an online portal that gives everyone the necessary access and follow-up information

## 2. The Ministry of Industry's practical steps and responsibilities

- Launching the pilot industrial zones project
  - Provide alternative energy (reduce the cost of energy by 20% minimum), in the recommended areas in Baalbek, Al-Qaa, Terbol, (Appendix No. 2), and suggest the establishment of another IZ in Al-Qrayaa' (Al-Chouf) as well as in the free zones for light assembly industries in the peripheries of Greater Beirut.
- Attract major tenants (international and local) for the industrial areas
- Offer technical assistance to companies that lack industrial experience
- Launch an online platform that links national industries with each other, with consumers, farmers and merchants, and with many Lebanese universities, to benefit from scientific research and ideas potentials, and encourage applicable fields of specializations that are compatible with the needs of the labor market
- Update the industrial survey data periodically and enforce periodic inspection of industrial works upon every renewal of industrial certificate
- Encourage industrialists to use alternative energy, which leads to reducing energy costs and calculating energy-intensive needs.
- Apply standards on imported materials used for Lebanese production
- Conduct feasibility studies that help investors identify the industrial sectors in which they can invest (4 of them already implemented).
- Identify the industrial sectors that require financial support by priority

## 3. Working with other ministries and internal departments

- Adopt programmed cooperation with IDAL and conclude an agreement to motivate and help investors in the industrial sector and work on electronic platforms to facilitate the marketing of industrial products, as a direct link

between consumers and producers without trading intermediaries.

- Cooperate with the Customs Administration to facilitate the procedures for exporting industrial products and importing raw materials, spare parts and equipment needed for the industrial sector; to reduce costs and combat tax evasion, and smuggling, through legal crossings (by tightening control, using resourced information and scanners, and coordinating between all security services), and illegal ones (by controlling as much as possible, collecting fees, and/or closing, and monitoring these borders by the security forces), and coerce Lebanese importers to submit a copy of the customs declaration in the country of origin at the border crossings and ports.
- Work with the Office of the Ministry of State for Administrative Reform in Lebanon to implement e-government, which is key to increasing efficiency, reducing corruption and expanding the scope of Lebanese industries to the world (registration, taxes, data sharing, speed in markets, etc.).
- Work with the Ministry of Telecommunications to secure high-speed internet and 5G as essential investments in the future, and extend the fiber network and high-speed internet to IZs
- Provide infrastructures and a transportation network capable of providing import and export supply lines
- Work with the Ministry of Public Works and Transport to proceed with the infrastructure construction
- Work with the Ministry of Economy and Trade to consider the possibility of customs protection for the local industry products, where needed.
- Impose import licenses and specific duties on goods that are not manufactured locally
- Prompt the cooperation pace with the Ministry of Education and Higher Education, mainly in the field of vocational and technical education, to



promote an industrial culture through educational programs required for the industry and secure job opportunities for graduates

- Coordinate with the Ministry of Foreign Affairs and Emigrants to promote the role of economic attachés at embassies in order to find and study new outlets for Lebanese-origin products and services, in addition to surveying and facilitating the participation of industrialists in international exhibitions.
- Coordinate with the ministries of Labor, Public Health, Agriculture, Environment, Economy and Trade in terms of factories' inspections
- Enforce strict environmental laws, including fighting pollution, and taking the necessary measures regarding industrial permits, chiefly the Litani water endowment, and treating liquid industrial effluents discharged into its course, in collaboration with the European Development Fund (August 2020)
- Establish the Food Safety Lebanese Commission, which will enable us to achieve production with high international competitive quality.
- Agree with the Ministries of Finance, and Agriculture, within the framework of food security, on the possibility of benefiting from the state's commons and arable properties by planting manufacturable crops, in partnership with the private sector
  - Fodder (to reduce imports -increase livestock of all kinds to secure raw materials for the manufacture of dairy, cheese, canned foods, oils, etc.)
  - All types of cereals (for canned food, pastries; to meet local market needs and export, etc.)
  - Fruits suitable for drying (various sweets and foods, etc.)
  - Afforestation with fast-growing tree species (for woodwork industries; reduce imports)
  - Agricultures suitable for manufacturing (vines - potatoes - orchards for

juices – olives)

- Work with the Ministry of Information to launch a media plan to support the development of the industrial sector
- Agree with the Association of Banks in Lebanon (ABL) and the Banque du Liban to ensure liquidity (based on concluded agreements and circulars issued or are under implementation).
- Take the necessary steps to establish a bank/an Industrial Development and Investment Fund (Annex No. 1).
- Establish central markets in the Lebanese regions in cooperation with the municipalities
- Review the newly approved commercial code, identifying the areas where procedures are to be developed, and taking the necessary steps

#### 4. Work with the Parliament - Legislation

- Remove all regulatory obstructions that delay the establishment and development of IZs (Amendment of Decree 1660)
- Amend and update the Labor Law for the establishment of business councils in factories that would participate in formulating the policies in return of reducing the costly, high rates of the contribution to the NSSF, and the exorbitant fees that make the Lebanese NSSF ineffective, impeding employment by companies in Lebanon.
- Give effect to the investment article of Law No. 360 pertaining to the industrial sector.
- Complete the procedures for amending the Ministry of Industry Establishment Law No. 642/97 and decree No. 13173/98 pertaining to its organization.
- Pass the Intellectual Property Protection Law
- Issue the necessary laws and legislations to ensure ease of doing business so that Lebanon is among the most competitive countries, including the Intellectual Property Protection Law, the Consumer Protection Law, among others.
- Complete the legalization of industries, upgrade them, and speed up industrial permitting procedures and services with relevant departments within joint committees
- Work on adopting incentive laws:
  - Industrial Exports Exemption Law from income tax by 100% instead of the current 50%.
  - Industrial Exemption Law up to 5% of their production expenditures spent on R&D and innovation.
  - Industrial Merging Law by parliamentary committees in a new

motivational formula.

