

## **THE LEBANESE EXPERIENCE IN INDUSTRY**

### **The Investment Development Authority of Lebanon (IDAL)\***

Since the end of the Lebanese war in 1990, a new era of stability, prosperity, and economic affluence is foreseen for the region. Lebanon is expected to play an influential and dominant role in the reconstruction of the Middle East and its socio-economic development as a result of its idiosyncratic characteristics and geographical setting. In that respect, Lebanon is at the onset of rebuilding its economy, reconstructing its infrastructure, rehabilitating its various sectors, and is promoting productive sectors of the national economy. Industry, identified as a priority area with a significant potential for future development, is receiving major governmental support. Coming out of a 17-year civil war of detrimental and notorious aftermath, Lebanon manifested itself as a country of unique and distinctive industrial experience. It emerged with an unclear industrial strategy. "De facto" aggravating industrial zones, unidentified comparative industrial advantages, and unknown suitable industries. Nowadays, new industrial zones are being established to create industrial hubs to provide common services to industrialists, reduce operational costs, and help in promoting expertise sharing. Accordingly, comparative advantages of the Lebanese industries have been set and industries suitable for Lebanon have been identified. Laws and regulations are also modified and updated to accommodate the present and modern demands of labour and management. The Lebanese government, in its unprecedented national attempt to promote industrial estates, is providing special, fiscal, and financial incentives to Lebanese/foreign industrialists and is establishing a one-stop-shop service. This one-stop-shop will help investors overcome the hindrances of bureaucratic routine, accelerate issuance of industrial permits, and facilitate governmental-industrial procedures. The new policy targets the rate of growth to reach 6-8 % and industry to represent around 18 % of the GDP in the coming decade. Investors are expected to establish industrial regional activities in Lebanon which will lead to promoting exports, overall growth, and hence, global regional development.

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## 1. INDUSTRY IN LEBANON

### 1.1. Government policy

In its effort to stimulate balanced economic development and generate employment opportunities throughout the country, the Lebanese government has embarked on a major infrastructure development program to support the productive sectors of the national economy. Industry, identified as a priority area with significant potential for future development, is receiving major governmental support. The small and medium scale industrial estates play a major role in the economical development of the national economy as they represent the bulk of the industrial units. Nowadays, less than 1% of the Lebanese factories recruit more than 50 employees. Hence, when we refer to the industrial sector in Lebanon, we mean the small and medium size enterprises.

At the end of the civil strife, the Lebanese opened their minds to new industries that opened new perspectives and horizons for the industrial sector. The government, however, will not orient the industrial policy, as done in other countries, because of the socio-economic situation and mentality of labour. On this point, the Lebanese Minister of Industry declared:

*“Our government will not support a particular industrial sector while excluding the rest. Moreover, it will help all industrial sectors face the international agreements foreseen and it will promote export oriented services. Obviously, some of the sectors that do not fit Lebanon’s competitive advantages will not survive in the long run. The Lebanese government, moreover, will protect local industries for the next three years and support small and medium sized enterprises.”*

### 1.2. Industrial sector in Lebanon

Lebanon’s industrial sector proved its resilience during the country’s most difficult period and continues to contribute an impressive share of national income, employment and exports. Nowadays, the Lebanese industrial sector can be characterised by its swift development after the civil war. In 1995, the industrial output reached \$3.9 billion. The contribution to the Gross Domestic Product (GDP) amounts to 20%. Approximately 150,000 people are working in 23,000 factories (average 5.52 employees/unit). The turnover of the industry is \$3.72 billion (a company’s average \$165,000). Today, over 50% of industrial production is in the consumer products. Food and beverages, fashion products (textile and leather), and wood and furniture account for 24%, 15%,

and 10%, respectively, of Lebanon's industrial output. Their shares of industrial employment are 23%, 20%, and 17%, respectively.

The industrial production is highly fragmented and most of the industries are family-owned and concentrated in the capital and Mount-Lebanon regions. On the other hand, significant national investments are made in industry while foreign participation is negligible (only 1%). Raw materials (21% of total cost) and labour (68% of total cost) represent the most important components of cost; labour in Lebanon represents a larger percentage of cost than expected, a symptom of low investment in production technology. Exports have recovered, especially those designated to the Gulf and the Levant. They represent 5-10% of the GDP in Lebanon, and yet this is lower than most countries in the region.

