INVESTMENT DEVELOPMENT
AUTHORITY OF **LEBANON**

Presidency of the Council of Ministers

INVESTMENT OPPORTUNITIES IN THE ICT SECTOR 2018

IDAL

INVEST IN **LEBANON**

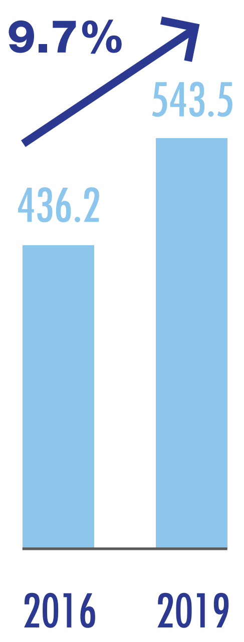
investinlebanon.gov.lb

HEADLINES

LEBANON’S ICT SECTOR GREW AT A **7% CAGR** FROM 2014 TO 2016 AND IS EXPECTED TO GROW AT A **9.7% CAGR** FROM 2016 TO 2019

- Size of Lebanese ICT market in 2016*: **USD 436.2 million.**
- Grew at **CAGR of 7%** over the period 2014 - 2016.
- Expected to grow to **USD 543.3 million** by 2019.
- Contributed **3% to Lebanon’s GDP in 2017.**

LEBANESE ICT MARKET VALUE
(2016 -2019) |USD MILLION



Compared to **4.4% CAGR for the MENA region.**

*Latest available figures

Source: Business Monitor International, 2016

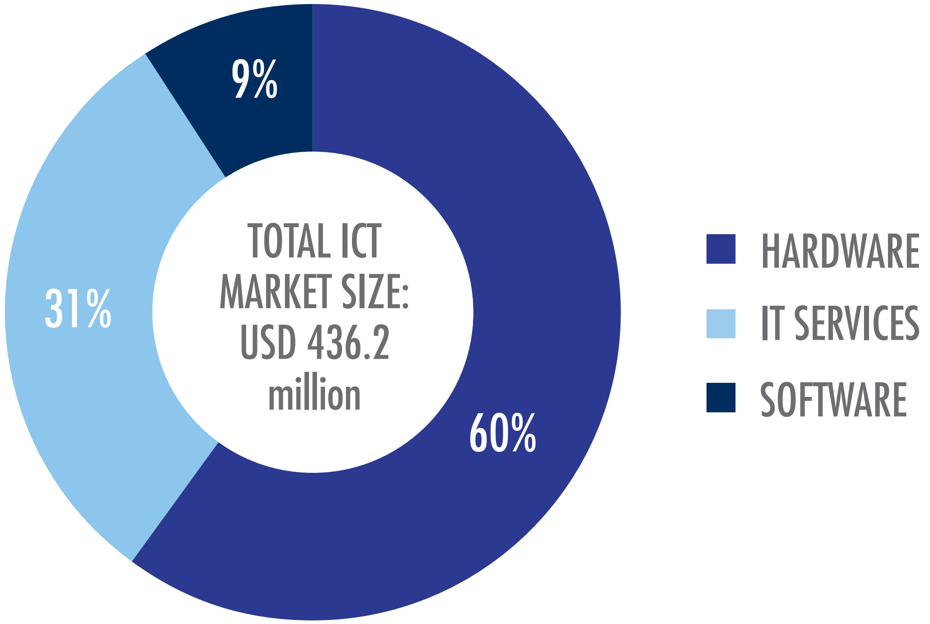
THE MARKET OPERATES ACROSS 3 SUBSECTORS

- **HARDWARE:** Sales reached **USD 262.2 million** in 2016, accounting for **60.2%** of total ICT market size and are expected to grow at a **CAGR of 8.3%** in the 2016-2019 period.

- **ICT SERVICES:** Market reached **USD 134.2 million** in 2016, accounting for **30.7%** of total ICT market size, and is expected to grow at a **CAGR of 12.3%** in the 2016-2019 period.

- **SOFTWARE DEVELOPMENT:** Market reached **USD 40 million** in 2016, accounting for **9%** of total ICT market size, and is expected to grow at a **CAGR of 10.1%** in the 2016-2019 period.

ICT MARKET SIZE IN LEBANON BY SUBSECTOR
% I 2016



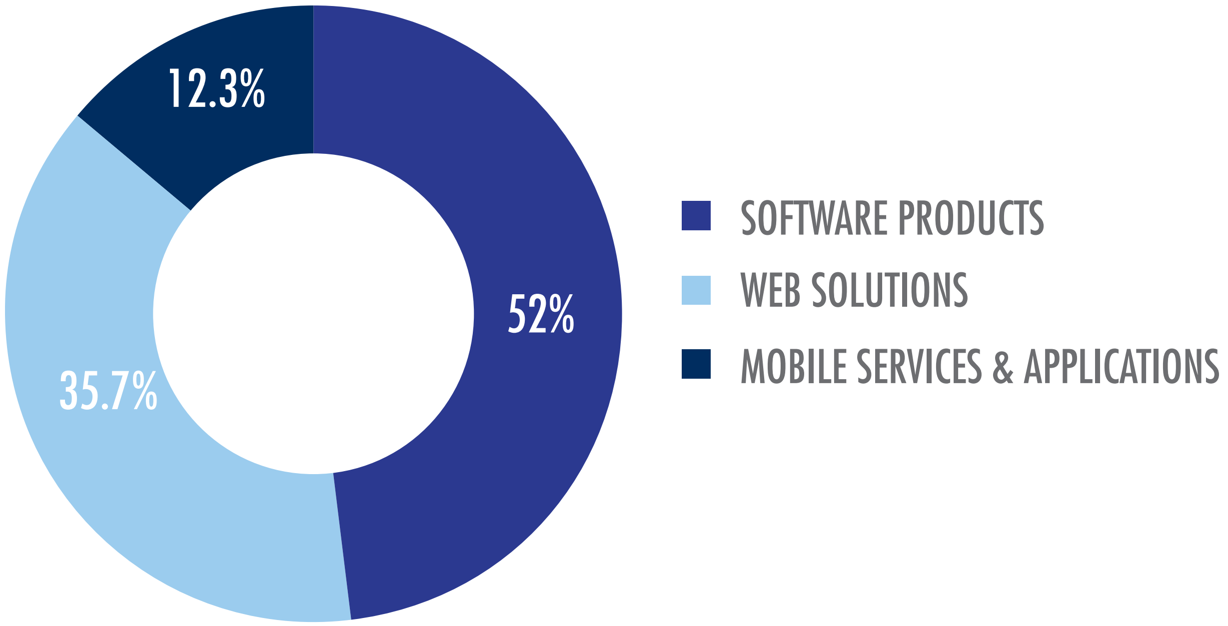
Source: Business Monitor International, 2016

THE SOFTWARE DEVELOPMENT & SERVICES SUBSECTOR **EMPLOYS AROUND 5000 INDIVIDUALS & OPERATES ACROSS THREE MAJOR ACTIVITIES**

- The Lebanese software development and services industry is comprised of around **200 companies** and employs around **5000 individuals**. It is mostly dominated by SMEs and operates across **three major activities:**

- **Software Development** for vertical industries, mainly for the healthcare, education and banking sectors
- **Web Solutions** mainly web hosting, web design & development as well as e-services
- **Mobile Services and Applications** mainly in gaming, banking and mobile payments

