IDAL
INVEST IN LEBANON

INVESTMENT OPPORTUNITIES IN BEKAA

2018

INVEST BEKKA

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BEKAA

I. SOCIO ECONOMIC BASELINE ANALYSIS OF THE BEKAA

The Bekaa Governorate is Lebanon's **third largest Governorate**, and is **composed of 3 districts**, with Zahle as its administrative center

LEBANON'S 8 GOVERNORATES

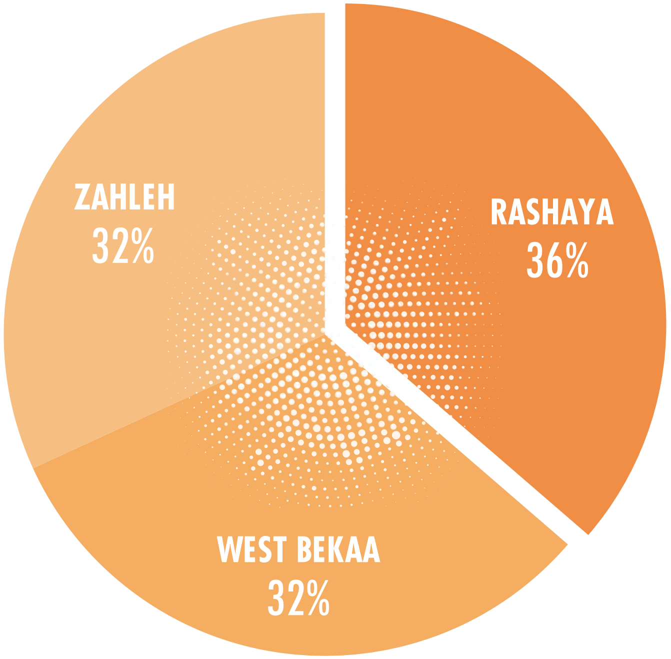
BEKAA GOVERNORATE'S 3 DISTRICTS

The total area of the Governorate is distributed almost **equally** between its 3 districts

AREA SIZE OF DISTRICTS IN BEKAA GOVERNORATE
2016

BEKAA TOTAL AREA SIZE = **1,335 KM²**
% OF TOTAL LEBANESE TERRITORY = **12.7%**

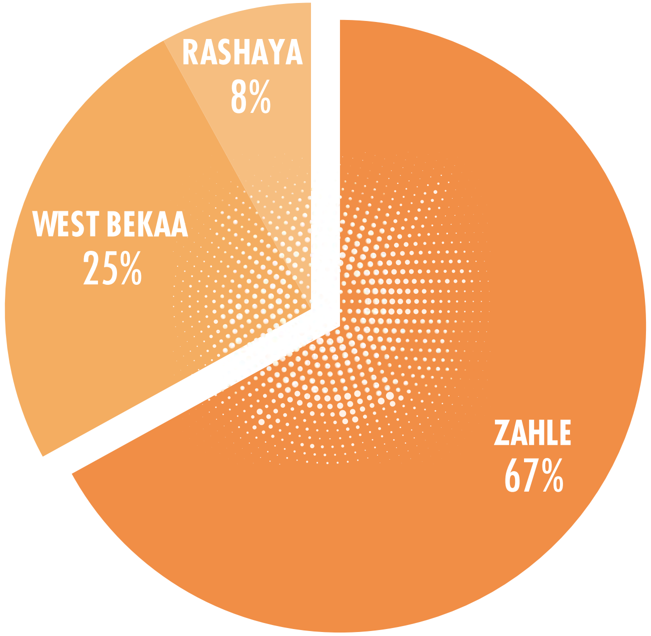
DISTRIBUTION OF BEKAA AREA SIZE BY DISTRICT



Source: LocaLiban

It has around 532,000 inhabitants* with Zahle District having the **highest population density** of around 834 people/km²

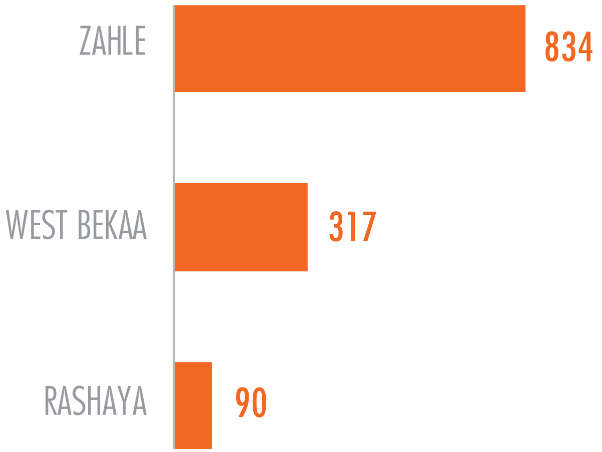
DISTRIBUTION OF POPULATION PER DISTRICT
% | 2016



BEKAA TOTAL POPULATION = **532,442**

This includes Syrian and Palestinian refugees
Source: *UN OCHA, 2016*

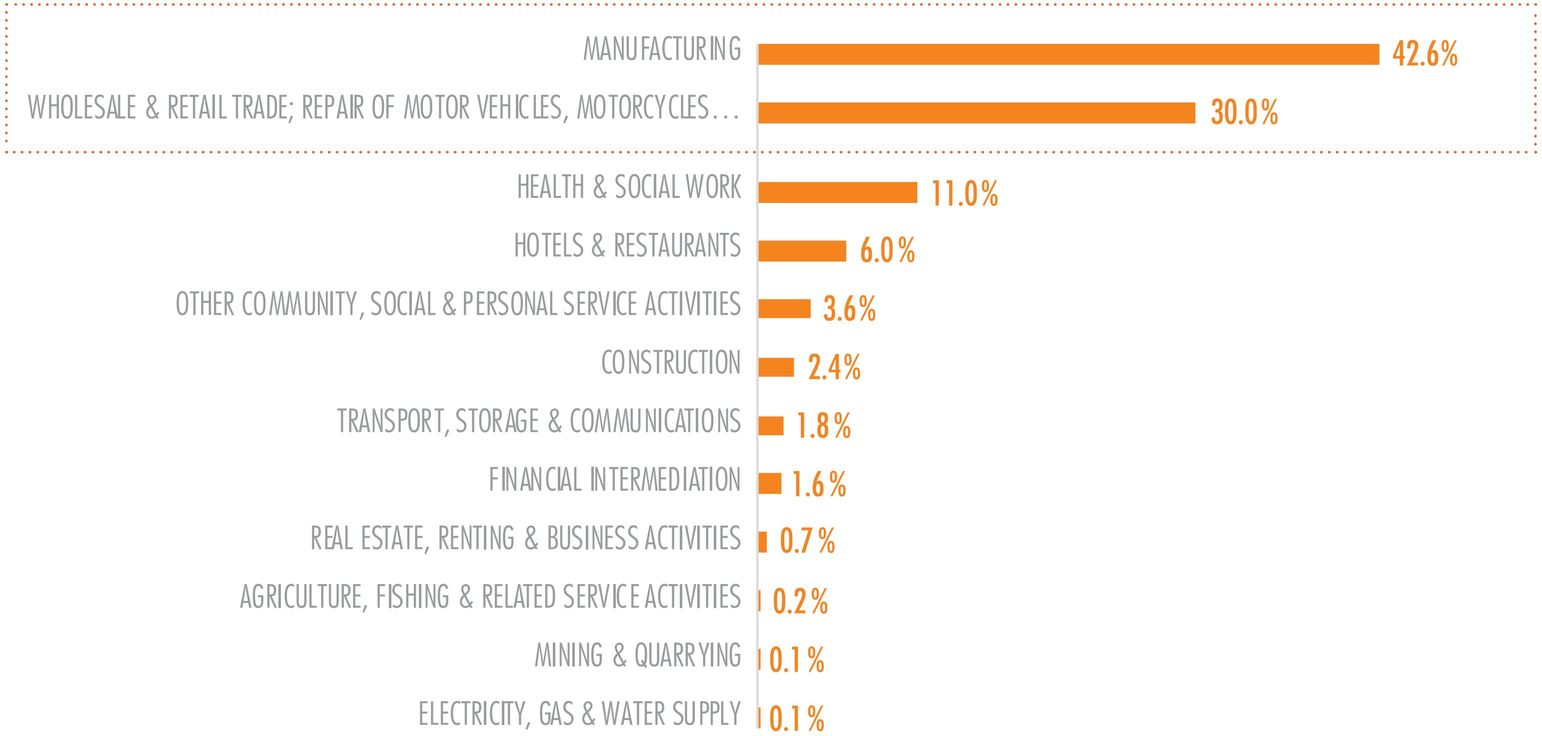
POPULATION DENSITY PER DISTRICT
(NUMBER OF PEOPLE /KM² I 2016)



Source: *LocaLiban, IDAL's calculations, 2016*

The labor force in Bekaa is mainly engaged in manufacturing activities (42.6%) and wholesale and retail trade (30%)