Lebanon can build on its traditional strengths to launch an ambitious programme and expand its industrial sector in the next decade. The country's strengths include a tradition of free trade, mature banking services, minimal government intervention with a relatively small government sector, and low marginal tax rates. More important perhaps are the strengths of Lebanon's human resources. The Lebanese have traditionally enjoyed a high level of entrepreneurship, market skills and excellent international connections. Industrial establishments tend to be small and highly entrepreneurial, and therefore very adaptable to changing production and market conditions. The level of education of both labour and management is relatively high, and both exhibit a capacity for fast learning. These strengths are, undoubtedly, the major competitive advantages of Lebanon and the base for the future development of its sectors.

### **1.3. Problems of the Lebanese industry**

Five major problems have been identified in the Lebanese industrial sector. These problems need short or long-term improvements and the government is working on devising respective solutions for them:

- *Low productivity of labour:* labour wages in Lebanon are reasonable in comparison with other Middle-Eastern or European countries. However, the productivity is relatively low because of inadequate labour laws (concerning vacations and overtime) and insufficient investments in labour training, plants and equipment.
- *Lack of experienced manpower:* As a result of limited, inadequate training resources and ill-prepared technical graduates, Lebanon is experiencing a shortage in skilled labour.
- *Limited access to the market:* Lebanon has one of the smallest domestic markets in the region and has no significant preferential treatment in terms

of access to export international and regional markets (such as the EEC or the GCC).

- *Finite supply of land:* Lebanon has a limited supply of land for industrial use, which makes the land expensive.
- *Insufficient equity finance:* Equity finance is somehow limited and commercial debt is relatively expensive.

#### **1.4. IDAL responsible for industrial development & management in Lebanon**

The Investment Development Authority of Lebanon, IDAL, established in 1994 by decree of the Council of Ministers, became fully operational in 1995. Its main role is to attract private capital investment in support of the unprecedented efforts of national development and reconstruction in Lebanon.

IDAL identifies large-scale investment opportunities and facilitates their implementation. It works in close relationship with all concerned ministries and reports directly to the Prime Minister. It is involved in establishing, developing, and managing Free Trade Zones, Industrial Parks, and major infrastructure facilities and projects on a BOT or BOO basis. IDAL facilitates investments in private productive projects and provides the investor with speedy access to information, decision-making and implementation assistance. The authority also plays an active and responsible role-setting strategy for promoting industrial development.

Acting on a decision by the President of the Council of Ministers issued in July 1995, a committee was formed, presided by IDAL, representing all ministries and administrations concerned with the industrial sector. These are the Ministries of Industry, Environment, Public Works (D.G.U.), Agriculture, Health, Economy and Trade, Municipality and Rural Affairs, and the Higher Council of Customs. This committee was entrusted with the mission of surveying the industrial zones in Lebanon, proposing concrete solutions and measures to be adopted to improve environmental conditions within these zones and creating new industrial zones in the framework of a new industrial development policy. In line with this view, a new Ministry of Industry was created and approved officially in May 1997.

## **2. INDUSTRIES SUITABLE FOR LEBANON AND THE PREFERRED INVESTMENTS**

### **2.1. Characteristics of the industries suitable for Lebanon**

Industries of a high potential for success in Lebanon should be identified in order to develop a complete strategy for promoting industrial development in the country. Based on the several studies conducted with the Lebanese Association for Industrialists and the different consultants, the consensus reached showed that the industries most likely to succeed share these common characteristics:

#### *2.1.1. Skill-intensive rather than labour-intensive industries*

Labour, technicians, and management in Lebanon exhibit a capacity for fast learning and adaptation and are, generally, more qualified than the labour of other neighbouring countries, which facilitates the promotion of skill-intensive industries. In addition, these industries' prosperity will help to repatriate skilled emigrants and reduce the drain of natural human resources via imported labour.

#### *2.1.2. Industrial sectors providing higher value-added products*

Lebanese industrialists should concentrate on high value-added products through branding trademarks, producing under license or similar agreements, with internationally renowned companies in their fields.

#### *2.1.3. Low energy and non-natural resources consuming industries*

Lebanon has limited natural resources and imports most of its energy that is obviously cheaper in neighbouring oil-producing countries.