DISTRIBUTION OF IT COMPANIES BY TYPE OF ACTIVITY
% I 2017

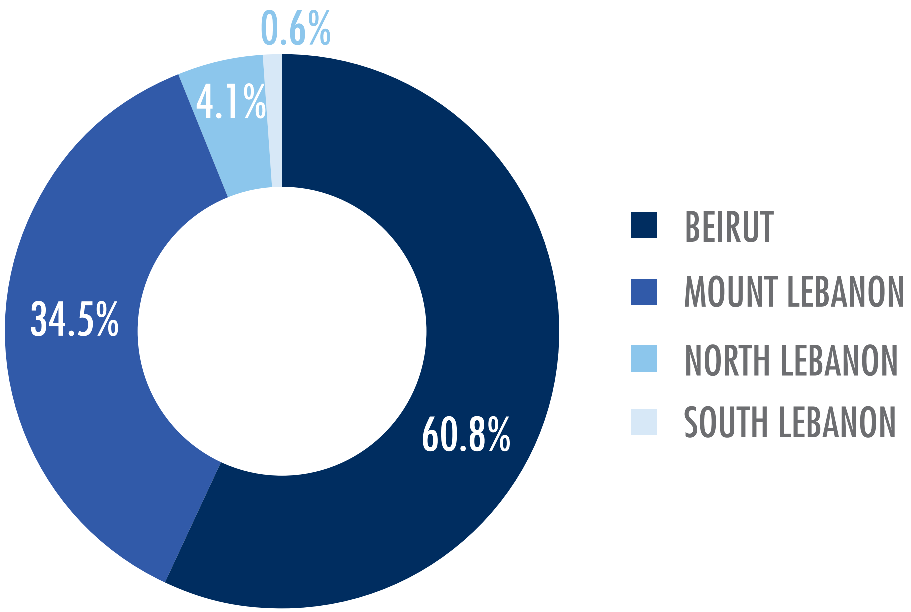


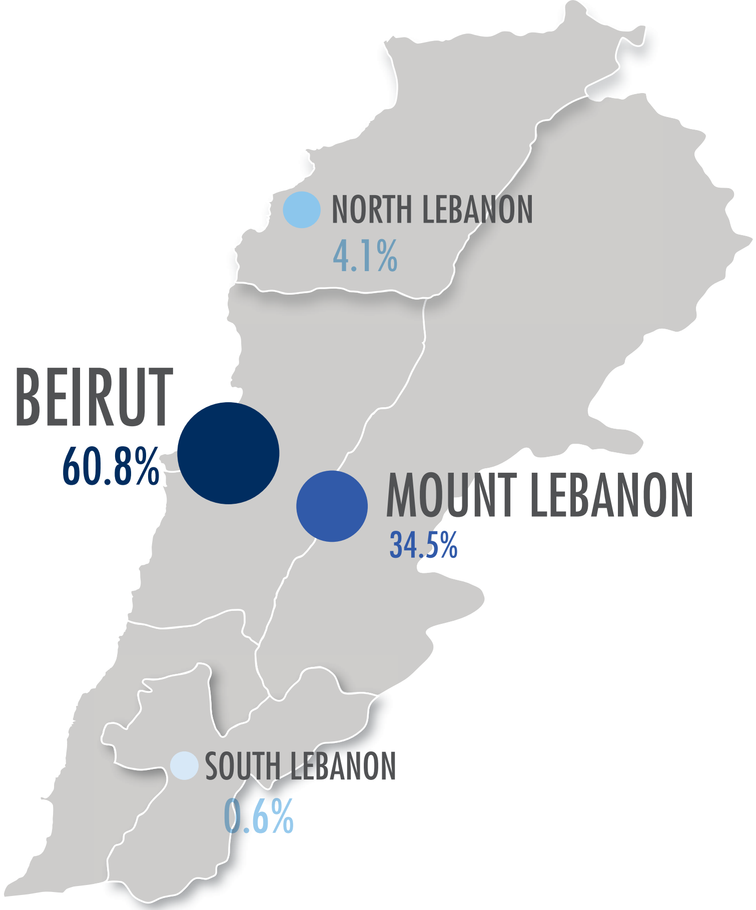
Source: IDAL, ICT Directory 2017

AROUND 60% OF SOFTWARE DEVELOPMENT & SERVICES COMPANIES ARE LOCATED IN BEIRUT

DISTRIBUTION OF ICT SOFTWARE DEVELOPMENT & SERVICES COMPANIES BY MOHAFAZA

% I 2017



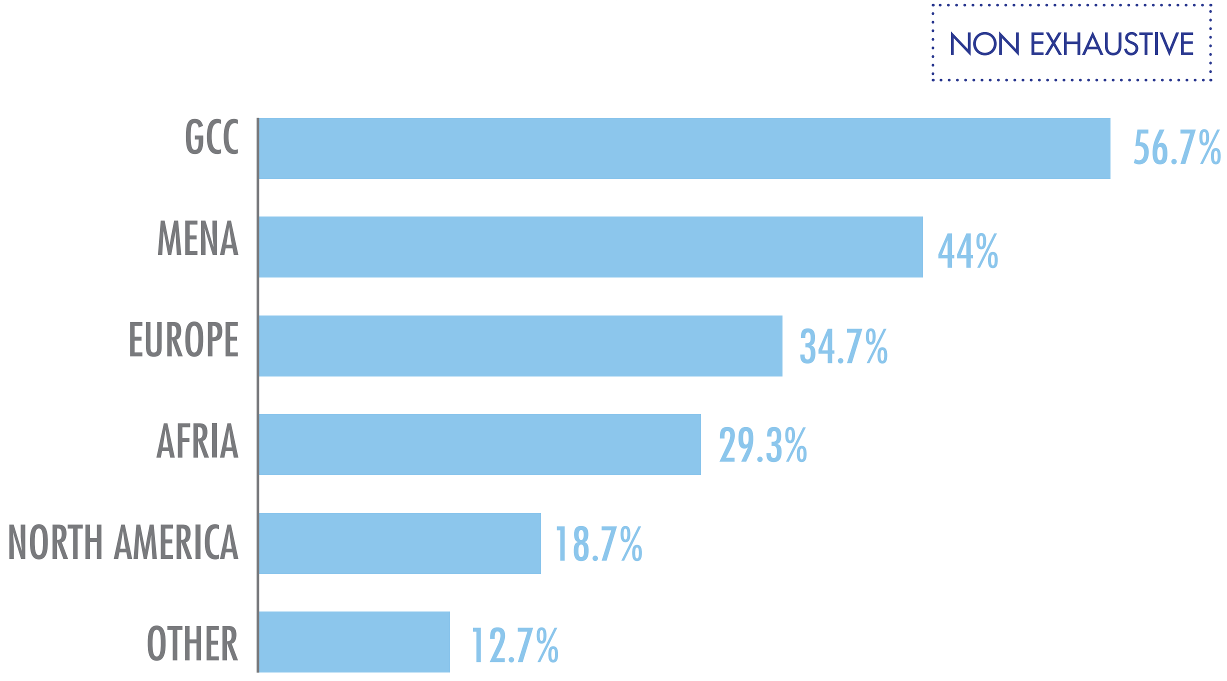


Source: IDAL, ICT Directory 2017

LEBANON IS EMERGING AS **A LEADING EXPORTER OF SOFTWARE DEVELOPMENT AND SERVICES** IN THE REGION

- Exports of ICT related services accounted for **22% of total services exports in 2016.**
- In 2017, more than **85% of Software development and services companies** were exports oriented.
  - **90%** of Software Development companies
  - **89%** of Web Development companies
  - **76%** of Mobile Application Development companies export their products to one or more international markets.