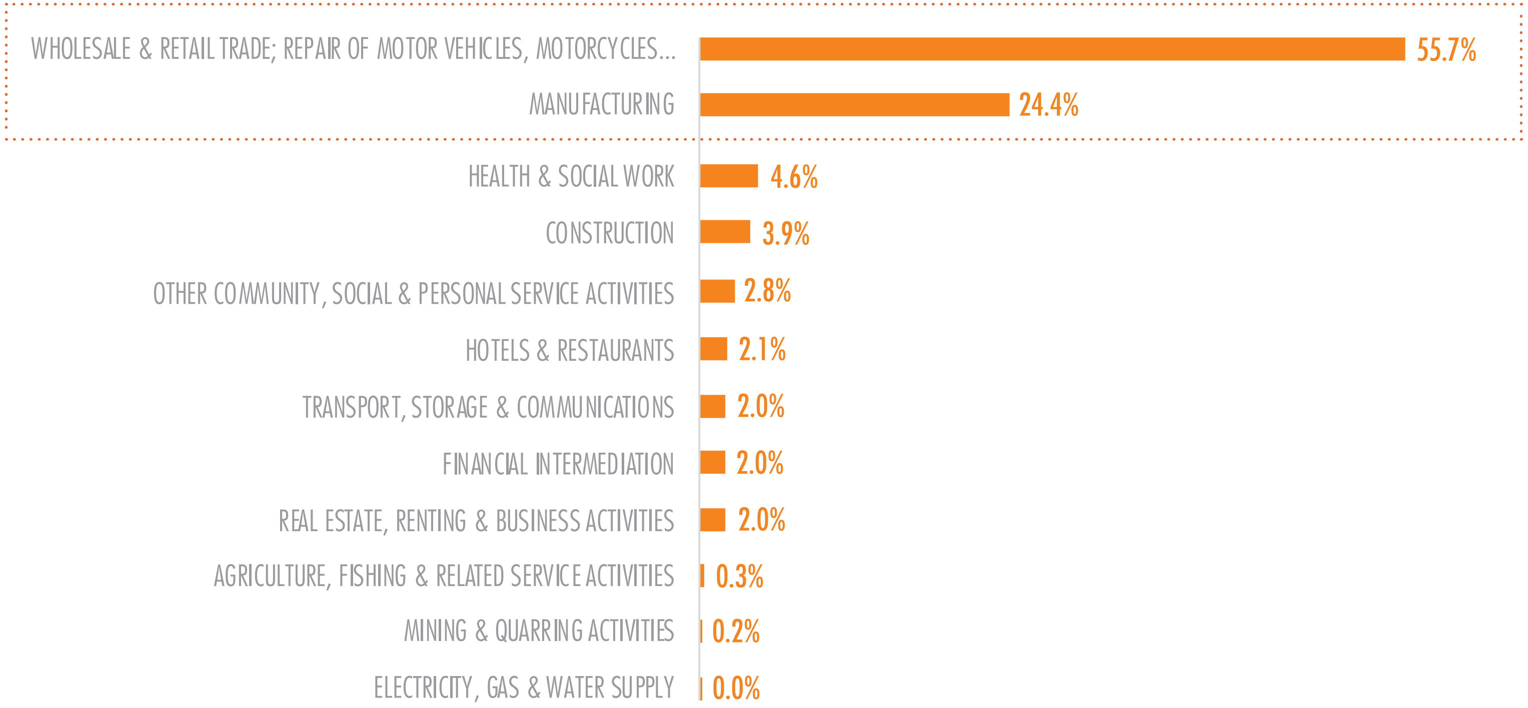
DISTRIBUTION OF LABOR FORCE BY ECONOMIC ACTIVITY IN BEKAA
% | 2015



Source: Ministry of Finance, 2016

While the two sectors are contributing to **more than 75%** of the region's gross value added

DISTRIBUTION OF GROSS VALUE ADDED* OF COMPANIES BY ECONOMIC ACTIVITY IN BEKAA
% | 2015

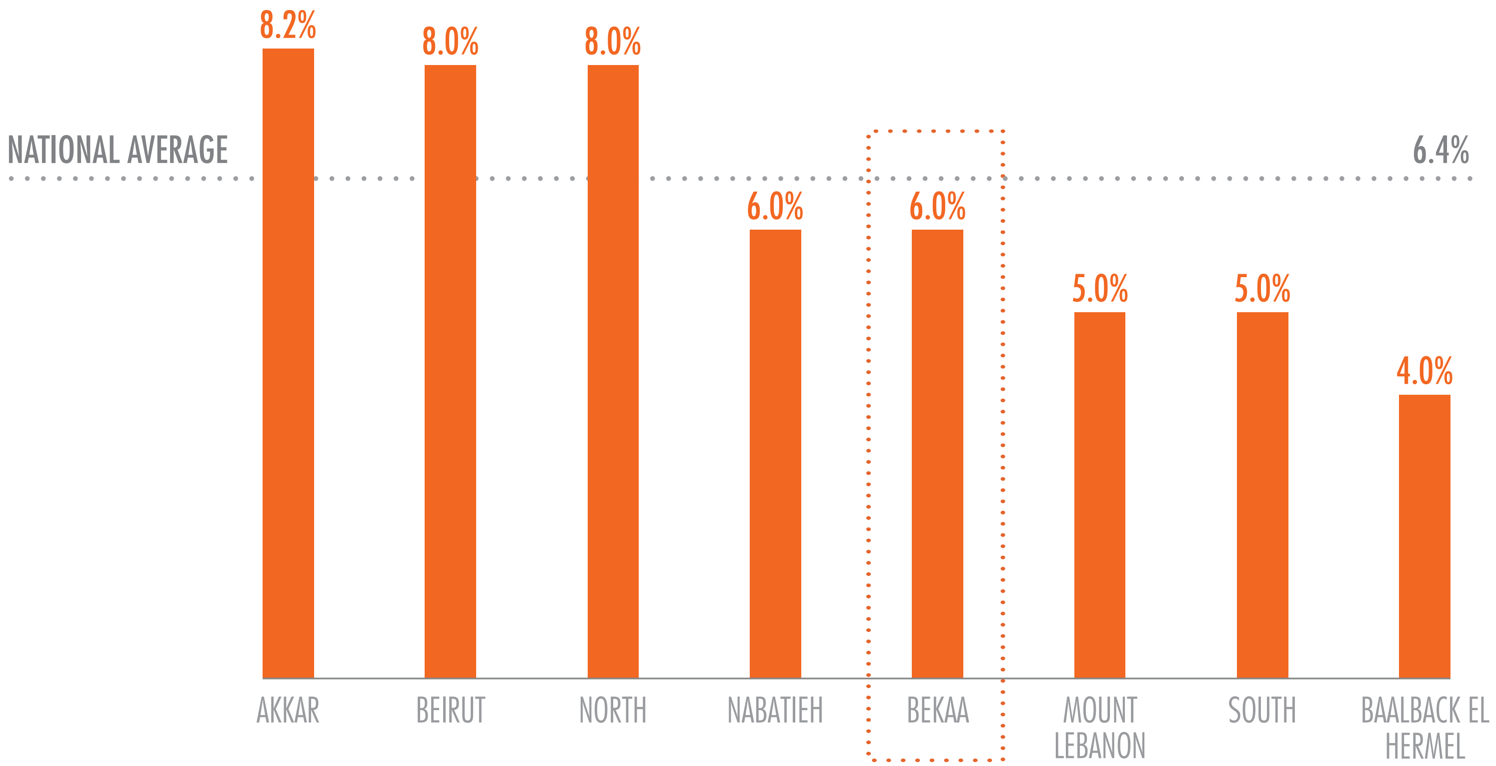


**Due to the lack of data, turnover of companies is used as a proxy for estimation of gross value added of companies*

Source: Ministry of Finance, 2016

Being a **major agriculture and agro-food hub** in the country, the Governorate has a better unemployment rate than the national average

UNEMPLOYMENT RATE BY GOVERNORATE
% I 2009



Source: Central Administration of Statistics, 2009

II. COMPETITIVE ADVANTAGES OF THE BEKAA

The competitive advantages of the district will be assessed along **4 dimensions**

DIMENSIONS FOR ASSESSING BEKAA

1. **ACCESS TO RESOURCES**
   Existing Natural Resources
   Economic Assets

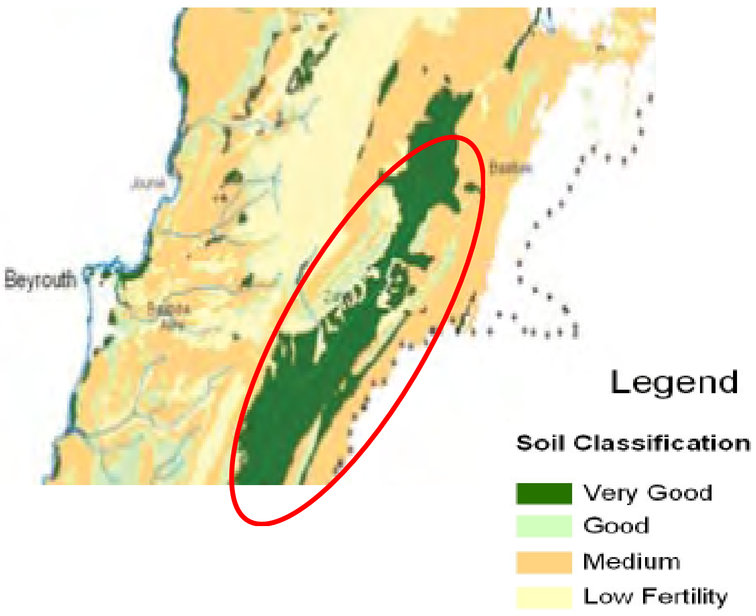
2. **ACCESS TO MARKETS**
   Infrastructure
   Exports Performance