- Pass the Ministry of Industry's draft law on energy support for the industrial sector for three years, pending the provision of alternatives.
- Help individual and craft industries and confirm the ministry's support for them, by legalizing and organizing their work to help them:
  - + Facilitate their financing through micro finance associations
  - + Make an appropriate offer to provide them with health insurance (sort of mutual fund)
  - + Reduce the betterment tax to 2% for 3 years, and to 3% for 3-5 years, and 5% for 5-7 years and back to 10% after 7 years

## 5. Working with foreign parties

- Complete work and financing of IZ plans in cooperation with UNIDO and through funding from the European Investment Bank (EIB) and the Italian Government
  - Secure direct financing (without lending) from donors for the construction of the first two smart and green IZ through transparent international tenders, granting in return the funders the exclusivity to supply equipment, industrial machinery and spare parts necessary for the local production of the factories established within these two IZs.
  - Prepare to launch a rehabilitation project for 4 IZs based on the Litani River in cooperation with the World Bank
- Review international agreements and communicate with foreign stakeholders to deepen cooperation and exchange, and to improve the conditions to become in favor of Lebanon.
  - Cooperate with regional countries, each according to its comparative advantages, to create production chains based on knowledge and technology
  - Negotiate with international partners to agree on the import and export of Lebanese products to countries that agree to offer the Lebanese industry a preferential treatment, invigorate the work of economic attachés and renew their appointments when necessary
  - Remove obstacles and technical barriers to facilitate exchange, adjust the trade balance via relations with trading partners and mutual recognition of certificates of conformity and specifications
  - Work with donor countries to include Lebanese factories in tenders and export Lebanese products, to become part of the products offered by

these countries to developing countries.

- Allocate part of European aids and other donors funds apportioned to the displaced Syrians in Lebanon, to be spent, in accordance with international tenders, on national tenders between Lebanese industries and companies in order to support the Lebanese economy and production sectors
- Launch the work of the Arab Union for Industrial Exports Development to promote inter-Arab trade and encourage exports
- Secure petroleum products required for the industrial sector at low and subsidized prices
- Find new sources of raw materials and industrial equipment (Turkey for instance)
- Work with the Ministry of Foreign Affairs and Emigrants for the promotion of the economic attachés role at embassies in order to find and study new outlets for products and services of Lebanese origin, in addition to surveying and facilitating the participation of industrialists in international exhibitions.
- Complete the joint ongoing projects with the United Nations Industrial Development Organization (UNIDO) -(development of woodwork, construction, food industries, handicrafts, women empowerment, resource consumption reduction, electronic and electrical waste treatment, etc.)
- Communicate with supporting international donors to provide the urgent needs and soft loans, cover the funding needed for the industrial sector, and follow-up on the liaison with the EU to give effect to the Ministry of Industry's proposals on providing liquidity for the Lebanese industry as soon as possible
- Adopt the approach of credit insurance or insurance on the raw materials costs exported to Lebanon instead of bank credits
- Reduce duties imposed on Lebanese trucks heading to the Gulf via Syria,

Jordan and Iraq, and obtain facilities to export Lebanese agricultural and industrial production to Arab countries.

- Launch a project to support small and medium industries in terms of treating their liquid waste discharged on the course of the Litani River, in collaboration with the European Development Fund as of August 2020

## Sixth: Mechanisms to support and finance the necessary measures for the development of the industrial sector

The current plan seeks to ease the burdens off the public budget shoulders and provide alternative sources of funding, particularly:

1. Soft loans through international donors to finance the purchase of raw materials needed for industrial production.
2. Soft loans through international donors or through the private sector to finance the construction and equipment of IZ.
3. Soft subsidized government loans, guarantees, and a bank (or fund) for industrial development and investment that is to be formed to support factories, especially small and medium ones, to provide liquidity for importing raw materials and equipment, and for establishing new factories to assist individual and craft industries<sup>1</sup>.
4. Income tax exemptions for 10 years for modern industrial investments<sup>2</sup>.

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<sup>1</sup> (Article 10 of the General Budget Law for the year 2020)

<sup>2</sup> (Articles 18 and 19 of the General Budget Law for the year 2020 - exemption from value-added tax on investments in the pharmaceutical industries)

5. Customs exemptions on raw materials and industrial equipment for industrial establishments.
6. Reduce the industrial sectors' contribution to the NSSF fees.
7. Allocate \$200 million from the World Bank as a cash guarantee for local banks to import raw materials for industries that have exporting potentials
8. Impose a fee on containers enclosing imported goods to the local market (apart from transit containers) dedicated for the support of industrial exports.
9. Impose fees on each ton of cement after reducing its prices locally to limit monopoly, provided that these fees are dispensed on environmental projects (rapid afforestation in collaboration with the Ministries of Environment, and Agriculture -Municipal support for local development in the surrounding areas, etc.) and to support industrial development and funding part of the IZ project.
10. Provide private sources of microfinance for owners of small factories and craftsmen, to benefit about 160,000 rural families.