#### *2.1.4. Environmentally-friendly industries*

Lebanon should focus away from energy-intensive or polluting industries, since it is poor in energy resources, but rich in tourist appeal. Any polluting industry will naturally cause harm rather than benefits when viewed from a macroeconomics perspective. In other words, industries seriously detrimental to the environment should be disregarded.

#### *2.1.5. Export-oriented industries necessary in view of the forthcoming international agreements (e.g. Euromed % GATT)*

Industries that are striving solely on the local market and do not have the potential or the ability to export competent products will be unable to sustain when the Lebanese market opens to foreign competition.

Any industry that satisfies some of the above criteria will be favoured to attain a high quality product necessary for competition on the local (to achieve self-sufficiency) and the international scenes, thus ensuring the viability and sustainability of industrial production in Lebanon. The government is promoting such kind of industries that suit Lebanon's competitive advantages.

## **2.2. Idiosyncrasies and preferred investments per sector**

The most important sectors of the Lebanese economy were surveyed and studied. Samples were drawn and preferred investments that suit Lebanon's strategic objectives have been recommended per sector. The preferred investments in some sectors of the Lebanese economy are listed below:

*2.2.1. The food and beverage* sector aims to provide self-sufficiency for Lebanon and export traditional Lebanese food. However, producing under license is interesting provided that Lebanon produces exclusively for the surrounding countries. This industry affects the Lebanese agricultural sector as it relies mainly on agricultural and animal production. In doing so, it helps the balanced economic development of different industrial and agricultural sectors in various regions of the country.

Poultry, dairy, meat, and pet food products (except dry mixing) should have special treatment plants for their discharged products to preserve environmental balance. Food, if processed in unclean and unhygienic conditions, can be hazardous to consumers' health. This shows the necessity to promote the sector as skill rather than labour-intensive in order to ensure the safety and cleanliness of production methods (sterilisation, hygiene, etc.).

*2.2.2. The textile industry* stands as an indefensible traditional industry that is a non-lucrative investment. In addition, the cost of textile production in Lebanon is higher than that in the Far East or other countries. However, the Lebanese government should exert special efforts to preserve the existing industry and to attract investments to it in order to prevent social crises. Lebanon cannot compete with textile produced abroad for two main reasons: the raw material is unavailable locally (linen, cotton, etc. are imported); the textile industry is labour-intensive.

*2.2.3. The wearing apparel and accessories* industry should be preserved and encouraged as it allows for the expression of the Lebanese genius and creativity. Moreover, wearing apparel qualifies as an export industry that can be enhanced if production is branded. This industry is skill-intensive as it entails creativity and industrialists should direct investments to it. Lebanon



should avoid investing in mass production, as it does not provide any relevant value-added.

2.2.4. *The wood and paper industry* satisfies Lebanon's local market needs. Its exports are hindered by their high freight price and voluminous nature (even if packages are compiled or pressed). Usually this sector is not affected by other industries.

2.2.5. *The furniture industry (wood, metal and plastics)* is characterised by its voluminous nature, which restrains its export. Generally, this sector meets local needs and exports only household items that show creativity and Lebanese taste.

2.2.6. *The chemicals and plastics sector* is necessary because it plays an active role in producing other industrial commodities such as pharmaceuticals, detergents, etc. Lebanon can import plastics and chemicals for its industries but local ones avail because of their usually cheap prices. This industry will always exist in the country, but a technological boost can help it sustain better.

2.2.7. *The industrial building materials sector* is to provide self-sufficiency for the country. The existing ones in Lebanon are inadequate and are not even satisfying local needs. Moreover, this industry needs huge investments to develop and promote it.

2.2.8. *The packaging material industry* also aims at providing self-sufficiency and is not destined for export. Packaging material is consumed by household industries.

2.2.9. *Fabricated metal products:* Lebanon should get away from foundries, smelters, machine tools and heavy machinery. Selected fabricated metal products attract investments due to their special characteristics.

2.2.10. *Machinery and equipment:* Selected manufacturing industries in this sector should be promoted because we have the ability and capacity. Future industries in this domain include cars and computers assemblage. No special Lebanese taste or impact in this section.

2.2.11. *Publishing, printing and reproduction of recorded media:* Lebanon should keep the edge in this industry and promote investments in its different sectors not to be forerun by other countries.

2.2.12. *Advanced industries:* Lebanon should keep the edge in this industry too and promote investments in its different sectors.