3. **ACCESS TO HUMAN CAPITAL**
   Universities &
   Vocational Schools

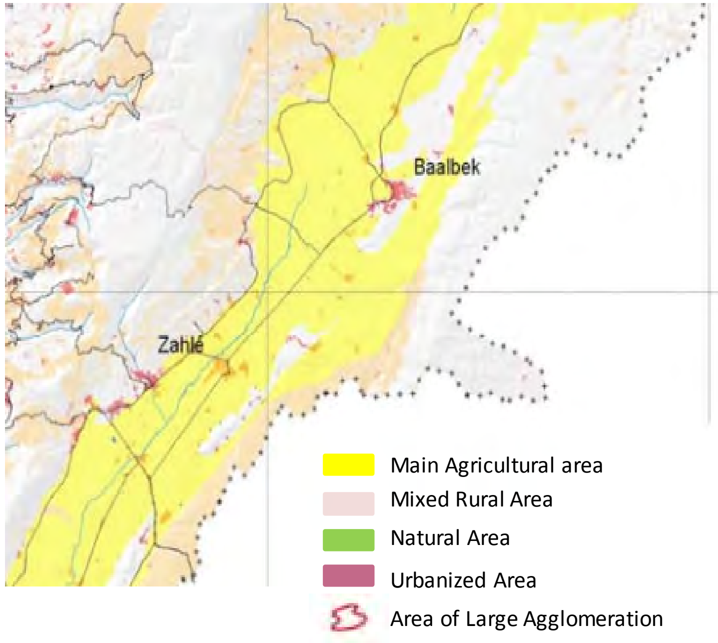
4. **ACCESS TO FINANCE**
   Accessibility

The Bekaa Governorate along with Baalbeck & Hermel are **the biggest agriculture areas** of Lebanon accounting for **47%** of total utilized agriculture area

SOIL CLASSIFICATION IN BEKAA
2005



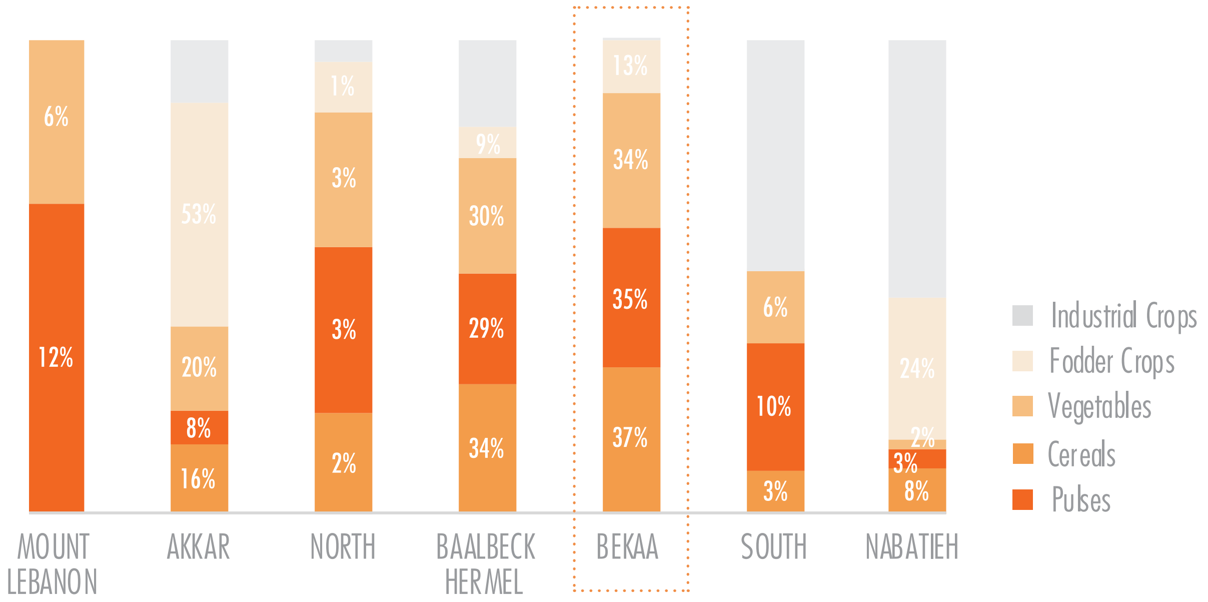
MAP OF BEKAA DOMINANT LAND USE
2005



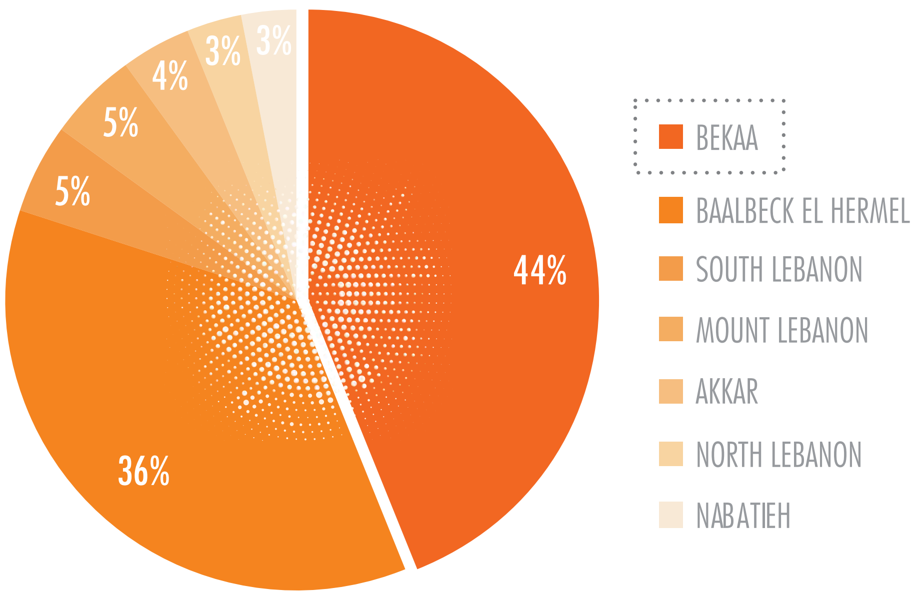
Source: CDR. National Physical Master Plan of The Lebanese Territory, 2005

The Bekaa region is **the biggest producer of cereals, pulses and vegetables as well as grapes**, creating opportunity to develop industries around them

PERCENTAGE DISTRIBUTION OF TEMPORARY CROPS BY GOVERNORATE
% | 2015



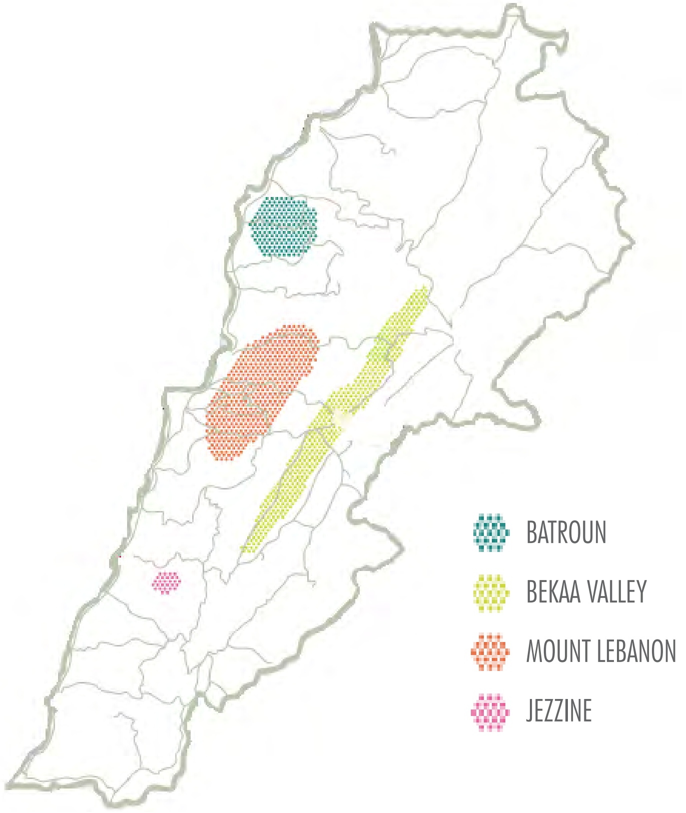
GRAPES PRODUCTION BY GOVERNORATE
% | 2015



Source: Ministry of Agriculture, 2016

Grapes production in the region helped in the development of a very **competitive local wine industry**