## Seventh: Urgent Actions

The current situation requires urgent exceptional measures to support the industrial sector to be implemented within 3 months, revolving around the support of existing industries and provision of raw materials

### 1. Liquidity and financing projects - some are put into effect, others need the Council of Ministers and the Central Bank's approval

| Soft loans and liquidity for the import of industrial raw materials   |   |                                     | Capital Subsidy  |                                     |
|---|---|-------------------------------------|--|-------------------------------------|
|   | <u>Amount</u>                           | <u>Status Quo/Timing</u>            |  | <u>Status Quo/Timing</u>            |
| Agricultural food products & raw materials (BDL 557 & MoET 66)  | Part of 350 million USD <sup>1</sup>    | <input checked="" type="checkbox"/> | Agreement between the ABL & the Mol - BRR+1 max on interest expenses   |                                     |
| 100 million USD for industrialists "Bridge Fund" (BDL 556, MOI 24/1)  | 100 million USD                         | <input checked="" type="checkbox"/> | Installment rescheduling of previous loans due as of March 2020 for 6 months   | <input checked="" type="checkbox"/> |
| EBRD - for imports  | 150 million USD                         | Aug-20                              | Operational expenses loans to pay due loans and employees' salaries  | Aug-20                              |
| Private Financing Fund - Oxygen Fund - Phase 1  | 150 million USD, renewable <sup>2</sup> | Aug-20                              |  |                                     |
| Private Financing Fund - Oxygen Fund - Phase 2  | 250-450 million USD, renewable          | Oct-20                              | Bank/Fund for Industrial Investment & Development  | 3-9 months                          |
| <p><b>Nearly 3 billion USD annually</b> compared with 3.9 billion USD from raw materials returns &amp; industrial equipment in 2019</p> |   |                                     | Encourage investors & private sector & investment funds on industrial investment (annex no. 1) starting capital: 210 billion LBP |                                     |

1. Requires fresh money by 10% to acquire the funds

2. A fund renewable every 3-4 months where a capital of 150 million USD provides 450-600 million USD out of annual liquidity

## 2. Fiscal Stimulus Plan

### Financial Incentive Plan

| <u>Beneficiary</u>  | <u>Type of Support</u>   | <u>Amount</u>    |
|---|--|------------------|
| Companies with over 20 employees  | Soft loans to finance necessary raw materials for industrial production  | 300 bn LBP       |
| Companies with less than 20 employees   | Grants to assist in payment of salaries  | 80 bn LBP        |
| 40 new projects distributed all over Lebanon, new and expanding industries, service companies aiming to create 800 jobs | Grants up to 50% of new factories establishment cost, or expansion of existing ones, or establishment of new companies | 60 bn LBP        |
| Individual/craftsmanship industries   | Grants for operational costs   | 30 bn LBP        |
|   |  | <hr/> 470 bn LBP |

**Accelerate and facilitate export customs and grant temporary exemptions to small-sized exporters**

**Implementation of the pharmaceutical industrial plan**

Leasing municipal and state lands to non-polluting, export-oriented industries at below-market prices

Eighth: Appendices (projects data from the overall plan, methods of implementation and timetable)

### Appendix no. 1



**Lebanese Republic**

### Appendix no.1

|                     |  |
|---------------------|--|
| Project Title       | <b>Industrial Development and Investment Bank/Fund</b>   |
| Project Description | <p><b>Context:</b> Establish a development and investment bank/fund for the launch of new industries and support of existing industries</p> <p><b>Main Implementation Mechanisms:</b></p> <p>Capital: 210 billion LBP distributed into one million four hundred thousand shares with a nominal value of 150,000 LBP, allocated as follows:</p> <ul style="list-style-type: none"><li>- 15% to industrialists</li><li>- 40% to public subscription (individuals and private institutions)</li><li>- 15% to Banks</li><li>- 15% to public establishments, the NSSF, and investment funds</li><li>- 15% to the government, and coverage of any shortage in the contributions of the other above-mentioned parties</li></ul> |

|                    |  |
|--------------------|--|
|                    | <p>Objective:</p> <ul style="list-style-type: none"> <li>- Support industrialists and industries, mainly SMEs by providing liquidity for the import of raw materials and equipment, and the establishment of new industries to assist individual and craft industries<sup>3</sup>.</li> <li>- Distribution of loans: with a value not exceeding 1.5 billion LBP for each loan.</li> <li>• Investment in industrial sectors.</li> </ul> <p>Loan Term: not to exceed 12 years</p> <p>Loans objectives: establishing new industries and expanding existing ones that contribute to increasing industrial exports</p> <p>Loan interest: a ratio equivalent to the global LIBOR rate (dollars -one year) plus one percent</p> |
| Turnaround Time    | Not to exceed one year   |
| Project cost       | Capital value  |
| Financiers         | As mentioned in the text above   |
| Financing ratio    | 15%.   |
| Project Challenges | <b>Project risks:</b> There are risks in relation to capital accumulation, the interaction of this bank/fund with the rest of the banks if this bank will  |