TOP EXPORT MARKETS FOR IT COMPANIES
% I 2017



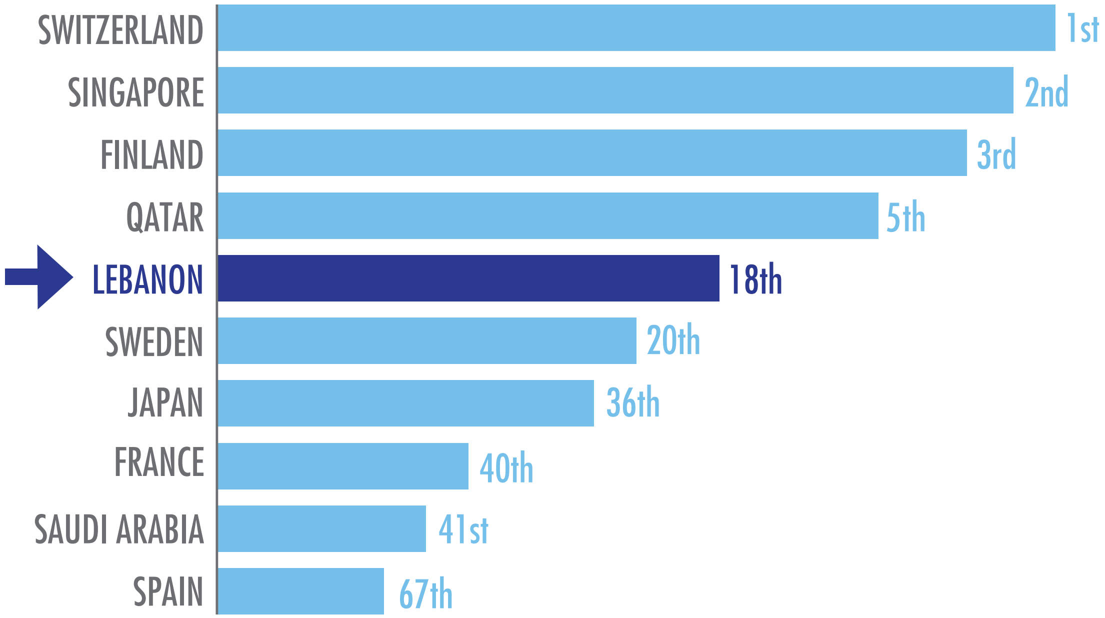
Note: Most companies export to more than one international market.

Source: World Bank 2017, IDAL ICT Directory 2017

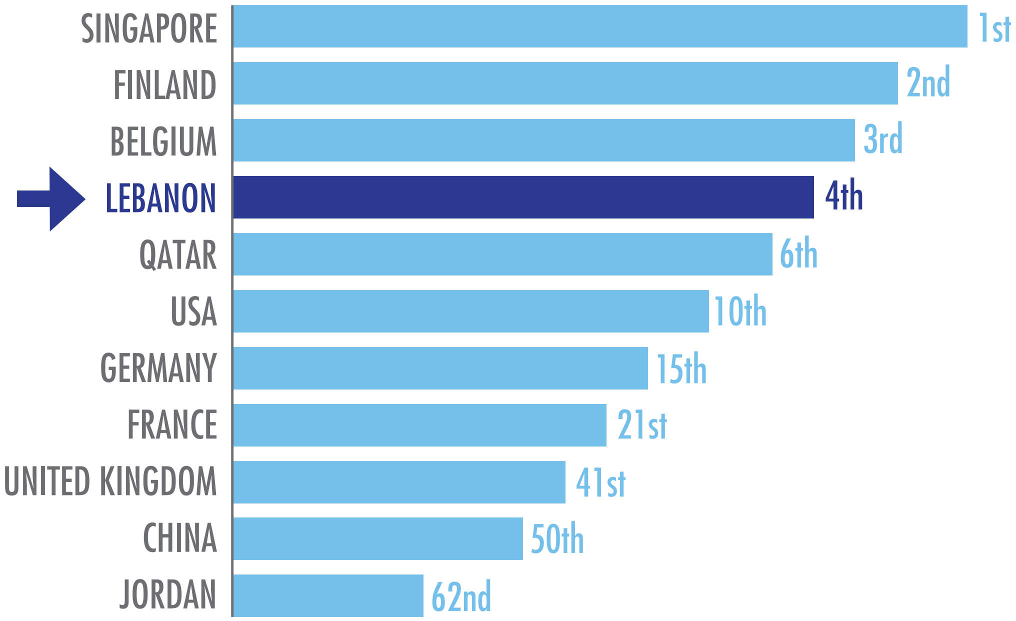
HEADLINES

THE SECTOR BENEFITS FROM A WORLD CLASS EDUCATIONAL SYSTEM

OVERALL QUALITY OF EDUCATION SYSTEM (2017-2018)



QUALITY OF MATH & SCIENCE EDUCATION (2017-2018)



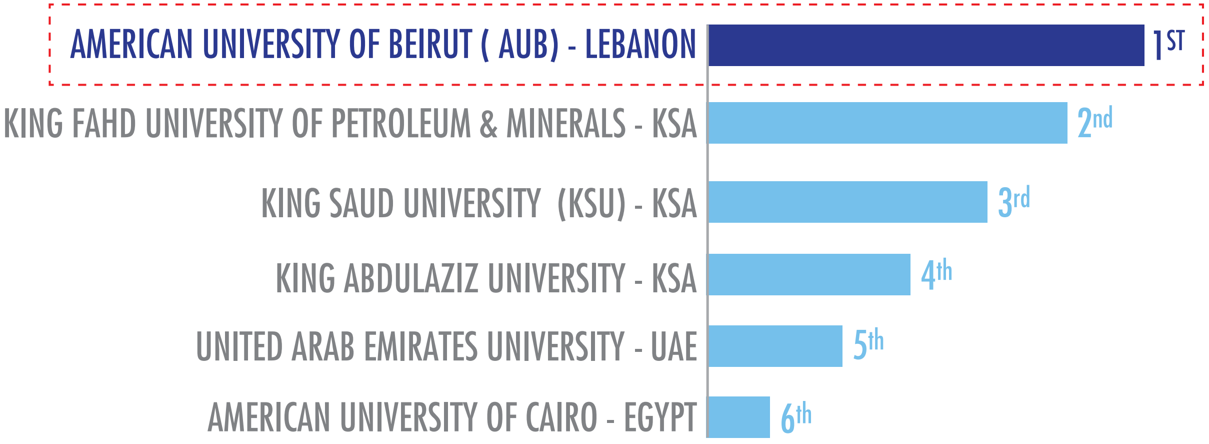
Note: Standing among 137 countries
Source: World Competitiveness Report 2017-2018

IT IS ENDOWED WITH AN EXCELLENT SCIENTIFIC COMMUNITY & UNIVERSITIES

- Lebanon is home to **50 universities**, and has the highest concentration of universities in the region.
- Around **5,000 graduates** with a degree in Information Communication Technology
- **American University of Beirut ranked 1st regionally in 2018**
- A growing number of **research & training centers** are being established mainly in the fields of **environmental technologies, medical science and agriculture**. (Research Center for Environment and Development, Lebanese Agriculture Research Institute, National Council for Scientific Research, Neuroscience Research Center...)