MAP OF LEBANON WINE REGIONS
2016



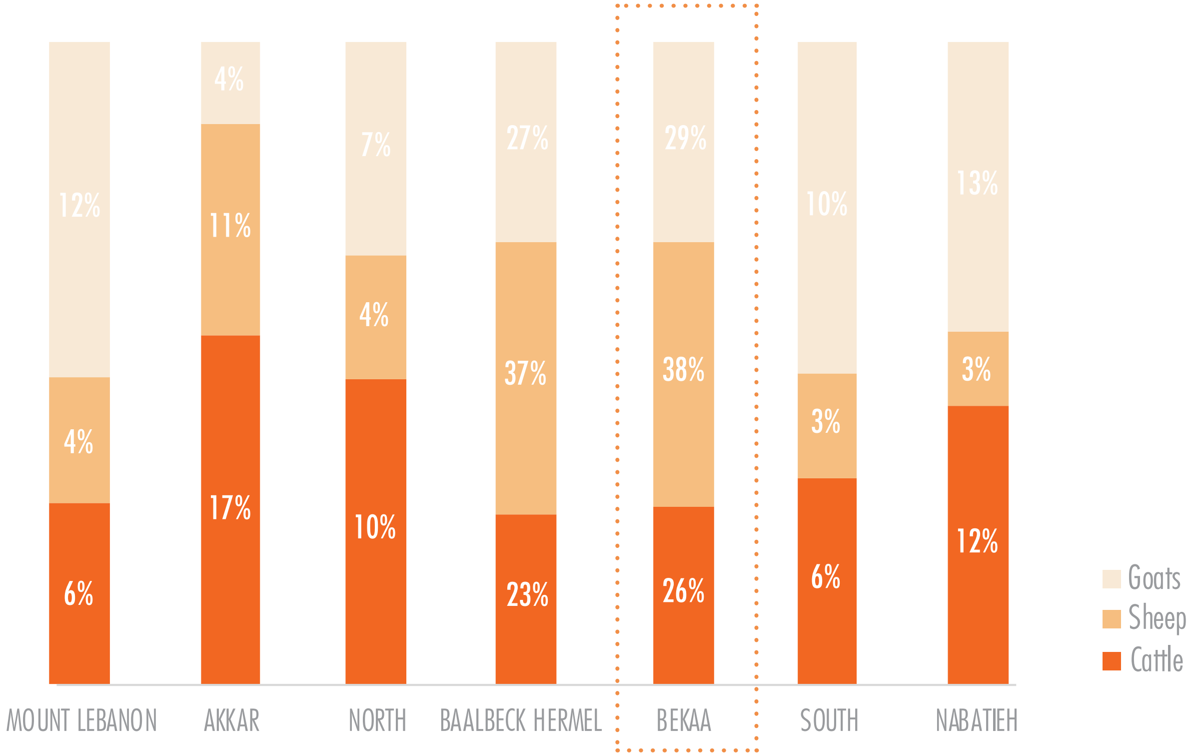
Source: JF. Hillebrand, 2016

LIST OF VINEYARDS & WINERIES IN BEKAA
2016

COMPANY NAME	ACTIVITY IN BEKAA
CAVE KOUROUM	VINEYARDS WINERY
CHATEAU KEFRAYA	VINEYARDS WINERY
CHATEAU QANAFAR	VINEYARDS WINERY
CHATEAU MARSYAS	VINEYARDS WINERY
CHATEAU ST CLEMENT	VINEYARDS WINERY
CHATEAU KSARA	WINERY

The Bekaa is also **the main livestock production area of Lebanon** with majority of cattle, sheep and goats being raised there

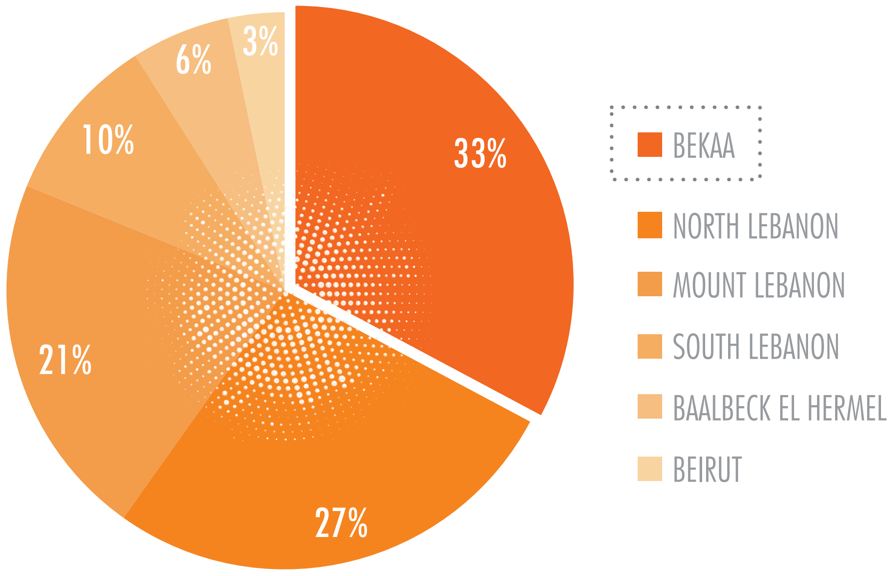
LIVESTOCK DISTRIBUTION BY TYPE & GOVERNORATE
% I 2015



Source: Ministry of Agriculture, 2016

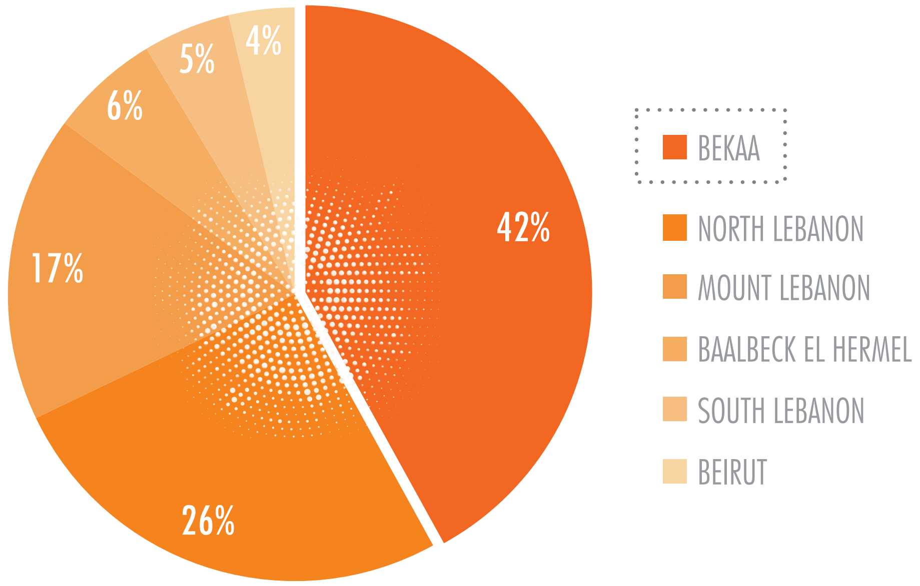
The region grasps the **highest share of packaging centers and cold storage houses in Lebanon**

DISTRIBUTION OF PACKING CENTERS IN LEBANON
% I 2017



NO. OF PACKING CENTERS IN BEKAA = **40**
CAPACITY = **73,975 TONS**

DISTRIBUTION OF COLD STORAGE HOUSES IN LEBANON
% I 2017



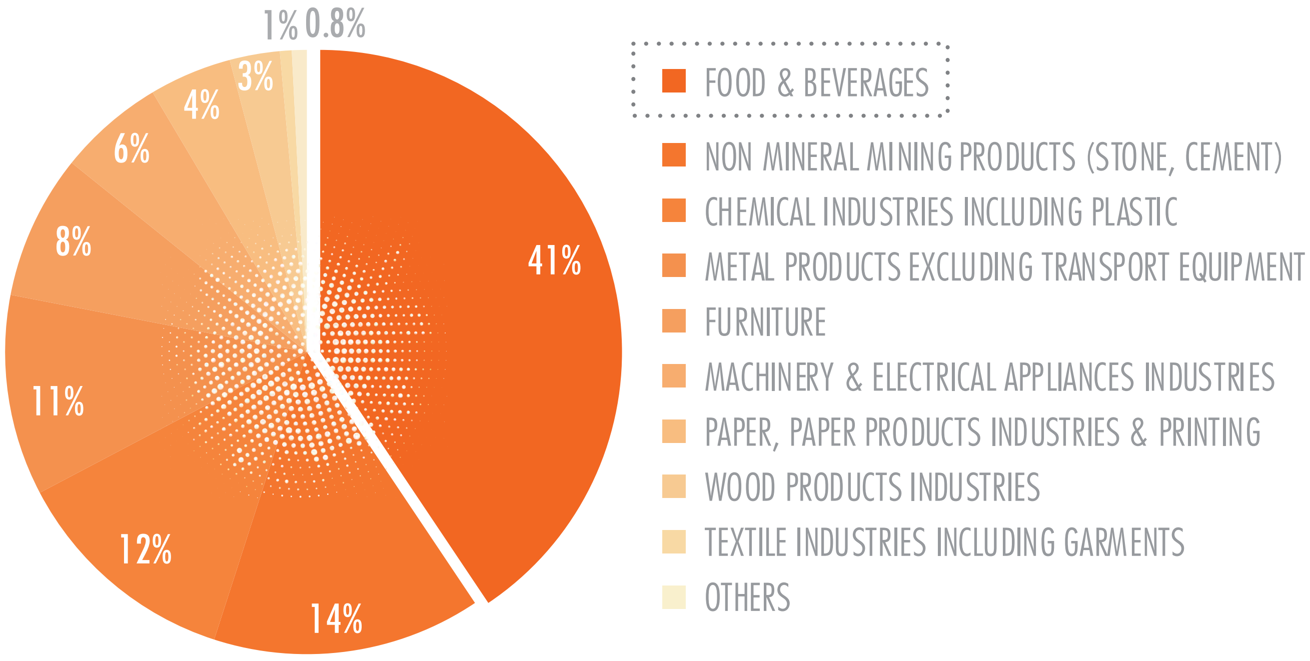
NO. OF COLD STORAGE HOUSES IN BEKAA = **34**
CAPACITY = **84,190 TONS**

Source: IDAL's Calculations, 2017

1. ACCESS TO RESOURCES

The Bekaa Governorate has **the 2nd highest share of industrial companies** after Mount Lebanon with more than 40% of those firms working in the food and beverages sector as they leverage the natural resources of the region