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<sup>3</sup> (Article 10 of the General Budget Law for the year 2020)

|  |  |
|--|--|
|  | be considered as “fresh money”, to the speed of capital investment, and the absorption of capital demand |
|--|--|

## Appendix no.2



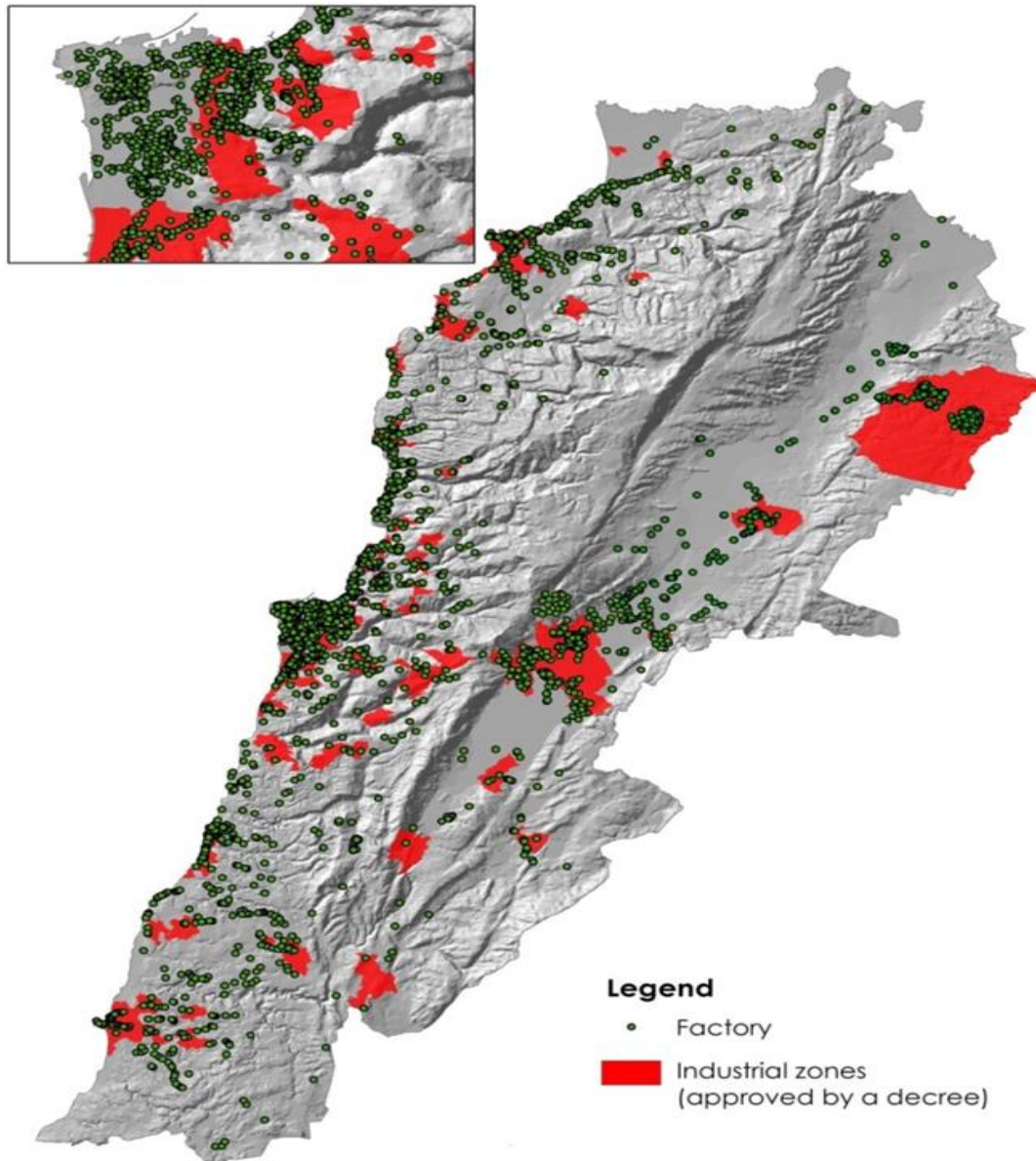
### Lebanese Republic

#### Appendix no.2

|                     |  |
|---------------------|--|
| Project name        | <b>Pilot Industrial Zones</b>  |
| Project description | <b>Context:</b> The establishment of IZs that contribute effectively and steadily to the implementation of the 2030 Sustainable Development Goals (SDGs)<br><b>Main executive mechanisms: as described below</b> |
| Governorate         | All governorates   |
| Caza                | Various Cazas  |
| Turnaround Time     | 3 years  |
| Project Cost        | 130 million USD  |
| Financiers          | Through UNIDO & other agencies   |