### 3. GOVERNMENT STRATEGY FOR PROMOTING SMALL AND MEDIUM SIZED ENTERPRISES

In order to promote industry, in general, in Lebanon and small and medium industrial enterprises, in particular, several studies and workshops have been conducted by the Lebanese government, the Association of Industrialists, the Investment Development Authority of Lebanon, and several consultants, namely Arthur D-Little. These studies recommended a strategy based on short, medium, and long term action plans to realise the government's strategic objectives.

#### 3.1. Short to medium term improvements

On a short-term basis, Lebanon is seeking to:

*3.1.1. Promote investments in different sectors with particular attention given to industry:* To attract local and foreign investments to the industrial sector, the image of industry as a good place to invest should be promoted. A number of company laws and regulations should also be modernised and promulgated such as those related to information disclosure, issuance of warrants, equipment leasing and capital markets.

**Action Taken:** IDAL is promoting the image of Lebanon and its industrial sector, in particular, as an attractive place for investment. It also recommended several modifications and changes to be made in laws concerning commercial companies.

*3.1.2. Minimise government bureaucracy:* To minimise the "cost of government and its red tape" develop new rules and government procedures. Automated and simplified customs procedures, a one-stop shop and fast efficient procedures for issuing licenses related to industry either in industrial areas or in the free zones should be established to make Lebanon competitive with other countries in the region.

**Action Taken:** Several laws and rules were recommended by IDAL and an action plan, on a short and long term basis, is set. Simplified customs procedures have been promulgated in Lebanon in the first quarter of 1997.

*3.1.3. Provide properly serviced industrial lands:* To reduce the cost of land, infrastructure and industrial support services, establish industrial estates well supported by infrastructure services (electricity, water, waste disposal, etc.) and cluster similar industries in selected locations.

**Action Taken:** After conducting various studies on industrial areas and the classification of industries, the government is providing suitable and good industrial infrastructure for all regions.

*3.1.4. Improve quality and efficiency of production:* Through promoting quality consciousness, and revitalising the Lebanese Standards Institution (LIBNOR) and the Industry Institute to set standards, issue quality certificates, and ameliorate efficiency of production.

**Action Taken:** LIBNOR has started working on norms. At present, these are restricted to construction projects that will be followed by the sectors of food and beverages and the paper industry.

*3.1.5. Promote exports:* The promotion of exports could be developed through the establishment of bilateral and multilateral trade agreements, export houses with overseas representation offices, and developing export trade finance and guarantees.

**Action Taken:** Several agreements have already been signed to promote export between Lebanon and other parts of the world such as Armenia, China, the Czech Republic, Egypt, France and Italy. Other trade agreements are currently under negotiations such as those with the U.K. and Venezuela.

*3.1.6. Create several task forces in the following areas:* manpower (MANTAF), law (LAWTAF), investment (INTAF), rehabilitation of existing industrial facilities (RETAF), support (SUPTAF), infrastructure (INTRATAF), export (EXTAF). These task forces are to study the best solutions for the Lebanese industry.

**Action Taken:** IDAL, the Ministry of Industry, the Industrialists' Association, and all others concerned are holding meetings to initiate the formation of these task forces. During the industrial workshop held on the 13th and 14th of June 1997 under the presidency of the Minister of Industry, ten task forces were approved to be implemented next month. The task forces centre around investments, standards improvement, industrial zones, customs, regulations, manpower & labour laws, bilateral agreements, international & regional agreements, environment and vocational training & habilitation. These task forces are responsible for improving their respective domains, setting action plans, and issuing pertaining laws and rules.

### 3.2. Long-term improvements

Lebanon has an abundance of engineers and technicians, the country's most interesting competitive asset, but their skills are not always aligned with the requirements of modern industry. This proves the necessity to implement these long-term improvements which will take longer to be realised.

*3.2.1. Developing and training manpower:* Major impediments and obstacles to promote the national industrial sector originate from unskilled manpower. Fundamental changes such as extensive and up-to-date industrial engineering training, improved and aligned vocational preparation, specific apprenticeships, and student orientation and employment centres need to be introduced.

**Action Taken:** The Ministry of Vocational Training is working on a programme to promote and to develop such schools in the country with the direct collaboration of IDAL, which has been providing the ministry with the latest information concerning the studies conducted.