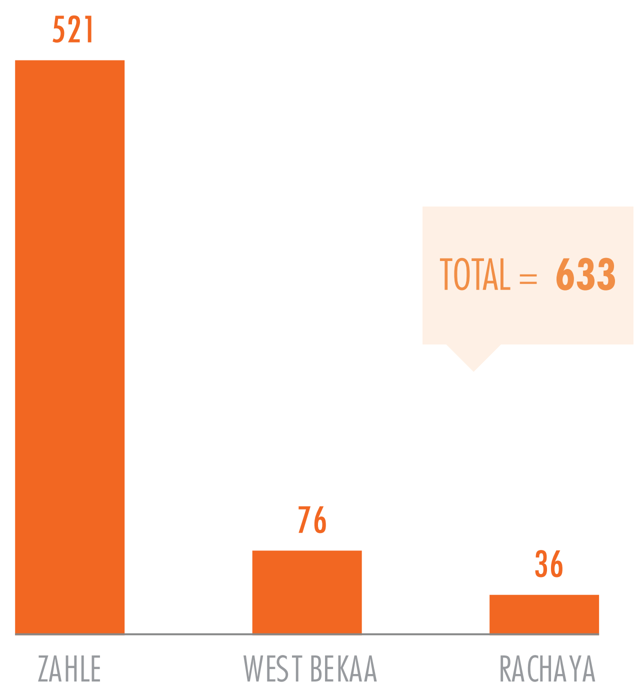
DISTRIBUTION OF INDUSTRIAL FIRMS PER SECTOR IN BEKAA
% I 2017-2018



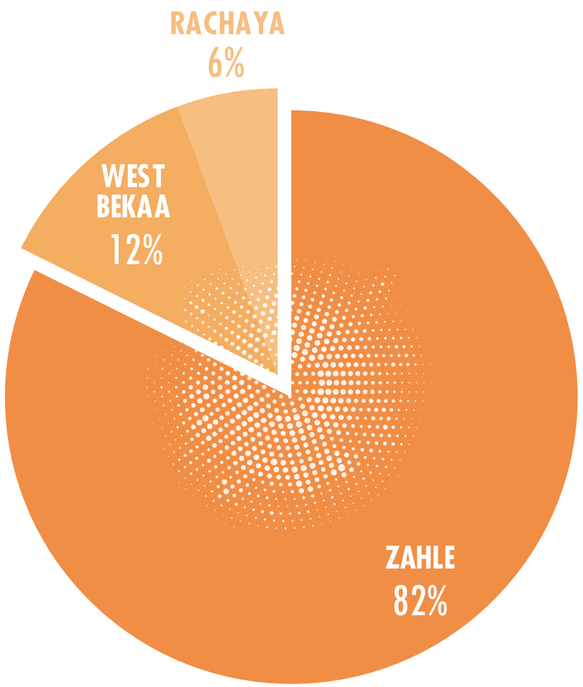
**This source only considers firms with at least 8 employees.*
Source: Directory of Exports & Industrial Firms in Lebanon, 2017-2018 IDAL's calculations

Zahle District is home to majority of the industrial firms in the Bekaa, **accounting for 82% of total factories**

NUMBER OF INDUSTRIAL FIRM PER DISTRICT IN BEKAA
2017-2018



DISTRIBUTION OF INDUSTRIAL FIRMS PER DISTRICT IN BEKAA
% I 2017-2018



**This source only considers firms with at least 8 employees.*
Source: Directory of Exports & Industrial Firms in Lebanon, 2017-2018 IDAL's calculations

1. ACCESS TO RESOURCES

Zahle district offers competitive cost of production for industrialists as the region is distinguished by its **24/hrs electricity supply**

- **Electricité de Zahlé (EDZ)**, operates as an electrical distribution utility that develops and maintains the electrical power networks 24/24 in Zahle and 15 surrounding regions.

- The power supply serves households, industries as well as agriculture farmers as there was no water supply shortage anymore since **EDZ provides 24/24 power to all pumping stations.**

1. ACCESS TO RESOURCES

The region is **rich in natural assets** such as Lebanon's largest wetland in Ammiq… creating the potential to develop a **world-class eco-tourism destination** that can capitalize on those ecological features

MAP OF LEBANON'S TOURISTIC ATTRACTIONS

MAP OF BEKAA'S TOURISTIC ATTRACTIONS

Source: Council for Development & Reconstruction, 2005

Many of the **archeological and cultural sites** in the region are well maintained and attract local and foreign tourists all year long

NON EXHAUSTIVE

TOURISTIC ATTRACTIONS IN BEKAA

NATURAL ATTRACTIONS

- Taanayel Lake
- Park Zahle
- Berdawni
- Jabal el Cheick summit
- Valley of Hermit

RELIGIOUS ATTRACTIONS

- Our Lady of Zahle
- Saint Elias Church
- The monastery of our lady of Najat
- Deir Taanayel Church
- Churches of Rashaya el Wadi
- Saydet Zalzali

CULTURAL ATTRACTIONS

- Chateau Ksara
- Chateau Saint Thomas
- Anjar Citadel
- Umayyed city ruins
- Chateau Nakad
- Rashaya Citadel of Independence
- Chateau Khoury
- Chateau Heritage
- Terbol Eco-Meseum
- Fourzol's ruins
- Niha Roman Ruins
- Hosn Niha

Source: Live Love Lebanon

Building on the region's high-quality infrastructure, **a large industrial zone** is being established in the Zahle district, a few kilometers away from Syrian borders, to **expand the Bekaa's industrial production**

COMPETITIVE ADVANTAGES IN BEKAA

THE TERBOL INDUSTRIAL ZONE HAS THE FOLLOWING FACILITIES & ADVANTAGES:

- It will be one of the largest industrial zones in Lebanon extending over 2,000,000 m2;
- It has a strategic Location in the Bekaa region, a few kilometers from the land borders;
- It can benefit from a cluster of industrial facilities which have developed around the zone;
- Industrialists can benefit from long-term lease at low prices reaching USD 0.25 per sqm;
- Companies that establish in this zone can benefit from 100% tax exemptions from IDAL investment law No. 360
- Ownership of land is by the Municipality;
- Once operational the zone is expected to create around 2,000 new jobs

2. ACCESS TO MARKETS

The Bekaa region is very well connected to the rest of the country and is **a major trade point linking Lebanon to Syria through the Masnaa Border Crossing**

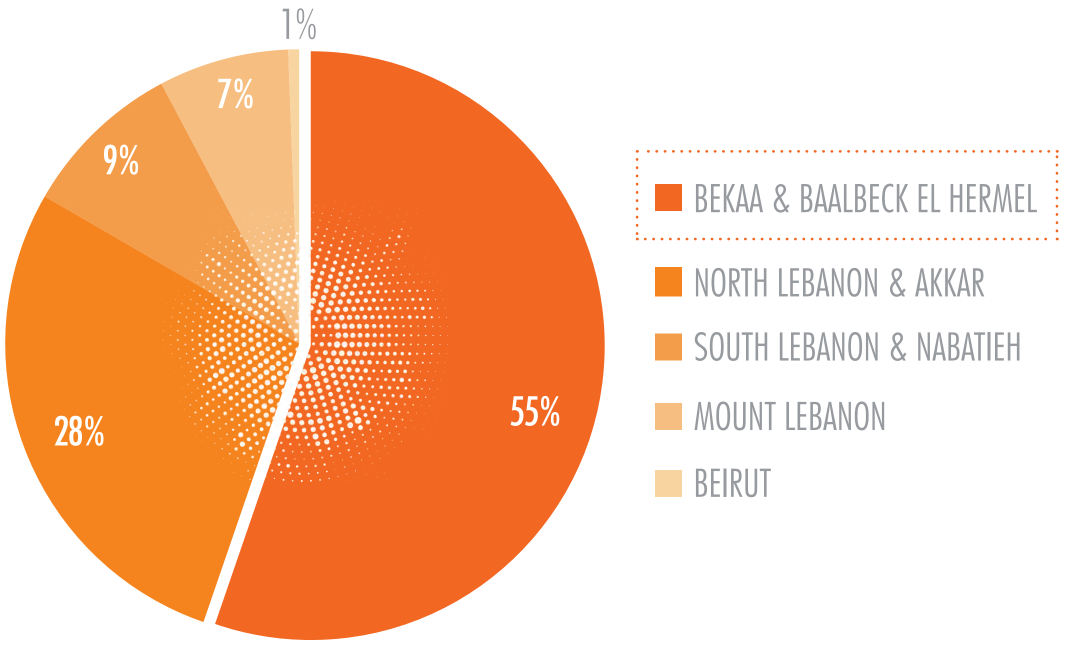
MAP OF TRANSPORTATION INFRASTRUCTURE
(2005)

ZAHLE IS THE NEAREST LOCATION TO MASNAA THAT IS 30 MIN AWAY

Source: Council for Development & Reconstruction, port of Tripoli

As an agriculture-based economy, **the Bekaa region is the largest exporter of fruits and vegetables in the country**, followed by North Lebanon and Akkar