## 1. Propagation and distribution of factories and IZs

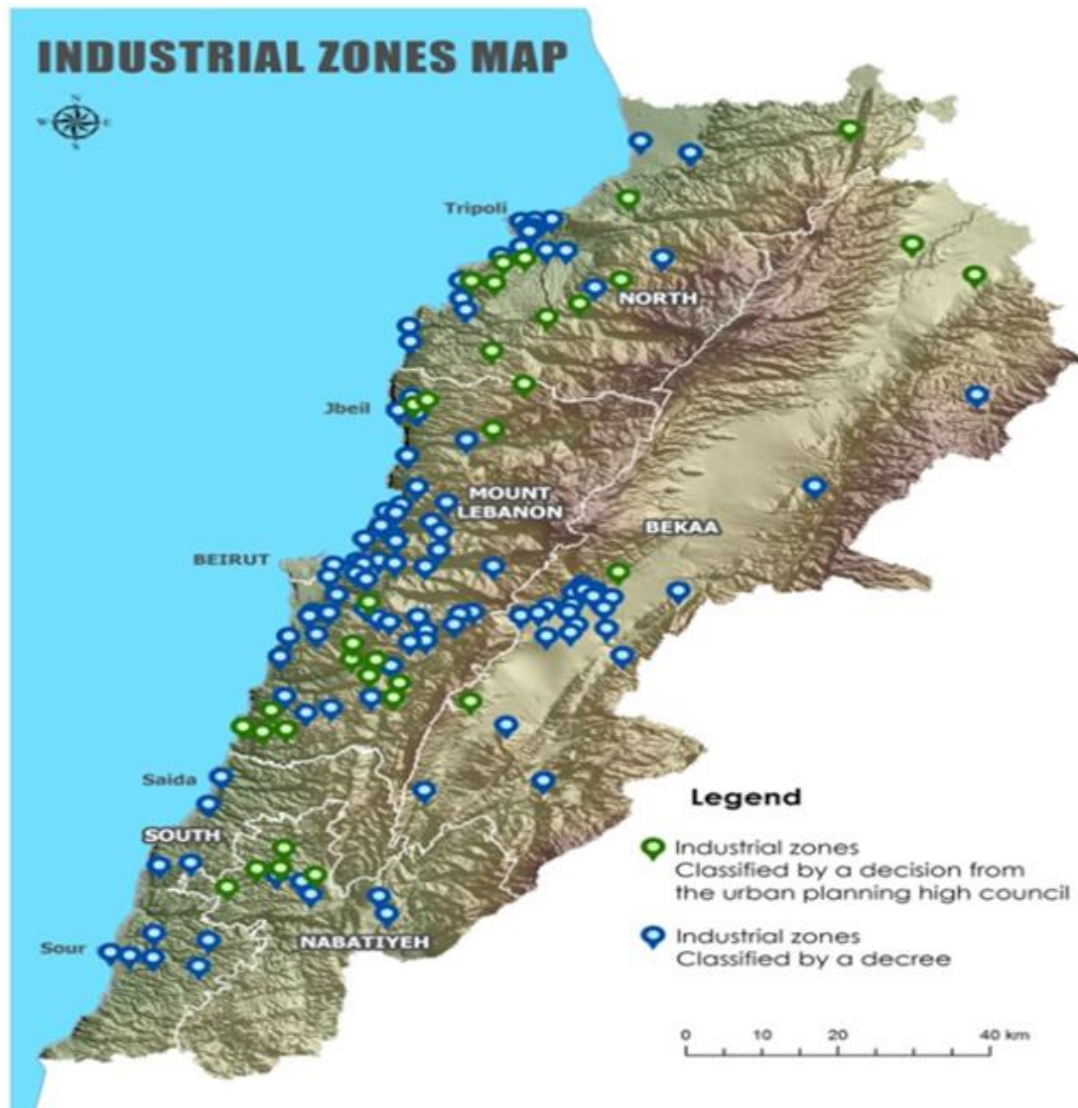
### i. Random distribution of industries and IZs in Lebanon (Mol 2017)



#### Notes:

- Beirut, the capital, does not include any classified IZs
- However, there is a number of previously permitted factories, scattered among residential areas, ensued from the chronic and accumulated economic and social problems.

ii. Current distribution of IZs within Lebanon (MoI 2017)

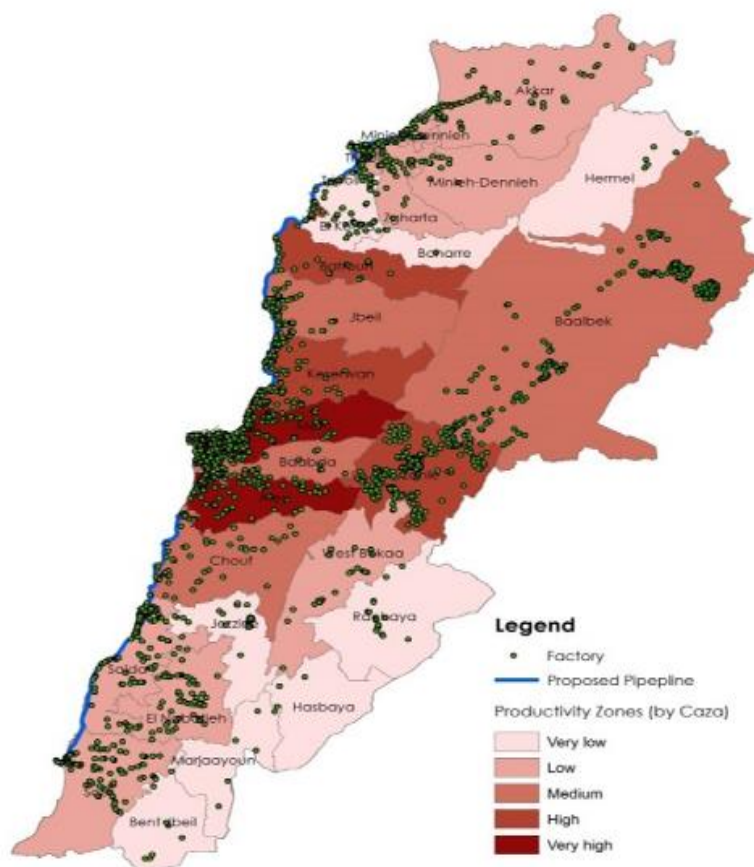


Note:

- Industrial and commercial activity is concentrated in the western coastal areas of Lebanon, mainly in the Greater Beirut and Mount Lebanon.