Source: Center for Educational Research and Development, 2017-2016

TOP 6 UNIVERSITIES IN THE MIDDLE EAST (2018)

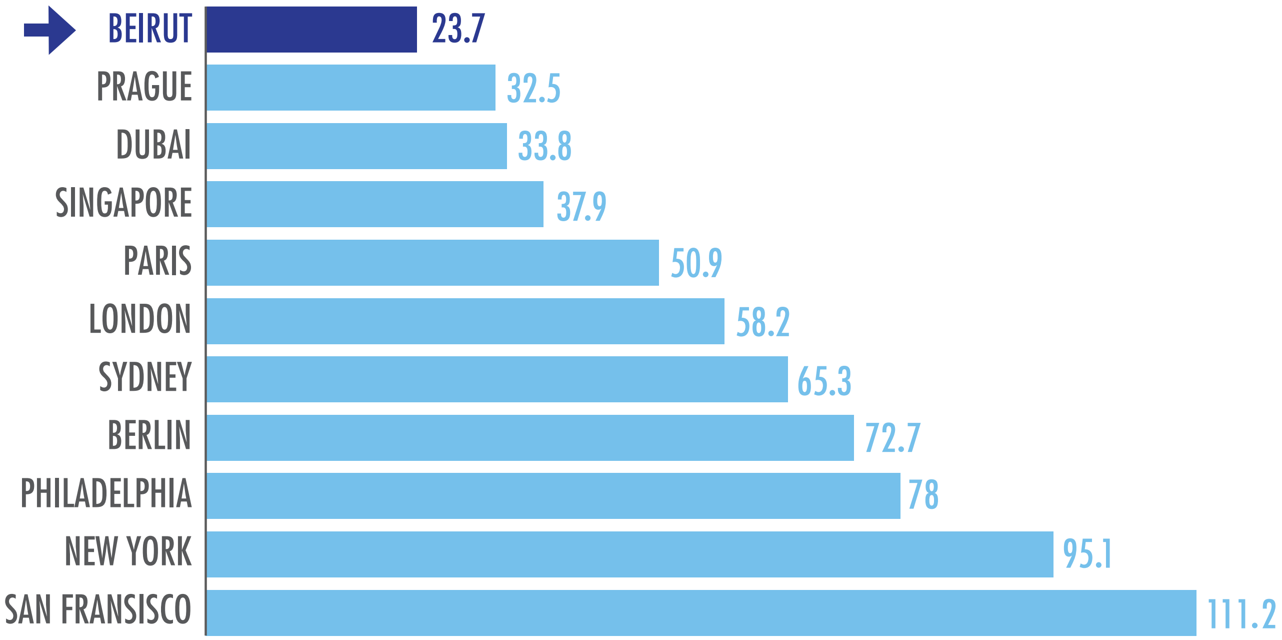


Source: Quacquarelli Symonds University Rankings 2017

IT HAS A COMPETITIVE WORKFORCE WHICH COULD BE LEVERAGED FOR BUSINESS PROCESS OUTSOURCING

- The labor base is cheaper than the US, European and GCC countries, with the average wage of a software engineer nearly **27% lower than in the GCC and 55% lower than in selected developed economies.**

MEDIAN ANNUAL WAGES OF SOFTWARE ENGINEERS IN SELECTED COUNTRIES USD'000 | 2018



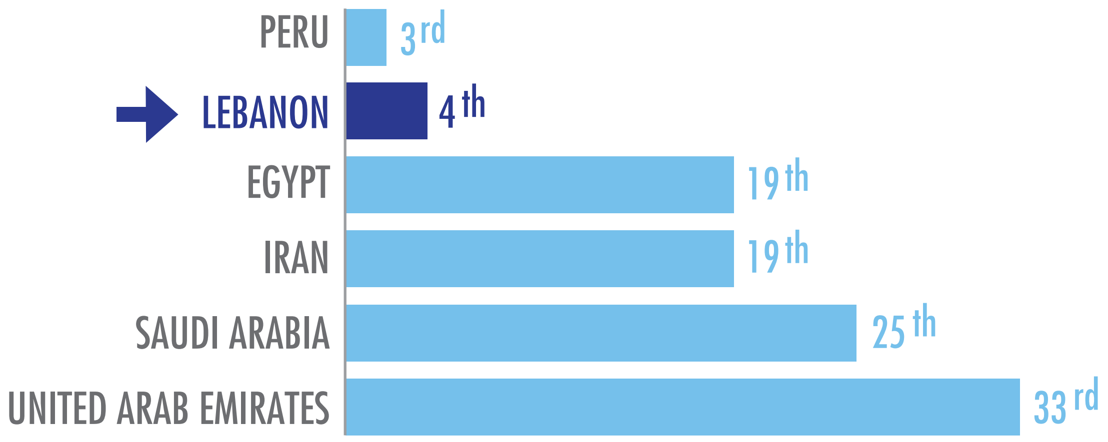
Source: Payscale, 2018

LEBANON'S STARTUP SCENE IS BOOMING, WITH THE PRESENCE OF A DYNAMIC ENTREPRENEURIAL ECOSYSTEM

- In 2017, Lebanon ranked **4th worldwide** on the Global Ranking for Total Early Stage Entrepreneurial Activity (TEA)

- In 2017, Lebanon ranked **4th worldwide for its Entrepreneurship Impact on Innovation**

GLOBAL RANKING OF SELECTED COUNTRIES FOR EARLY STAGE ENTREPRENEURIAL ACTIVITY (2017-2018)

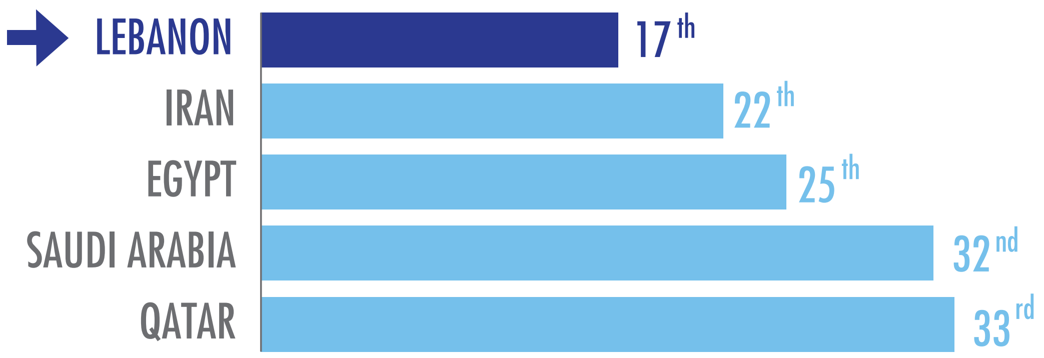


Note: study based on 54 economies from all regions
TEA: Percentage of adults who started or are running a business up to 3.5 years

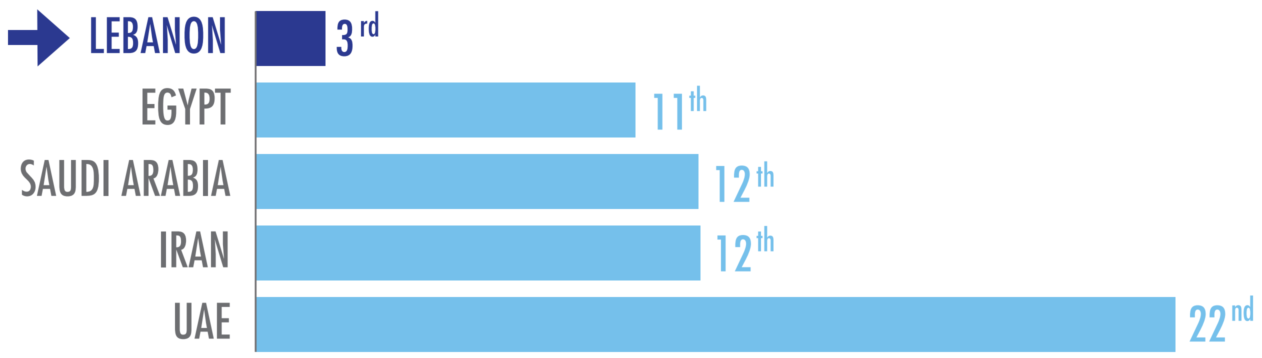
Source: GEM Global Report 2017-2018

THE COUNTRY HAS THE HIGHEST RATES OF BOTH NASCENT ENTREPRENEURS & NEW FIRM ENTREPRENEURS IN THE MENA

GLOBAL **RANKING** OF SELECTED COUNTRIES FOR RATE OF NASCENT ENTREPRENEURS*
(2017-2018)



GLOBAL **RANKING** OF SELECTED COUNTRIES FOR A NEW FIRM ENTREPRENEURS**
(2017-2018)



Source: GEM Global Report 2017-2018

Note: study based on 54 economies from all regions

**Nascent Entrepreneurship Rate: Percentage of the adult population aged between 18 and 64 years that have started a business that is less than 4 months old and that has not paid salaries or wages*

***New Business Ownership Rate: Percentage of the adult population aged between 18 and 64 years that have started a business that is between 4 and 42 months old and is paying salaries or wages*

IT HAS AN ENABLING INFRASTRUCTURE

- **Lebanon's bandwidth has increased 10 folds since 2011.**

- The average **speed of mobile broadband** has increased **18 times and prices have declined by 40% during the same period.**

- **Fixed broadband penetration rate reached 25.6% in 2016**, a 9.95% increase from 2013 levels.