DISTRIBUTION OF FRUITS & VEGETABLES EXPORTS BY GOVERNORATE
% | 2017



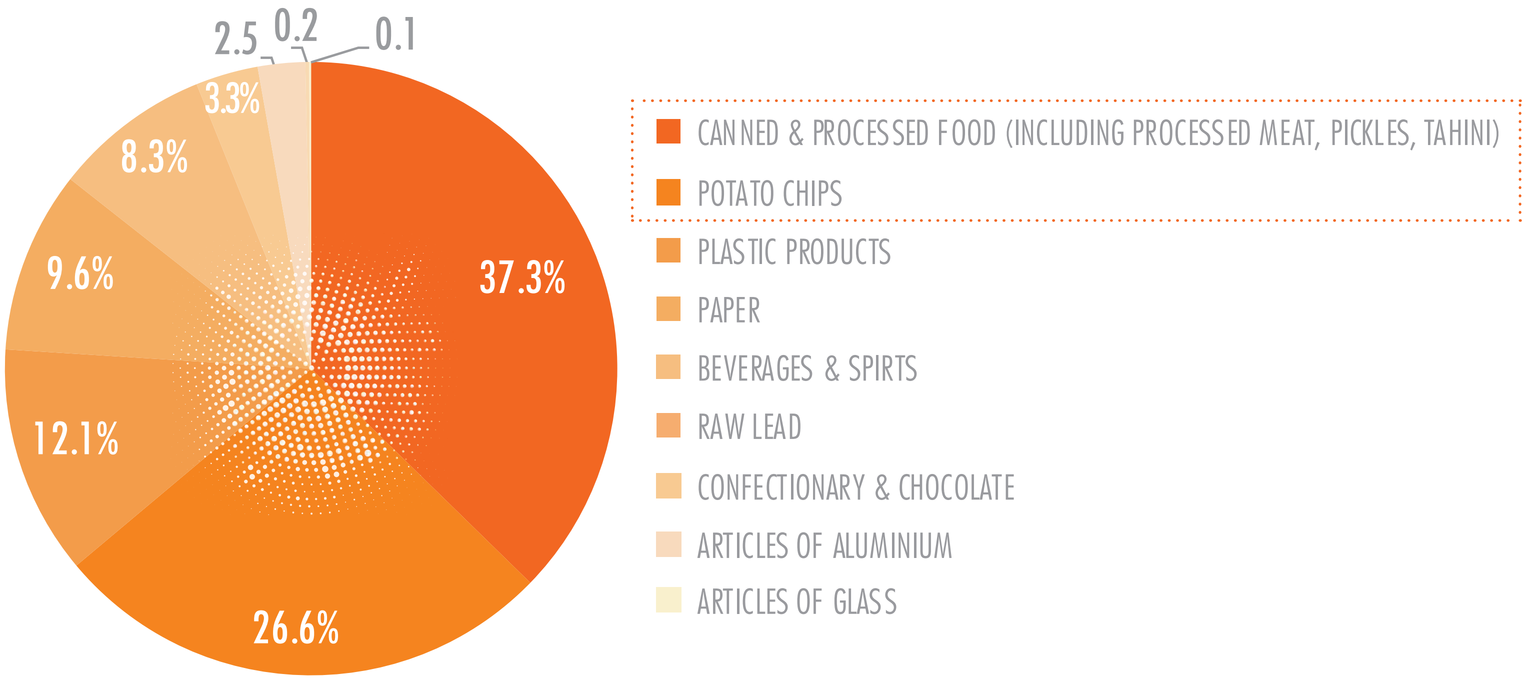
THE MAJORITY OF PRODUCTS ARE BEING EXPORTED TO GCC COUNTRIES

Source: IDAL's Calculations, 2017

The Governorate is also **a major exporter of agro-food products**, mainly canned items and potato chips with a 37% and 27% share respectively of total Bekaa Agro-food exports

DISTRIBUTION OF BEKAA EXPORTS BY PRODUCT

% | 2014



P.S: Lebanese Products Only

Source: Chamber of Commerce, Industry & Agriculture, Zahle & Bekaa, 2015

Access to regional & international markets is being further facilitated in the Bekaa with the **recent opening of a dry port in the Taanayel area**

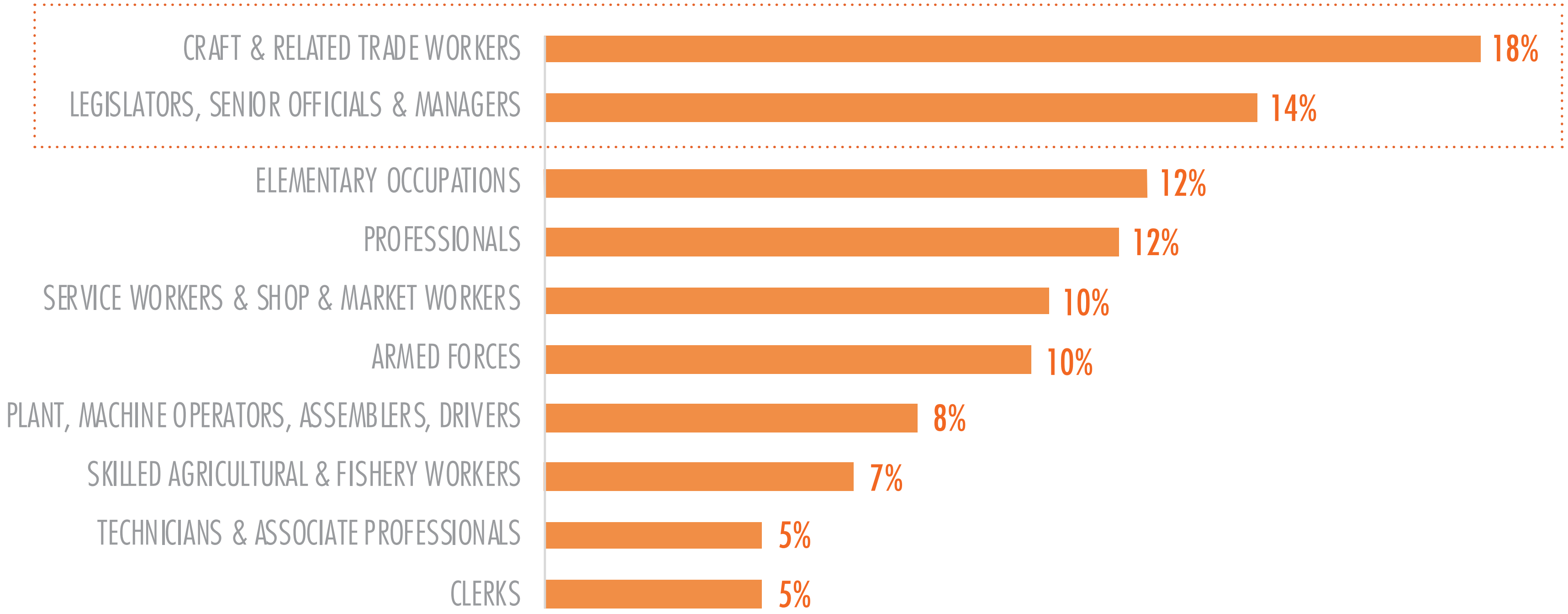
- In October 2017, **CMA CGM group**, a world leader in maritime transport, opened the first logistics storehouse in Lebanon in the Bekaa valley in Taanayel.

- With a **total area of 20,000 m²**, the new CMA CGM logistics storehouse in Taanayel allows the storage of **1,000 empty containers** (TEUs). This new facility helps in responding to requests for import/export from Lebanon's largest agricultural area. This logistics solution also facilitates the recovery of empty containers, thus reducing costs and saving considerable time.

- This strategic investment is very important to the **region's economic development.**

Most employed population in the Bekaa have access to technical skills as indicated by their current occupation levels

DISTRIBUTION OF EMPLOYED IN BEKAA
(AGED 15 YEARS & ABOVE) ACCORDING TO OCUPATION IN CURRENT WORK
% | 2009

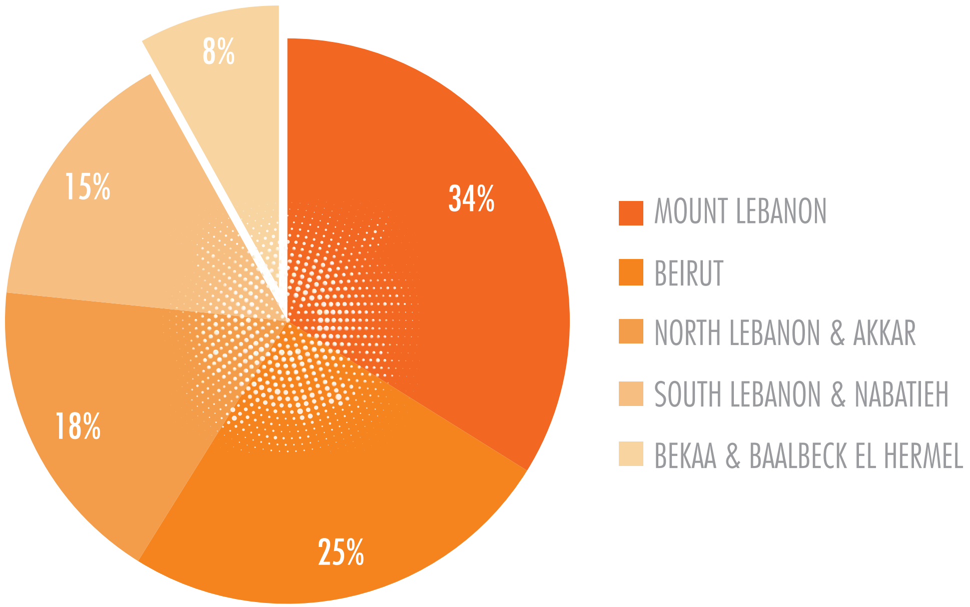


Source: Central Administration of Statistics, 2009

3. ACCESS TO HUMAN CAPITAL

The region has **access to high-quality education** exhibited by the presence of branches of most of the renowned private universities in the area. Most of the branches offer specialized education in agriculture to address skills gap in this field.