*3.2.2. Modifying manpower laws and regulations:* Manpower laws and social security regulations in Lebanon are somewhat inflexible and archaic; they have to be updated. This could be achieved through promulgating more flexible rules in terms of recruitment, social security charges and services, private pension funds and restrictions on foreign companies.

**Action Taken:** Several laws to reduce restrictions and social security charges are being studied in view of their passage. For example, industrialists are exempt from having their employees on social security on condition that they provide them with equal or better benefits (Draft Law).

## 4. GOVERNMENT POLICY TO PROMOTE INDUSTRIAL ESTATES

Several investigations revealed the need to classify existing industrial areas and to create new ones in Lebanon to satisfy the requirements of the local and foreign investments in industry. Fifty-nine areas, of which 44 exist and 15 are to be established, proved to be suitable and realistic for industrial activities at present. The new zones are being established, equipped and landscaped according to international standards and existing ones are being revitalised, with government support, through improvements in infrastructure and landscaping. These are either private or public and classified into categories based on the new industrial classification set. This classification is also included in the licensing procedure.



#### **4.1. A new classification of industries has been established**

The evolution of production techniques and pollution controls has made many modern industries no longer threatening to the environment. The newly-developed categorisation divides industries into 5 groups instead of 3. Dividing the industries in that manner provides a more detailed and comprehensive classification that will help in keeping pace with the developments in industrial technology.

Categories 1, 2, & 3 represent industries of a prominent effect on public health or the environment in general. Categories 4 & 5, on the other hand, include industries of minor or null effect on the habitat. This classification of industries provides not only an overview of all Lebanese industries, but also their respective environmental impact.

#### **4.2. A new classification of industrial areas has been adopted**

In recent years, many areas were investigated for any suitable characteristics they might have for industrial development. Each area was surveyed to estimate the extent of its development, the percentage of its 'buildable' surfaces, and the possibilities of its extension. It appeared that the present available capacity within or proximate to industrial areas was not enough to satisfy investments. New selected areas were therefore investigated and 44 areas were made suitable and realistic for industrial activities at present. These selected regions are varied and they differ widely in their legal status, geographical location and vulnerability. For this reason, the areas are divided into five categories and both criteria of classifications are included in the licensing procedure.

##### *4.2.1. Integrating the two classifications*

Industrial zones are classified according to the industrial category they are authorised to accommodate in order to prevent inappropriately located industries. Hence, the choice was made to differentiate the following three classes:

- Area A is to accommodate harmless & environmentally friendly industries.  
That is *Category 3 (or 4, 5) industries.*
  
- Area B accommodates harmful & possibly threatening industries.  
That is *Category 2 (or 3, 4, 5) industries.*

Area C will accommodate seriously toxic, environmentally detrimental industries.  
That is *Category 1 (or 2, 3, 4, 5) industries*.



### **4.3. Creation of industrial zones**

#### *4.3.1. Initial status of the Industrial Zones*

As a result of the chaos that prevailed during the past two decades, industrial development was scarcely controlled in Lebanon. Consequently, industrial developments such as factories and plants established themselves outside the Industrial Zones and residential or tourist buildings, on the other hand, were placed inside them. These developments which constituted clusters of buildings of incompatible use and practically without public utilities became known as “De Facto Industrial Zones” and were earmarked by the Council of Ministers decrees as part of the Urban Planning Regulatory Process. Hence, a major effort should be exerted to reorganise industrial zoning, as this has become a necessity.

#### *4.3.2. Positions and conditions of the industrial zones (Problems, geographical distribution, etc.):*

The existing industrial zones were inappropriate and unfitting for industrial production. Moreover, many environmental problems were identified:

- Immediate proximity of some zones to the seaside (Amchit, Zouk, Ghazieh, Beddawi, Selaata).
- Location of zones in wooded regions with high buildings coefficients (Brummana, Beit-Meri, Ghazir, Fanar).
- Proximity or overlap in some cases of industrial plants with residential areas (Chekka, Fanar, Nahr-Ibrahim); in some cases, residential units are located in a part of the industrial zones (Ajaltoun, Fanar).
- Lack of infrastructure related to liquid waste treatments as well as noise and air pollution (almost all industrial zones are affected in this respect, but the situation is particularly dangerous in Selaata and Chekka).
- Non-compliance of plants with existing regulations regarding hygiene, safety and respect for the environment (for instance, Nahr-Ibrahim industrial zone is polluting the river nearby).
- Industries scattered outside the industrial zones (defective zones) with no infrastructure nor any environmental regulations.