**iii. Distribution of IZs and industries per region:**

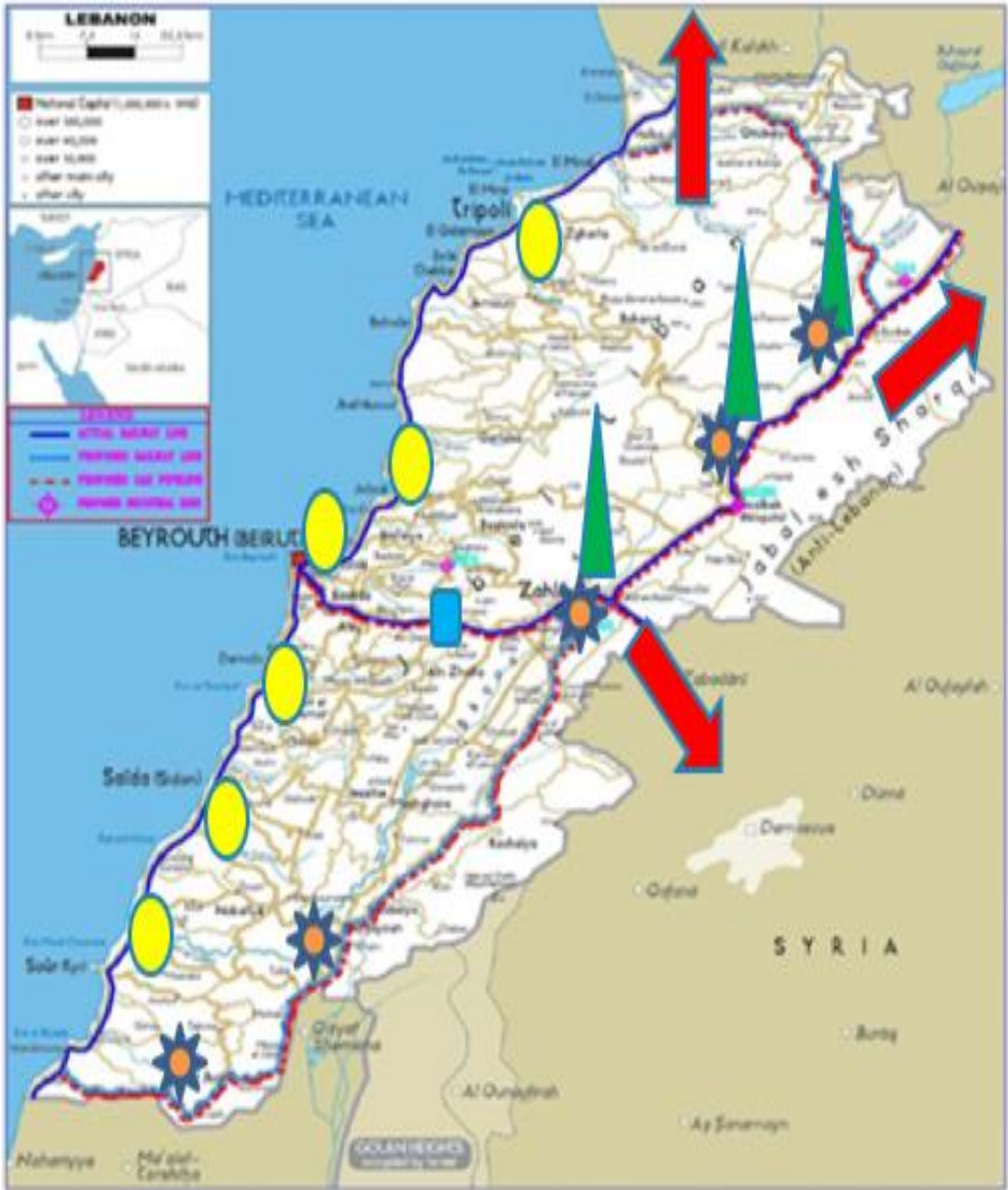


**Number and distribution of permitted industries by governorates ( Mol, till 20/4/2020)**

| Governorate    | Nb   |
|----------------|------|
| Mount Lebanon  | 3502 |
| Beirut         | 251  |
| Nabatiyeh      | 206  |
| South Lebanon  | 384  |
| Akkar          | 77   |
| North Lebanon  | 390  |
| Baalbek-Hermel | 267  |
| Bekaa          | 695  |

|       |      |
|-------|------|
| Total | 5872 |
|-------|------|

2. Mol's project for the development of new, sustainable and integrated IZs (2018-2030)



## **The project is based on 6 main pillars:**

- Rehabilitation of existing IZs around Beirut (17 IZs)
- Establishment of new IZs
- Industrial Tunnel
- The dry port in the Riyak-Bekaa region
- Natural gas and solar power plants
- Clusters of technology, knowledge economy, creativity, services and innovation on the coastal areas (Al-Quray'a' IZ proposal)