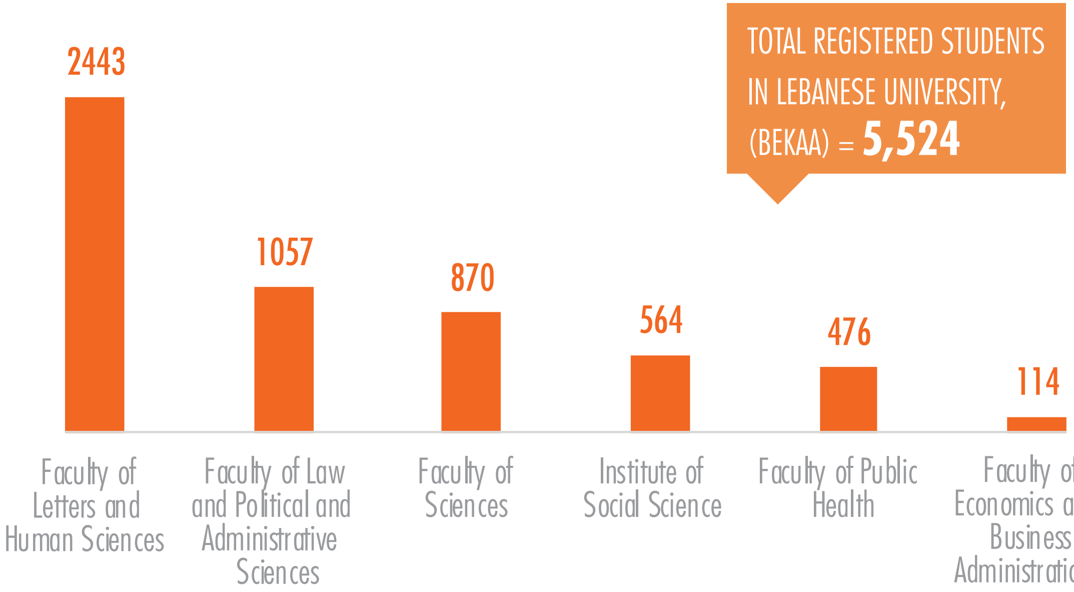
DISTRIBUTION OF UNIVERSITIES BRANCHES BY GOVERNORATE
% | 2016



NO. OF BRANCHES IN BEKAA & BAALBECK EL HERMEL = **10**

Source: Ministry of Education and Higher Education, 2016

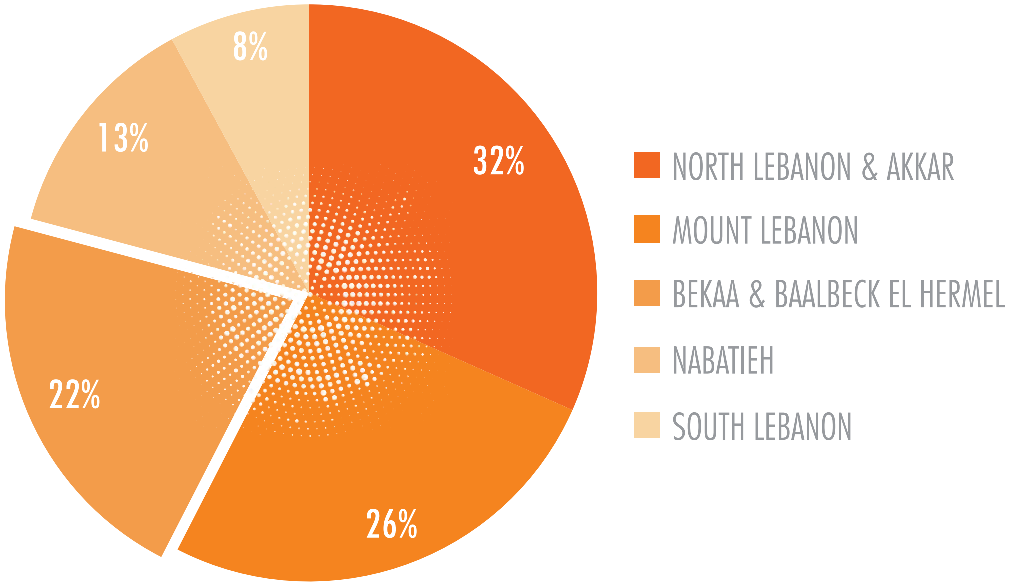
DISTRIBUTION OF REGISTERED STUDENTS IN LEBANESE UNIVERSITY BY MAJOR
2016



Source: Central Administration of Statistics, 2016

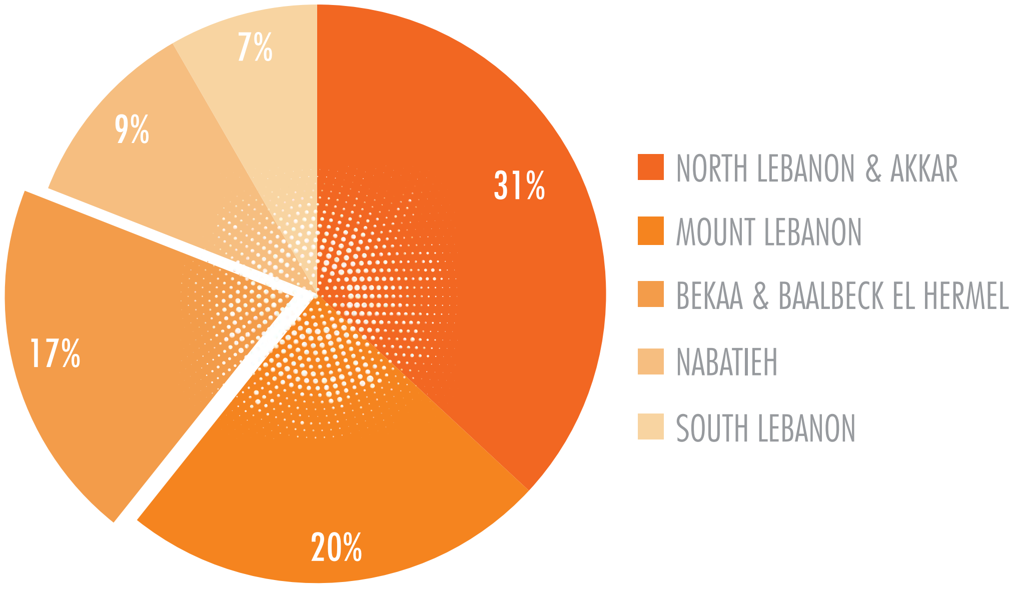
The region's human capital also relies considerably on **technical education to upgrade its skills**

DISTRIBUTION OF PUBLIC TECHNICAL SCHOOLS BY GOVERNORATE
% I 2016-2017



NO. OF SCHOOLS IN BEKAA & BAALBECK EL HERMEL = **30**

DISTRIBUTION OF PUBLIC TECHNICAL SCHOOL STUDENTS BY GOVERNORATE
% I 2016-2017

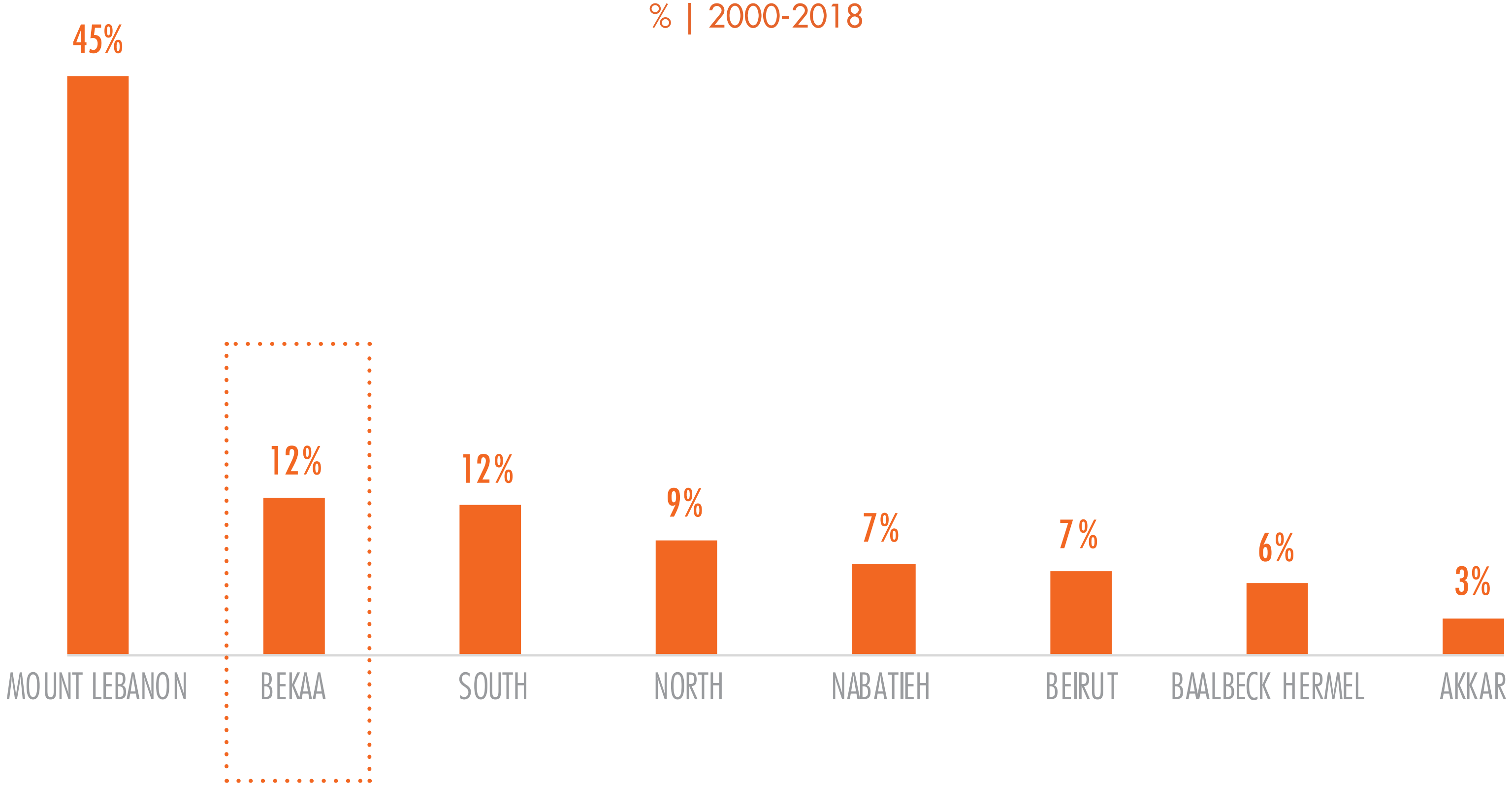


NO. OF STUDENTS IN BEKAA & BAALBECK EL HERMEL = **9,539**

Source: The Center for Educational Research & Development, 2016-2017

The Bekaa including Baalbeck & Hermel grasped **the 2nd largest share of kafalat loans** for the small and medium enterprises in the productive sectors