After detecting these aggravations, industry was classified according to a newly devised system that grouped industries into 5 categories instead of 3 in an attempt to rectify the present situation. As a result, industrial zones are categorised according to the industrial group they are prepared to accommodate and, hence, located in an area that bears such an industry with minimum harm or toxicity to the environment.

#### **4.4. Strategy for development & locating industrial zones**

The strategy of the government lies in creating different types of industrial zones corresponding to the various demands of the existing and potential industrial projects in Lebanon. These zones are preferred to be distributed among the several Lebanese regions to provide balanced development. The strategy includes four types of industrial zones:

*4.4.1. Satellite Zones* are controlled by the state and are of important destination in the South, Bekaa and North. These zones are an hour's drive away from the capital, Beirut, and are located in areas of a high human resource potential and weak economic development.

**Action Taken:** Three industrial parks are in the process of being developed in that respect:

- In Al-Qreiha in the South, a Model Industrial Park on public land called Al-Rawabi will have its final design ready by mid-August 1997. (Project under IDAL's direct supervision).
- In Meksa in the Bekaa Valley, the government is co-operating with industrialists to develop a satellite zone.
- In Al-Batroun 30 km north of Beirut, surveys are made to find a suitable area for the development of a Satellite Zone. Twenty sites are currently under inspection.

*4.4.2. Production Poles* in Beirut region. These are intended for industries that cannot move or shift to another region outside the capital, despite the highly priced land. This is to encourage the industrialists in Greater Beirut to move to these poles.

**Action Taken:** An example of such poles is in the process of being developed by IDAL with other consultants through a land regrouping process in

Choueifate region. Choueifate was chosen because it is one of the cheapest regions close to the capital, Beirut.

*4.4.3. Regional Industrial Areas* on provincial levels. These target industrialists in need of cheap lands and not necessarily proximate to the capital.

**Action Taken:** Development of such areas has already taken place. However, the public industrial zone requires its infrastructure to be developed further either by a private firm on a BOT basis or by the government.

*4.4.4. Small local zones* designed for light industries and artisanal work related to the districts. Such areas will be classified as T zones (i.e. transitional). This project intends to regroup all artisanal work and to provide healthier urban environments.

#### **4.5. Next steps for promoting these industrial zones**

The Investment Development Authority of Lebanon foresees the next steps to be followed for promoting the industrial zones by providing incentives and improving industrial zones' infrastructure.

##### *4.5.1. Incentives*

The government should provide incentives (fiscal, infrastructure, etc.) to attract industrial investors to certain industrial areas away from the city. IDAL is working on these selected areas to classify them in terms of providing strong (for example, Baalbeck), medium and weak incentives, respectively. Incidentally, the core of IDAL's present work is aimed at establishing a regulation that determines and classifies rural industrial areas.

##### *4.5.2. Infrastructure development*

Realising good infrastructure in all selected industrial sites is a must. In other words, if "good" infrastructure lacks in any site, then it could be developed in three manners: either by the private developer, the government or through public-private partnerships.

Private land: The private developer must build infrastructure in these areas.

Public land: Infrastructure in these lands could either be developed by the government or the private sector via BOT. Tender documents are also prepared for developing BOT industrial sites in government lands, especially

in the Bekaa. This step will be completed the moment IDAL finds the market fit for developing additional industrial lands.

It is worth mentioning here that the state does not classify private lands anymore. The private developer assumes total responsibility to apply for an “industrial” classification of his land. Classification is made according to a devised set of criteria put for this reason.

#### **4.6. Advantages of the New Industrial Policy**

##### *4.6.1. Public advantages*

With the implementation of the new classification system, the Lebanese government is setting the foundations of a structured approach for its industry and is creating conditions favourable to foreign investors to ignite industrial activities in Lebanon. The classification system will contribute to achieving these long-term goals:

1. Realisation of a cost-effective infrastructure for industrial areas.
2. Safeguarding Beirut and other residential congested areas from pollution and nuisance.
3. Establishment of an attractive investment climate for (foreign) investors.
4. Functional separation of industries to create a starting point for tourism.

A new package of environmental regulations for modern industries has also been established.