- **Mobile broadband penetration** rate has been on the rise reaching **53.5% in 2016**

- **In 2018, OGERO launched a roadmap for better internet infrastructure.** OGERO announced that it started deploying the public fiber optic network with 15% of the plan is completed.

- **The "Lebanon 2020 Digital Telecom Vision" project,** launched in 2015, is a 5 year plan that aims to revamp the telecommunications infrastructure in the country, **estimated to amount to USD 600 million** in investment making fiber-optic connectivity as well as 5G connections available through the country by 2020.

...AND **A SUPPORTIVE ECOSYSTEM** RANGING FROM INCUBATORS/ACCELERATORS TO DIGITAL PARKS

INCUBATION & ACCELERATION:

9 incubators & accelerators provide training, technical & financial assistance to new and existing businesses across Lebanon. (Berytech, BIAT, Uk Tech Hub, Speed@ BDD, Flat6Labs, Smart ESA, Booster 06, ALT City, South Bic)

NEW BUSINESS PARKS & CLUSTERS

Are being developed to host companies in the digital industry. The Beirut Digital District (BDD) provides state of the art facilities and services at reduced rates, in addition to clustering opportunities within a friendly business environment.

BUSINESS SUPPORT UNIT (BSU) AT IDAL

Launched in 2018, it provides startups operating in productive sectors with market information, free legal and tax / accounting advice as well as licensing support in order to help them establish and grow their company in Lebanon.

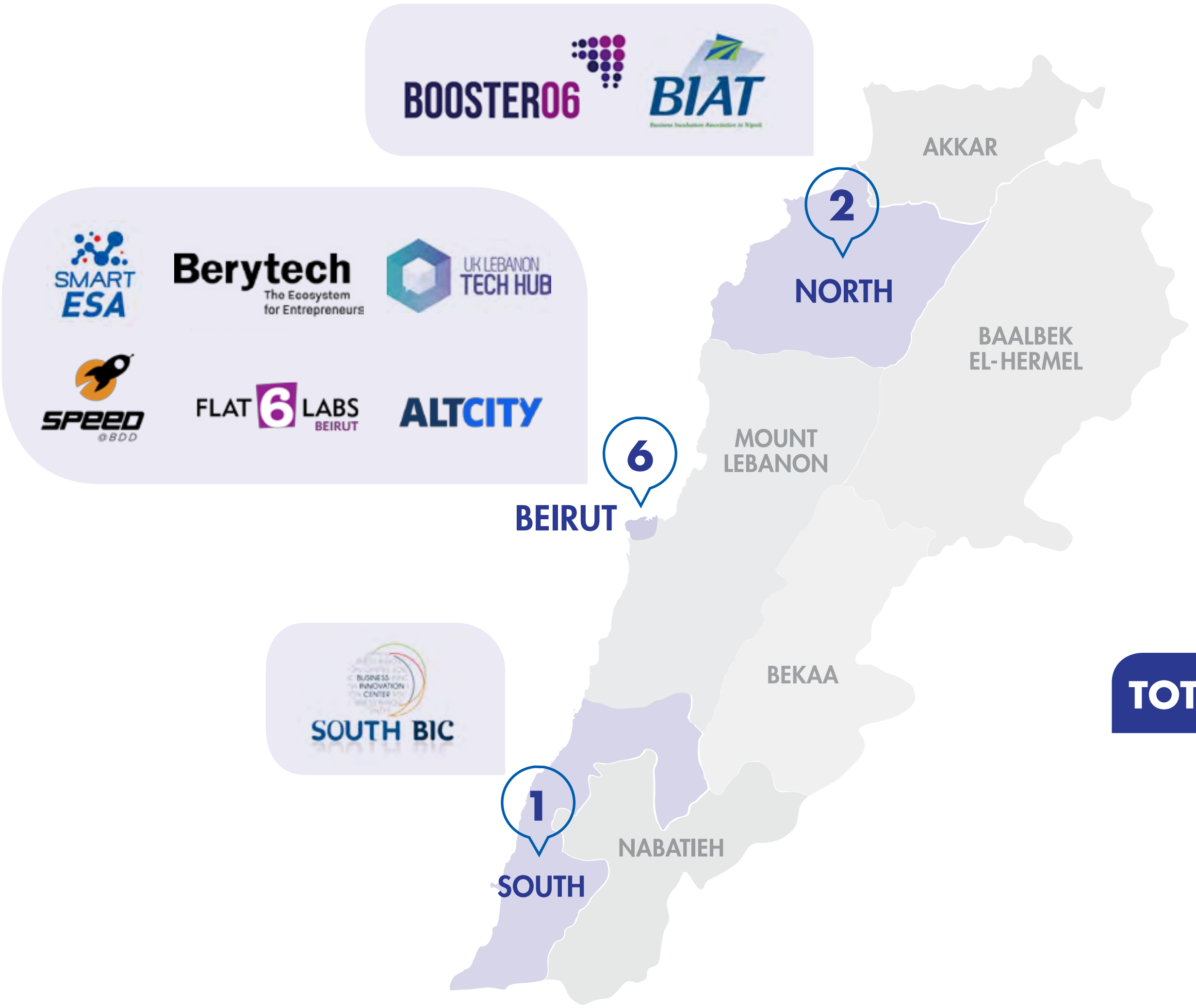
CO-WORKING SPACES

A number of co-working spaces in Lebanon can serve as a cost-effective alternative to traditional offices (ALKindy, Beirut Digital District, Founders Bei, etc...)

Mentorship programs

Provide startups with access to mentors both locally and internationally (LebNet, Endeavor, Lebanon for entrepreneurs, Tripoli Entrepreneurs Club, Enterprise Forum Pan-Arab Region, LLWB, Beirut Creative Cluster)

9 INCUBATORS & ACCELERATORS SPANNING ACROSS THE COUNTRY TO ACCOMODATE **LEBANESE YOUTH**



TOTAL = 9

LEBANON COULD SERVE AS **A HUB FOR A GROWING MARKET OF MORE THAN 500 MILLION PEOPLE** WITH INCREASING USAGE OF ARABIC

- **The MENA region's ICT spending** is expected to reach **USD 242 billion by 2019**, growing at a CAGR of 4.36% over the 2016-2019 period.

- **Total internet users in the Middle East region** are amounted to 164 million, which represents 3.9% of the world internet users with a penetration rate of 64.5%.

- The value of the Middle East **mobile sector** is expected to reach **USD 164 billion** by 2020.

- **4.8% of the world internet users are Arabic speakers** with a penetration rate of 43.8% with Egypt & Saudi Arabia as top Arabic speaking countries

- **The African market** equally presents promising potential especially for software developers and mobile applications. **Sub-Saharan Africa will have the largest increase of mobile penetration** (8% points) over the 2017-2025 period.

- **The European market** is the third top ICT exports destination with **35% of total ICT companies** exporting to Europe. Lebanon can leverage the Lebanese international business culture and the wide exposure to the Arab region, Africa, and Europe as well as the wide diaspora network to provide worldwide investment and business linkages opportunities.