### **i. Rehabilitation of existing IZs**

Rehabilitation and construction of the infrastructure (legal framework, roads, electricity, telephone, waste treatment, parking, green areas, firefighting systems, sewage, irrigation, medical centers, etc.), including the areas of Bourj Hammoud, Dekwaneh, Bouchrieh (near Nahr el-Mott), Bouchrieh (Mar Maroun), Bouchrieh (behind El-Barad El-Younani), Wata Amarat Shalhoub, Zalka, Byakout, Bsalim, Al-Jdeideh, Mkalless, Sin El-Fil, El-Hadath, Baabda, Kfarchima, Choueifat, Bchamoun, etc., to complete the contour line around the city of Beirut.

### **ii. Establishment of new and sustainable IZs**

New IZs are being established in collaboration with UNIDO and other donors, in all Lebanese regions, along the contour line in the north, east and south of the country (Figure 4-the red line) fed with solar power. The project also provides at later stages:

- Existing Railways on the coast of Lebanon towards Al-Bekaa

- New railways to be built along the contour line to connect industries with each other, to the borders crossings in the north, to the coastal areas and ports in the east and eastern borders
- Gas pipelines that will be fed from gas extracted from the sea or from other sources by pipelines
- The contour line will connect the Lebanese industrial areas with:
  - Syrian coast and Turkey in the North
  - Syria and Iraq in the Northeast
  - Syria, Jordan and Gulf countries and beyond (Silk Road)

### iii. The Riiyak-Bekaa dry port

An inland terminal that connects the internal transportation lines, and crosses through it towards the east.

- **Connections:** with Syria, the Gulf countries, Central Asia, Turkey, and Europe
- **Services:** trans-shipment, consolidation, depot, maintenance of containers, customs clearance, reduce congestion at cross borders and seaport gates, and facilitate transportation
- **Advantages:**
  - Shift transportation from road to railways to the highest extent possible
  - Reduce congestion at seaport gates and their surrounding areas
  - Coping with capacity constraints of seaports and crossing borders
  - Reduce external environmental effects on transportation routes
  - Develop rural areas
  - Improve supply chain logistics
  - Reduce transportation, storage, packaging, and packing costs

- Provide warehousing (full and empty containers storage)

iv. **Natural gas power plants**

The possibility of establishing natural gas power stations in the IZs to generate electricity that meets the needs of these IZs and the surrounding areas through an advanced decentralization of energy production, distribution of burdens and reducing the costs of energy transmission and production.

v. **Rehabilitation of Beirut-Chtaura Road to build an artificial tunnel – revise the study in view of the issuance of a relevant law by the Parliament**

Open a Beirut-Chtoura road through an artificial tunnel fully equipped, environment-friendly and practical (fully covered with solar panels to produce renewable energy) in parts of the roads that are usually blocked by snow during winter, so that the Bekaa road remains open throughout the year at a lower cost, less time and more efficiency.

vi. **Clusters of technology, knowledge economy, creativity, services and innovation (establishment of an “outsourcing park” in an area outside Beirut and Mount Lebanon**

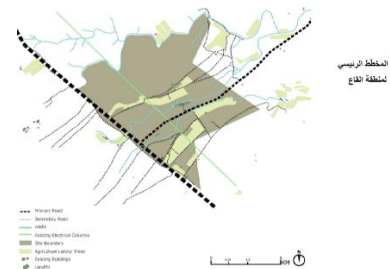
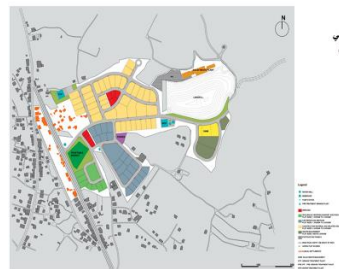
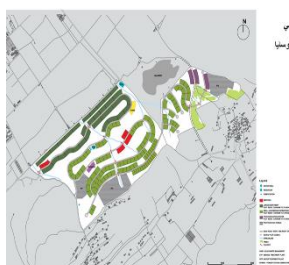
Building innovative technological industrial clusters in each coastal area and towards the western mountain range (from Naqoura in the south to Abdeh in the north) in order to:

- Provide reduced lease and communication costs (landline internet, cellphones, etc.), and comprehensive service centers in all technological fields
- Facilitate entrepreneurship
- Provide job opportunities for students with scientific skills/competencies (high salaries with material and moral incentives)
- Encourage rapid innovation through research centers, laboratories and patents with industrial intellectual property rights
- Increase productivity through specialized inputs and ease access to information, synergies, and public goods
- Enable SMEs located in agglomerations near competitors and related industries to achieve faster growth and gain a better position within the market
- Create supply chain networks within interconnected clusters
- Promote the high value-added and specialized production industrial brand, clearly defined in the “Integrated Vision for the Lebanese Industrial Sector 2025” (“Lebanon Industry 2025”) in its sixth operational objective “Encourage New Knowledge Industry”
  - Communication, programming, nanotechnology, mechatronics, electronics, fashion design, differentiated leather industry, assembly industry, traditional national food industry, medical equipment, pharmaceuticals, medicine, alternative energy, jewelry, industrial equipment, cosmetics, medicinal herbs (CBD) essential oils, perfumes, biochemistry, industrial chemistry, petrochemical industry, shipping, services, ecotourism and industrial tourism.