##### *4.6.2. Advantages to the Investors*

The industrial zones will provide appropriate plot sizes, at competitive prices, to accommodate light, medium and heavy industries with first-class infrastructure facilities, including access to good transportation links, distribution networks, power, communication, water and sewage systems, landscaping and irrigation. The zones will also enjoy the advantage of grouping related industries and services in one location, which stimulates partnerships and “expertise sharing” between the various established industries. This will enable investors to reduce their operational costs and industries to become more competitive on the local, regional, and international scenes.

These industrial parks, subject to strict environmental constraints, provide a healthier habitat for the industrial sector workforce and users. The set

standards allow the establishment of all factories, especially foreign ones, that impose environmental constraints on their methods of production as well as on their products (i.e. recycled cans). Environmentally conscious consumers, whose number is always on the increase, consistently demand such “friendly” products.

Both national and foreign investors will benefit from the establishment of industrial zones as they provide adequate and suitable industrial environment. Lebanese industrialists, however, accommodate themselves better in the local market as they are cognisant and more aware of the system. Hence, the establishment of these zones will facilitate and direct foreign industrialists to the “favourable industrial climate”, will help them overcome the Lebanese market’s entry barriers and create a base for expanding to other regional, European and international markets.

Moreover, the Lebanese liberal economic system, its strong commercial and financial structure and its talented workforce, provide additional potent incentives for industrial investors to establish regional activities in Lebanon.

## **5. GOVERNMENT SPONSORED INDUSTRIAL ESTATES**

### **5.1. Specific industrial projects**

The Lebanese Government, through IDAL, started establishing Industrial Zones that conform with the newly set standards and norms such as first-class infrastructure, good transportation links, modern telecommunication systems and services.

- **“The South Model Industrial Park”**: On an area of 100 hectares approximately, a Model Industrial Park in the South, in Babliy , that serves the entire region of south Lebanon, is being developed by a private company supported and supervised by IDAL. This park, conforming to the new rules and regulations, will have direct access to the planned freeway interchange and is intended to accommodate all types of industries.
- **Choueiffate**: Upon the request of the Lebanese government, the General Directorate of Urbanism, is in the process of reparcellation of land in Choueiffate, a southern suburb of the capital Beirut, to build an industrial park in an area less than an hour’s drive away from Beirut.
- **Al-Rawabi Model Industrial Park**: Conforming with the policy to create several satellite industrial parks at an hour’s ride from the

capital, Beirut, the government has completed the technical and financial studies needed for building a model industrial park in the South, Al-Rawabi. It also started searching for a land to develop a similar park in the north of Lebanon.

These areas are allocated for light & medium size industries and the government has guided their development by imposing severe constraints aimed at protecting the environment and public health.

## **5.2. Al Rawabi MIP**

Cognisant of the needs and requirements of modern industry, the government has decided to establish a Model Industrial Park in AL-Qreiha, south of Lebanon, named Al-Rawabi MIP. Al-Rawabi Model Industrial Park offers integrated services, ready-to-use factories, warehouses and offices furnished with first-class infrastructure.

### *5.2.1. A Model Industrial Park developed by the government: Al-Rawabi*

Al-Rawabi MIP is to be located on a plateau 45 km south of Beirut and 5.5 km east of the shoreline in pleasant surroundings on two million square metres of government land. The park is to provide well-equipped, managed and serviced industrial land to industrialists at competitive prices. It will enjoy the advantages of regrouping related industries and services in one location accessible to good transportation links and to regional and international markets.

### *5.2.2. Project profile*

Al-Rawabi MIP will be able to draw upon the best international practice in the planning and management of an industrial park. It will demonstrate how relevant lessons can be applied to Lebanese conditions. It will provide an example of a park where the framework of landscape and infrastructure has been properly planned from the start. And it will establish a set of layout and design standards that are replicable in subsequent projects and in upgrading existing industrial areas. It will also contribute to upgrading an underdeveloped region and create the conditions that could assist, in the long term, the emergence of a business and/or science park in the country. Al-Rawabi MIP is a complex and challenging site that will serve as a demonstration of what can be achieved and its features can become models for developments elsewhere in Lebanon.

The total surface area of the site is 1.67 million square metres, of which the total usable land for industry is 76 hectares and for agriculture, 13 hectares. Two access roads are to be developed to provide a suitable access for transporting users and goods to the industrial site and its vicinity. The beneficiaries of the industrial park are:

1. The Nearby Underdeveloped Region will be upgraded and improved. Hence, the living and socio-economic standards of the South's inhabitants in general, and of Al-Qreiha in particular, will be changed for the better through providing new investment and employment opportunities (around 8,000 new jobs) and developing other trade activities.