COMPANIES IN THE SECTOR BENEFIT FROM A WEALTH OF **FINANCIAL SCHEMES**

FINANCIAL INCENTIVES

The Investment Development Authority of Lebanon offers tax breaks on corporate income tax for up to 10 years, as well as other incentives to local and foreign companies operating in the ICT sector and meeting specific investments requirements.

www.investinlebanon.gov.lb

FINANCIAL GUARANTEES

Kafalat provides **financial guarantees for loans (up to USD 400,000)** granted by commercial banks to the SMEs operating in the ICT sector.

www.kafalat.com.lb

EQUITY FINANCING

- **Circular 331** issued by the Central Bank of Lebanon in 2013, provides up to 650 Million USD for Lebanese banks' equity investment into startups, incubators, accelerators, and funds operating in Lebanon. These investments will be 75% guaranteed by the Central Bank.

- **8 Vc Firms** have operations in Lebanon in addition to various regional VCs which have backed a number of local pioneering companies. These private equities provide fund for early stage seed, pre-seed and emerging forms to reach high growth potential

- **Telco Fund** of USD 48 million initiated by MIC that supports startup operating In the ICT sector. Investments in startups start with a value of USD 100,000 and could reach up to USD 2 million.

HEADLINES

A NUMBER OF COMPETITIVE ADVANTAGES CHARACTERIZE THE LOCAL ICT SECTOR & RESULT IN A NUMBER OF BUSINESS OPPORTUNITIES IN KEY SUB-SECTORS:

	SUB-SECTOR	OPPORTUNITIES
1	**GAMING**	**Biggest Markets For Gaming:** There are increased opportunities for gaming on tablets and smartphones; around 60% of the MENA online population are gamers.
2	**E-HEALTH**	ETobb and Sohati are the most well-known e-health portals in Lebanon. The MENA health market will be valued at USD144 billion by 2020.
3	**AD TECH**	**Biggest Markets For Ad Tech:** Lebanon presents a competitive advantage for the development of ad tech products, especially in three key areas: Mobile, Search and Video
4	**ENTERPRISE SOFTWARE AS A SERVICE (SAAS)**	**Biggest Markets For ENTERPRISE SAAS:** CRM/ERP/BPM, Government (public cloud offerings) Advertising (Cloud advertising). By 2019, projections estimate that the Middle East and Africa will have the world's highest cloud traffic growth rate at 41%.
5	**MEDIA STREAMING**	**Biggest Markets For Media Streaming:** Online music and video revenues in MENA are expected to grow at a rapid pace, providing opportunities for entrepreneurs in Lebanon.
6	**CONSUMER INTERNET (SOCIAL NETWORKS & APPS, SEARCH, CONTENT WEBSITES)**	**There Is An Especially High Demand For Arabic Content Creation:** In 2017, 4.8% of the world internet users are Arabic speakers with a penetration rate of 43.8%
7	**FINANCIAL & E-PAYMENT SOLUTIONS**	**70% of respondents in the Middle East and Africa** were ready to use their smartphone to make payments compared with only 38% in Europe.

GAMING

- Close to **60% of the MENA online population are gamers** recording a 25% year on year growth the highest rate globally in 2017.

- The mobile games market in the **MENA region** is **expected to reach 2.3 billion in 2022**

- In 2017**, the Middle East gaming industry** generated around **USD 2.7 billion with Lebanon revenues amounted to USD 49.9 million**

- **In 2017, the global mobile games generated USD 121.7 billion** and is expected to reach USD 180.1 billion by 2021 at a CAGR of 10.3% over this period

BIGGEST MARKETS FOR GAMING

- **PC gaming industry** was valued at around **USD 28.04 billion in 2017** and is expected to reach 33.6 billion by 2020

- Around **47 million video games console were sold in 2017** with Sony playstation having the highest share in 2017

- In 2017, the **mobile gaming** content was valued at **59.8 billion U.S. dollars** and is expected to reach 74.4 billion in 2019

Source: Statista, Newzoo

E-HEALTH

- **The global digital health market** is expected to reach **206 billion U.S. dollars by 2020**, driven mainly by the mobile and wireless health market

- **The MENA Healthcare** is forcasted to be valued at **USD 144 billion in 2020,** fueled by increasing demand for healthcare services.

- **The E-Health Market in Middle East and Africa** was estimated at **USD 7.85 billion in 2016** and is expected to grow at a CAGR of 12.5% during the 2016-2021 period.

- **E-health** is a competitive subsector for Lebanon, due to availability of skilled talent, the right legal framework and synergies with other markets and industries.

- **ETobb & Sohati** are the most well-known e-health portals in Lebanon, and are now becoming global players.

Source: Statista, Al Masah Capital, Market Data Forecast

ADTECH

- **In the MENA region, spending on advertising** is on the rise, reaching a value of **USD 27.5 billion in 2020**

- In 2017, **digital advertising** accounted for the biggest share of ad expenditure amounted to **USD 752 million** followed by ad on television (USD 740 million).

BIGGEST MARKETS FOR DIGITAL AD IN THE MIDDLE EAST BY 2019

- Search, will continue having the largest share of total digital **advertising expenditure (58.7%)** amounted to USD 3.26 billion

- **Display** come in the second place accounted for **27.3% of total digital advertising**

- Other ways of advertising such as **emails and mobile messaging** and classifieds with 14% of total market

Source: Statista, E Marketer

ENTERPRISE SOFTWARE AS A SERVICE (SAAS)

- **SaaS** is a new business model for the delivery of services, and it gives Lebanese companies the possibility to overcome political instability and work around time-consuming export procedures by selling products over the cloud.

- **The software as a services (SaaS) market in the MENA region** is expected to reach **USD 411.7 million by 2019**, accounting for the biggest share of cloud services market size.

Source: Gartner, Grand View Research

BIGGEST MARKETS FOR ENTERPRISE SAAS:

- **CRM/ERP/BPM: The global CRM market** will be worth **USD 81.9 billion by 2025** due to its ability to manage business easily.

- **GOVERNMENT: The public cloud services** market in the MENA region is gaining traction, growing at a **CAGR of 18.9% over the 2016-2019 period** with the largest growth coming from cloud application services.

- **CLOUD ADVERTISING: Public cloud advertising** will reach a market value of **USD 319 million by 2020.**

MEDIA STREAMING

- **Global digital music streaming revenues** amount to **USD 9.15 billion in 2018** and is expected to grow at a **CAGR of 8% over the period 2018-2020.**

- Two of the most known players in this subsector in Lebanon are **Anghami**, a digital music streaming app, and **Cinemoz**, an on-demand video portal for Arabic movies and videos.

BIGGEST MARKETS FOR MEDIA STREAMING:

- **MUSIC:** in the MENA, **online music revenues** are expected to grow at a **CAGR of 6.5% over the 2018-2022 period, reaching USD 64 million in 2022.**

- **VIDEO:** YouTube statistics place MENA as the second-highest regional consumer worldwide, where **285 million videos are viewed every day**, and two hours of video are uploaded every minute.

Source: Statista

CONSUMER INTERNET (SOCIAL NETWORKS & APPS, SEARCH, CONTENT WEBSITES)

There is high demand for arabic content creation:

- Demand for **Arabic content** still largely outweighs supply, indicating the potential for new products and Lebanese entrepreneurs to serve the consumer Internet market.

- **4.8% of the world internet users are Arabic speakers** with a penetration rate of 43.8% with Egypt and Saudi Arabia as top Arabic speaking countries

The only 2 company exits out of Lebanon thus far have been in consumer Internet:

- Online recipes portal **Shahiya** was acquired by Japan-based Cookpad for **USD 13.5 million** in December 2014

- French company **Webedia** acquired a majority stake in digital content portal Diwanee for areported **USD 25 million** in March 2014.