### 3. Implementation phases of the Project

#### Completed phases:

- **Preliminary studies:** for the first phase of the project to establish three IZs along the contour line (figure 4).
- **Locations:** municipal lands of:
  - *Turbol- Qusaya, Bekaa*
  - *Baalbek, Bekaa*
  - *Al-Qaa', Bekaa*
- **Financing:** on-going financing for design and implementation (including rehabilitation of the existing IZs)
  - The Potential donors for the three locations include: EIB, EBRD and Italian Cooperation.
  - Feasibility studies total cost: for Turbul, Baalbek, Al-Qaa' IZs: around 105 million euros.
- **Establish an IZ in Al-Quray'a (Al-Chouf) after completing studies in cooperation with IDAL**
- **Discuss the establishment of coastal IZ**



So far the IZs have attracted the following funding:

- Financial commitments of 7 million Euros from the Government of Italy, plus one million Euros as a grant for the preliminary studies
- 52 million Euros from the EIB (plus 4 million Euros for the engineering plans as a grant).
- The EBRD is considering offering a loan of USD 46 million.

**Note:** All these amounts will be invested in developing the infrastructure of these IZs.

#### 4. The socio-economic and environmental benefits of the IZs project

The first phase of the industrial zones project will include (the three locations):

- Host hundreds of new industries and existing ones that will move to these IZs
- Covers various sectors: Agro-food industries/ Car repair and services/ Construction/Creative industries/assembly industries/metal industries/plastic industries/animal feed
- Create around 30,000 new direct and indirect jobs (out of nearly 150,000 new jobs of the whole project).
- Decrease the cost of land destined for industrial uses as well as transportation, energy, and labor costs, i.e. production costs
- Improve the quality of infrastructural services (energy, transport, water supply, communication, etc.)
- Improve municipal planning (separate industrial from residential spaces).



- Implement the 2030 agenda SDGs by enhancing environmental, social and economic sustainability.
- Rural areas development and improvement of residents' quality of life
- Increase the value chains through the concentration of industrial activities.
- Establish industrial clusters
- Establish business incubators
- Increase innovation by linking business clusters to R&D/innovation centers and establishing technology centers;
- Improve and facilitate procedures for investment and operating permits and develop platforms to attract FDI.
- Increase Lebanese products' export competitiveness through an improved export infrastructure.
- Raise self-sufficiency of products and thus ensuring greater food security, industrial security, economic security, and social security

## 5. Investment Opportunities

- Lebanon's geographical location: at the heart of the Middle East, at the intersection of the three continents, where the East meets the West, characterized by a government policy that supports the liberal economy.
- Lebanon offers investors several opportunities and incentives in all economic sectors, mainly in the industrial sector
- Historical and cultural riches: thousands of years of history, ideal climatic conditions, rich culture and tourism potentials of all kinds.
- Financial and monetary system: the lowest tax rates in the region, free foreign exchange market, policies to facilitate currency exchange and no restrictions on capitals' inflows/outflows

- Banking system: suitable for doing business in the MENA region.
- Reconstruction of Syria and Iraq: Lebanon represents one of the platforms, or perhaps the only economic platform for the reconstruction of Syria and Iraq
- A window to a large regional market: through a trading platform in Lebanon as a corridor for the Arab (Syria, Iraq and the GCC) and Asian (Central Asia) markets
- The Free Economic System: liberal investment policies, entrepreneurship, and individual initiatives; important keys to the Lebanese economy
- Manpower: Skilled, educated and multi-talented labor is widely available at reasonable costs.
- Lebanon as a potential natural gas producer: Lebanon is one of the newest candidates among the eastern countries to soon join the list of gas producers in the Middle East, making the Lebanese coast an attractive place for investments and opportunities (Silk Road), integration with Europe, a trade bridgehead for the Far East (Korea -Japan.)
- Infrastructure in Lebanon: has the potential to become among the best in the region through the expansion of port facilities, and an ambitious program to rehabilitate roads and railways.
- Lebanese expatriates: investment relations with the large, effective and efficient number of prominent Lebanese expatriates in many countries, mainly Africa, South America and the GCC countries.
- Industrial zones: low cost of land for industrial uses, better cost and/or services for infrastructure (energy, transportation, water supply, communications, etc.) and security for tangible business assets (buildings, machinery, physical inventory)

- Agricultural industries sector: a great contributor to the Lebanese economy, representing over 30% of total industrial exports in 2018, has highly-skilled, low-cost labor force; a diverse and vigorous agricultural sector in addition to world renowned cuisine, all these are strengths of Lebanon.
- The Information and Communication Technology sector (ICT): A fast growing sector, the market size reached \$436.2 million in 2016 and is expected to grow by 9.7% between 2016 and 2019 (IDAL). This sector has benefited from huge investments in telecom infrastructure, broadband capacity and internet speed
- Highly skilled and multilingual workforce: Competitive salary base, thriving regional market for IT services, and thriving business environment are Lebanon's strengths in IT