DISTRIBUTION OF KAFALAT GUARANTEED-LOANS BY GOVERNORATE
% | 2000-2018



NUMBER OF LOANS GRANTED IN BEKAA: **1170**
AMOUNT OF LOANS GRANTED IN BEKAA: **USD 182 MILLION**

Source:: Kafalat, 2018

The competitive advantages of the Governorate can be summarized as follow

DIMENSIONS FOR ASSESSING BEKAA

1. ACCESS TO RESOURCES

- **Natural Resources:** The Bekaa is the agriculture hub of Lebanon accounting for around 50% of total Lebanon's agriculture land.
- The region is a major producer of grapes and wine
- **Economic Assets:** Bekaa has the second highest concentration of industrial activity in Lebanon after Mount Lebanon

2. ACCESS TO MARKETS

- **Infrastructure:** The Bekaa has high-quality infrastructure distinguished by 24 hours electricity supply
- **Export activities:** the region is a major exporter of fruits and vegetables as well as agro-food products to neighboring markets

3. ACCESS TO HUMAN CAPITAL

- **Universities:** Most of the renowned universities in Lebanon have branches in the Bekaa.
- **Labor pool:** The labor force exhibit medium to high skills level as demonstrated by existing occupations of the employed population
- **Technical and Vocational Schools:** the Governorate has an advanced technical and vocational training infrastructure to meet the demand of the resident population

4. ACCESS TO FINANCE

- The region's productive sectors have access to subsidized loans and kafalat guarantees that helps them to expand and upgrade.

III. CLUSTER DEVELOPMENT STRATEGY FOR THE BEKAA

Based on the comparative advantages of the Governorate, **IDAL identified 2 main high-value added clusters** that can be strengthened to increase their competitiveness

1. WINE PRODUCTION CLUSTER IN ZAHLE

2. DAIRY PRODUCTS CLUSTER IN TAANAYEL

The wine production in the Bekaa has an **international reputation and a strong network** but needs further support to be become more competitive regionally and globally

1. WINE PRODUCTION CLUSTER IN ZAHLE

STRENGTHS

- The region is the largest grape producer in all Lebanon accounting for 44% of total grape production;
- Bekaa is the main wine region in Lebanon with more than 7 wineries (cave kouroum, chateau Kefraya, chateau Kanafar, chateau Marsyas, chateau St Clement, chateau Ksara and Domaine Des Tourelles);
- 33% of the wine producers, or 13 wineries, are concentrated in Zahle district, due to the district's suitable "teroire" for wine making.
- Wine exports have been increasing at a CAGR of 11% between 2015 & 2017
- Strong network demonstrated by the "Union Vinicole du Liban" (UVL), Lebanon's official association of wine producers.

WEAKNESSES

- Return on investment in wine production is not achieved before 10-20 years, as it takes almost 5 years to produce the first bottle.
- The high costs of equipment, barrels, bottles, labels, and corkstoppers, all of which are imported (due to bad or non-existent local production) and are subject to VAT (10%) and Customs (5%).

Wine production can be expanded to include more sophisticated higher value products but this will require substantive Research and Development (R&D)

1. WINE PRODUCTION CLUSTER IN ZAHLE

OPPORTUNITIES

- Lebanon consumes 6M bottles of wine yearly, where 33.3% or 2M bottles are imported with an average price of $6.3/bottle.
- Endorsement by the Ministry of Agriculture to the sector through increased budget for the marketing of the sector;
- Growing interest in food tourism activities: food and wine tasting tours, fruits and vegetables harvest, a walk with a shepherd etc;
- Expansion of tourism offerings for diaspora, domestic and regional markets through private initiatives;
- Funding support from International Organizations: USAID is funding the project of “Dareb El Karam”, a food tourism trail connecting 9 villages in Higher Shouf and West Bekaa. This project aims to create a touristic destination focused on food tourism

RISKS

- High competition from imported wine
- Spill-over effects from Syria: wine exports to Syria decreased substantially from 2011 to 2014. Furthermore, wine tourism decreased due to the political conflicts;
- Low R&D budget for local wineries inhibiting growth in the sector

The cluster development strategy for the wine industry in the Bekaa aims **to incentivize the private sector to research and create new higher-value, export-oriented products…**

THE PROPOSED TRIPLE HELIX MODEL FOR CLUSTER DEVELOPMENT

ILLUSTRATION

RESEARCH & DEVELOPMENT INSTITUTES

- Lari international center for Agriculture researches in dry Areas "icarda" station at terbol
- The advancing research enabling Communities center (arec)
- Lebanese university West bekaa campus
- Lebanese international university (Liu)- al khyara, west bekaa

PRIVATE SECTOR

- Farmers
- Wineries

GOVERNMENT

IDAL INVEST IN LEBANON

SUPPORT INSTITUTIONS

USAID FROM THE AMERICAN PEOPLE

AUB American University of Beirut

arcenciel.org engage in development

Being home for the main dairy factories in Lebanon, the region can also be recognized as a **regional dairy cluster** which extends from small family owned businesses to sizeable well-established firms

2. DAIRY PRODUCTS CLUSTER IN TAANAYEL

STRENGTHS

- The region grasped the largest share of livestock in Lebanon: 26% and 38% of cattle and sheep heads respectively are available in the Bekaa;
- The region is home to extensive dairy farming, covering 44% of the country's total farming land;
- More than 32 dairy companies are available in the region (31% of total dairy companies in Lebanon such as Taanayel Les Fermes/ Bonjus, Liban Lait, Jdita, Jaber&sons;
- Availability of skilled & affordable labor force.
- Exports of dairy products reached USD 3.9 million in 2017

WEAKNESSES

- The dairy industry is composed of many semi-artisanal plants which do not have good control over milk quality and have a low innovation capacity;
- Lack of improved breeds of livestock

While the sector is currently dealing with a number of challenges, favorable regional and local consumer trends **provide a spectrum of opportunities**

2. DAIRY PRODUCTS CLUSTER IN TAANAYEL

OPPORTUNITIES

- Domestic demand for milk not fully satisfied by the national production: 70% of milk processed by dairy factories is imported (imports reached USD 307 Million in 2015);
- Increasing regional demand for dairy products: at over 3% CAGR, the MENA region is the third fastest growing region for dairy in 2016;
- Promising prospects for milk derivatives products such as flavored milks and dairy Snacks;
- Support from International Organizations: FAO and the Ministry of Agriculture provided technical and institutional support to over 3 500 vulnerable farmers to produce more and better quality dairy products

RISKS

- Fierce regional competition from Egypt sand Saudi Arabia
- Entrance of illegal imports
- Issues in quality and standards and export restrictions

The cluster development strategy for the dairy industry in Taanayel is based on **the triple Helix model** to increase the overall competitiveness of the sector

THE PROPOSED TRIPLE HELIX MODEL FOR CLUSTER DEVELOPMENT

ILLUSTRATION

RESEARCH & DEVELOPMENT INSTITUTES

- Lari international center for Agriculture researches in dry Areas “icarda” station at terbol
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- Lebanese international university (Liu)- al khyara, west bekaa

PRIVATE SECTOR

- Farmers
- Dairy factories
- Agro tech incubator

GOVERNMENT

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SUPPORT INSTITUTIONS

USAID
FROM THE AMERICAN PEOPLE

LACTIMED
Promoting Mediterranean Dairy Products

CHAMBER OF COMMERCE
INDUSTRY & AGRICULTURE
ZAHLE & BEKAA

The public private partnership model between the various actors of a cluster makes it **more effective and productive**

THE PROPOSED TRIPLE HELIX MODEL FOR CLUSTER DEVELOPMENT

ILLUSTRATION

RESEARCH & DEVELOPMENT INSTITUTES	PRIVATE SECTOR	GOVERNMENT	SUPPORT INSTITUTIONS
R&D centers can assist the cluster members by: ▪ Providing advice on new techniques of production and processing ▪ Accelerate innovation in the cluster and upgrade of quality of production	▪ Those private sector players are at the core of the cluster. ▪ Through membership and commitment to the cluster, they can upgrade the marketing channels of the cluster, the branding, and ensure the sustainability of the cluster initiative.	**IDAL can assist the cluster members by:** ▪ Accessing funding for member firms ▪ Providing incentives ▪ Coordinating with the various stakeholders of the cluster	**Support institutions can assist the cluster members by:** ▪ Technical know-how ▪ Training and networking events

CONTACT US

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AUTHORITY OF LEBANON

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