2. Lebanese Industrialists will benefit from well-equipped, managed and serviced industrial land accessible to good transportation links at competitive prices in a friendly and pleasant environment.
3. Lebanese Nationals will profit from a regional development that will move environmentally detrimental industries away from congested areas in the cities.
4. Industrial Labourers will no longer jeopardise their health, as they will be working in favourable and healthy environments. They will also benefit from inter-trading and inter-servicing among themselves, which will, consequently, improve their skills.

#### *5.2.3. Advantages to Investors*

Investors will enjoy high quality services that meet the needs and standards of the prospective industrial investors by providing appropriate plot sizes to accommodate light, medium and heavy industry, First-class infrastructure, ready-to-use factories, warehouses, and offices for long or short term rental. In addition, they will benefit from the intensive efforts exerted by the Lebanese government that enable the newly established industrial estates to be extremely attractive and to achieve a mode of continual growth. At the end, users of the park will enjoy the low cost production, which will allow their industrial products to compete with similar ones manufactured in other regions due to:

- Creation of an industrial hub that will provide common services to existing industries reducing thereby operational costs.
- Provision of easy and rapid distribution networks to Lebanon and the Middle East.
- Stimulation of partnerships between various sectors of diverse sizes of established industries aiding in “expertise sharing”.
- Existence of a significant labour pool from the surrounding region at competitive wages.
- Provision of affordable land prices and long-term leases that makes the industrial zone economically competitive with individual facilities and other industrial zones in the region.



## APPENDIX A

### Definition & Clarifications of Basic Terms and Concepts Utilised

***Small & medium Size Industrial Estates:*** These refer to the majority of industrial estates that exist in Lebanon. Only 1% is a large industrial estate recruiting more than 50 employees.

***Industrial Zones:*** Pieces of land chosen by the Lebanese government, furnished with first-class infrastructure and services, conforming to international environmental rules at competitive prices to industrialists. They also refer to industrial “conglomerates” that emerged during the war years and, hence, became “De Facto” Industrial Zones.

***DGU:*** “Direction Générale de l’Urbanisme”, a public institution responsible for urban planning such as reparation, designing towns, issuing (building) permits and the like.

***LIBNOR:*** Lebanese Standards Institution, a public utility responsible for promoting quality consciousness among Lebanese industrialists, as it is responsible for setting quality standards and issuing quality certificates.

***GCC:*** Gulf Co-operation Council.

***EEC:*** European Economic Community presently referred to as European Community (EC), aims at securing increased productivity, free mobility of labour, control of restrictive practices, and co-ordinated transport and commercial policies in member countries.

***Euromed:*** Euro-Mediterranean Agreement.

***GATT:*** Abbreviation for General Agreement on Tariffs and Trade (provides standards for international trade including a non-discriminatory trade policy, multilateral negotiations to reduce tariffs and consultation over trade disputes).

***B.O.T:*** Build, Operate and Transfer.

***B.O.O:*** Build, Operate and Own.

## **APPENDIX B**

### **Role of the Government**

1. Establishing Macro-economic stability in the country.
2. Promoting Lebanon and investments in industry.
3. Securing necessary funding from government sources and donor organisations.
4. Working with the private sector to address issues related to labour and manpower education.
5. Giving priority in infrastructure development to productive sectors in general and to industry in particular (in the process of doing it).
6. Working with the private sector to establish free zones and industrial estates and rehabilitation of existing ones.
7. Promoting inter-company collaboration and regional development.
8. Developing and modernising the regulatory environment to support local and foreign investment in particular.
9. Streamlining government bureaucracy and judicial procedures in particular.
10. Developing bilateral and multilateral agreements.
11. Providing assistance and support in technical support services, dissemination of statistics and information.

### **Role of the Private Sector**

1. Investing in industry, preferably in joint ventures with international partners whenever appropriate.
2. Establishing venture capital and investment companies specialising in industry.
3. Investing, jointly with the government, in manpower development and labour.
4. Establishing companies to develop and manage free zones and industrial estate.
5. Establishing support service companies, including:
  - Participation in the establishment of the Industry Institute and LIBNOR
  - Formation of export houses with representative offices overseas.