Source: Internet World Stats

FINANCIAL & E-PAYMENT SOLUTIONS

- **Worldwide, the mobile payments market** was forecasted to grow at a **CAGR of 32% from 2017 to 2022**

- **In the MENA region**, **total Digital Payments transactions** amounted to **USD 41,447 million in 2018** and are expected to grow at a CAGR of 12.8% during the forecasted 2018-2022 period

- A recent survey from MasterCard found that more than **70% of respondents in the Middle East and Africa were ready to use their smartphone to make payments while only 38% in Europe**

- **Lebanon has one of the strongest banking systems in the region**, and ranks **45th worldwide** on the Soundness of Banks' ranking in 2017-2018

- In Lebanon, **the e-payment market** is comprised of **12 payment providers** offering fast and innovative payment methods

Source: Zion Market Research, Statista, Global Competitiveness Report, IDAL's Studies

HEADLINES

THE GOVERNMENT OF LEBANON, THROUGH IDAL, OFFERS INVESTORS A RANGE OF FACILITATION SERVICES AND FISCAL EXEMPTIONS

ABOUT US

The National Investment Promotion Agency of Lebanon

HISTORY

Established in 1994 with the aim of promoting Lebanon as a key investment destination and attracting, facilitating & retaining investments in the country

GOVERNANCE

IDAL reports to the Presidency of the Council of Ministers (who exercises a tutorial authority over it), and has financial & administrative autonomy

LEGISLATION

Investment Law No. 360 was enacted in 2001 to regulate investment activities in Lebanon

OUR MANDATES

INVESTMENT PROMOTION

- Provide economic, commercial and legal information of relevance to investors
- Identifies business opportunities across various economic sectors
- Provide in depth analysis of sectors
- Grant fiscal exemptions and fees reduction to investment projects
- Facilitate issuance of permits and licenses
- Provide on-going support for investment projects
- Actively promotes Lebanon as key investment destination

EXPORT PROMOTION

- Provide data on external markets
- Support companies in accessing external markets
- Subsidize participation in foreign fairs

IDAL CURRENTLY HAS 3 EXPORT PROMOTION PROGRAMS IN PLACE:

1. AGRI PLUS (2012):
Which provides subsidies and support to exporters of agricultural products

2. AGRO MAP (2004):
Which subsidizes the participation of agrofood companies in foreign fairs

3. MARITIME BRIDGE PROGRAM (2015):
Which provides support to exporters of Lebanese products to Gulf countries and Jordan

IDAL OFFERS INVESTORS A RANGE OF SERVICES THROUGHOUT THEIR DIFFERENT STAGES OF OPERATION

1 PRE-INVESTMENT STAGE

MARKET INTELLIGENCE

- Information on investment opportunities
- Data on economic sectors with growth potential Legal, financial, industrial information
- Data on investment climate
- Business Matchmaking support

2 FINANCING STAGE

PACKAGE OF INCENTIVES

FISCAL INCENTIVES:
Exemptions from corporate income tax generated by the project which can go up to 100% exemption for 10 years

FINANCIAL INCENTIVES:
Reduction on land registration fees

NON-FINANCIAL INCENTIVES:
Employees for the project are granted work permits with the support of IDAL

3 LICENSING & AFTER-CARE STAGE

ONE STOP SHOP

IDAL serves as a One Stop Shop for Investors. We supersede all public administrations, authorities and municipalities in issuing administrative permits and licenses except those granted by the Council of Ministers.

We follow up with investors after the start of their operations

8 SECTORS ARE ELIGIBLE FOR OUR INCENTIVES

IDAL PROVIDES INCENTIVES TO 8 SECTORS WITH GROWTH POTENTIAL & READINESS FOR DEVELOPMENT

THESE SECTORS WERE INCLUDED IN **LAW No. 360 IN 2001**

IDAL OFFERS 2 TYPES OF INCENTIVE SCHEMES FOR THE ICT SECTOR

1

JOB CREATION BASED INCENTIVE
PACKAGE DEAL CONTRACT (PDC)

Provided to projects based on:
(1) MINIMUM INVESTMENT SIZE = USD 400,000
(2) NUMBER OF JOBS CREATED = 25

INCENTIVES PROVIDED

- 100% exemption of Income Tax
- 100 % exemptions on Taxes on Project Dividends for up to 10 years
- Up to a 50% reduction on Work & Residence Permit Fees
- Up to a 50% reduction on Construction Permit Fees
- Full exemption from Land Registration Fees

2

REGION & SECTOR BASED INCENTIVE
INVESTMENT PROJECTS BY ZONE (IPZ)

Exeptionally for the ICT and Technology sectors, Lebanon is considered as on Zone “Zone C”

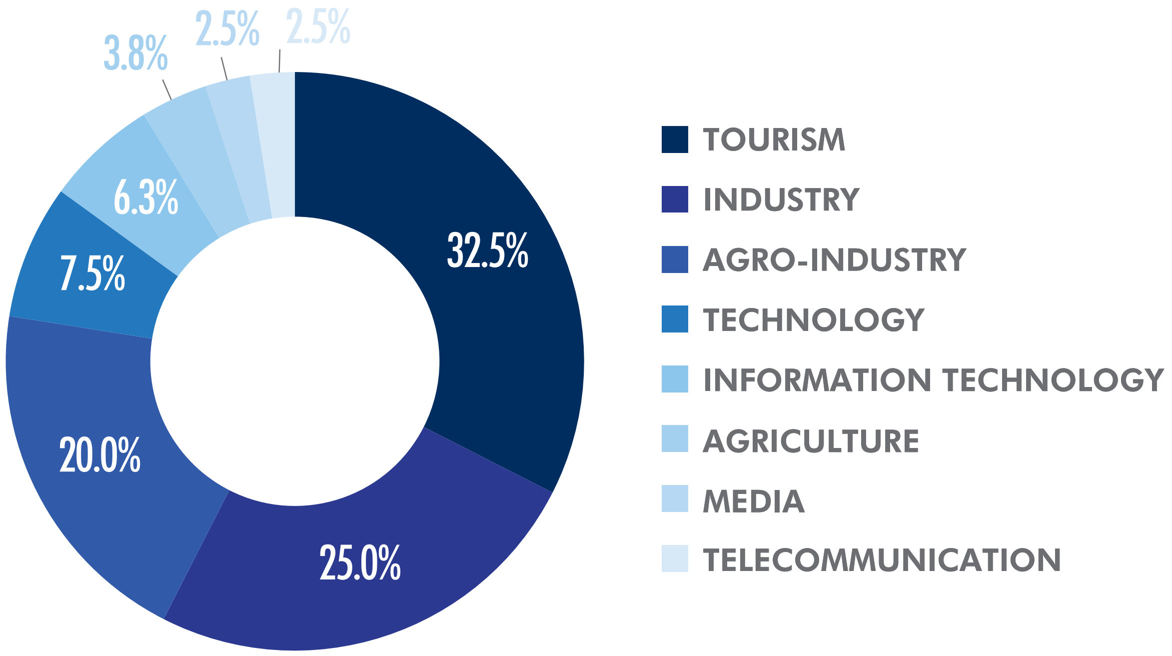
Provided to projects based on:
(1) MINIMUM INVESTMENT SIZE = USD 200,000

INCENTIVES PROVIDED

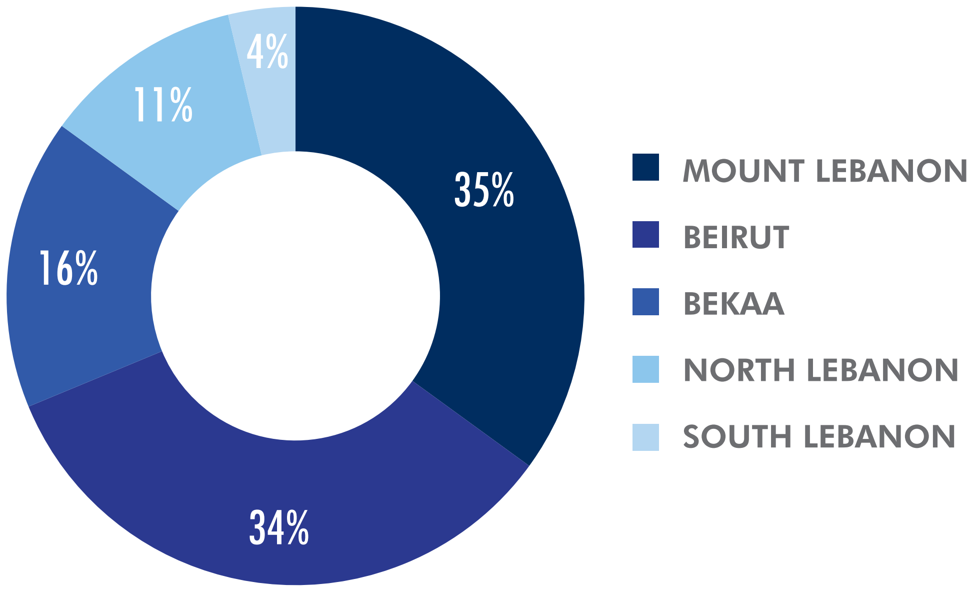
- Up to 100% tax exemptions for 10 years for projects located in remote areas (Zone C)
- Work Permits granted

OUR ACHIEVEMENTS: OVER THE LAST 15 YEARS **IDAL HAS SUPPORTED MORE THAN 80 INVESTMENT PROJECTS** DISTRIBUTED ACROSS VARIOUS SECTORS

DISTRIBUTION OF PROJECTS BY SECTOR
(%) (2001-2017)



DISTRIBUTION OF PROJECTS BY REGIONS
(%) (2001-2017)

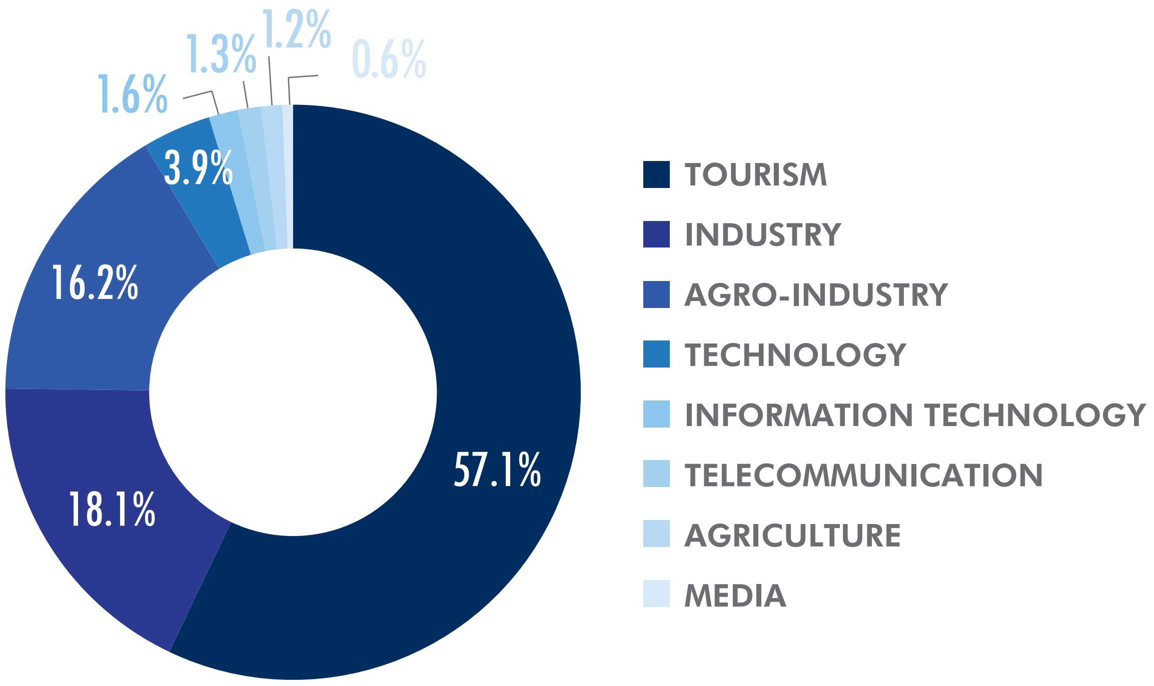


TOTAL: 80

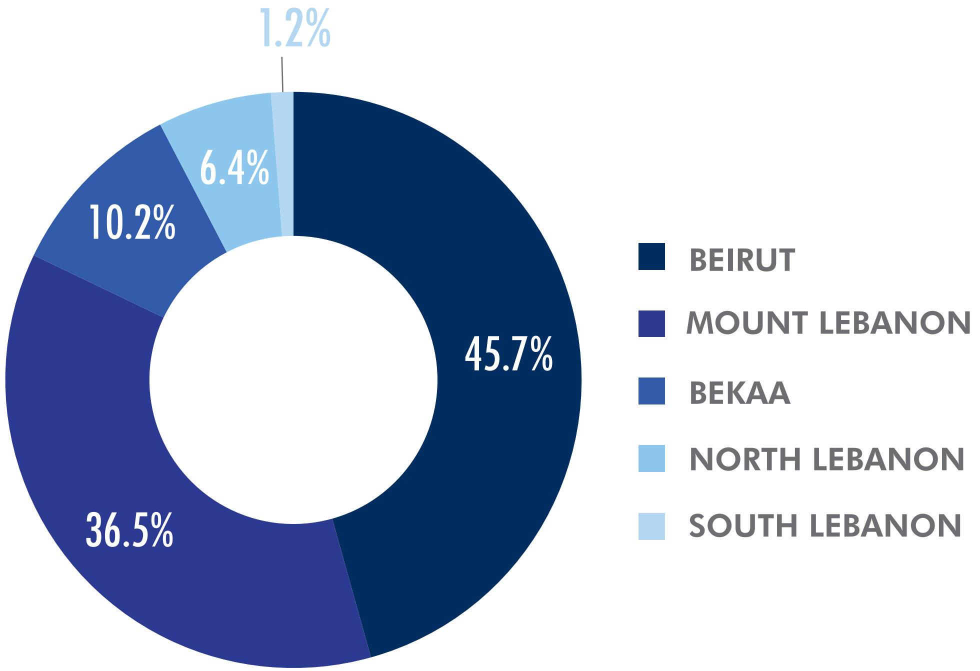
Source: IDAL's Calculations

OUR ACHIEVEMENTS: IT HAS CONTRIBUTED TO THE CREATION OF MORE THAN **10,000 JOBS** DIRECTLY, THE MAJORITY OF WHICH IN BEIRUT & MOUNT LEBANON

DISTRIBUTION OF JOB CREATED PER SECTOR
(%) (2001-2017)



DISTRIBUTION OF JOB CREATED PER MUHAFAZA
(%) (2001-2017)



TOTAL: 9,769

Source: IDAL's Calculations

CONTACT US

INVESTMENT DEVELOPMENT
AUTHORITY OF LEBANON

T +961 (1) 983306/7/8
F +961 (1) 983302

invest@idal.com.lb
export@idal.com.lb

LAZARIEH TOWER, 4TH FLR,
EMIR BECHIR STREET,
RIAD EL-SOLH,
BEIRUT, LEBANON
P.O.BOX: 113-7251

investinlebanon.gov.lb