

INVESTMENT DEVELOPMENT AUTHORITY OF LEBANON  
Presidency of the Council of Ministers

**IDAL**

# INVESTOR NEWSLINE

SUMMER - FALL 2006

## Inside this issue

### Page 2

■ Events @ IDAL

### Page 3

■ Projects Update  
■ Investment News  
■ Legal Framework

### Page 4

■ The Health Sector in Lebanon

## IDAL Contact Info

Investment Development Authority of Lebanon - IDAL  
Azarieh Tower, 4<sup>th</sup> floor  
Emir Bachir Street,  
Riad El Solh  
P.O.Box: 113 - 7251  
Beirut, Lebanon  
Tel: +961 (1) 983306/7/8  
Fax: +961 (1) 983302/3  
E-mail: invest@idal.com.lb  
Website: www.idal.com.lb

Dear Readers,

The economical and financial outlook at the beginning of the summer looked very promising. Figures for the first half of 2006 predicted a record year for Lebanon. In fact, during this period, the number of tourists registered a 49.3% increase year-on-year, the number of airport passengers a 20% increase, while industrial and agricultural exports increased by 51% and 11%, respectively. However, the best-performing sector remained real estate, with construction permits issued for a built area of a total of 5.9 million m<sup>2</sup>, an increase of 62% year-on-year. Concurrently, gross capital inflows grew by 171% to reach US\$6.3 billion during the first half of the year, while the banking sector recorded a 6.6% growth in assets. In addition, Foreign Direct Investments for the year 2006 were expected to reach US\$3.5 billion, most for the financing of developments and projects in tourism and real estate.

However, the Israeli attacks on Lebanon in July and August wiped out most of these promising indicators. As a result, the economy has been severely hit, and both human and economical losses are great.

The sectors most affected are industry, tourism and agriculture. For the time being, IDAL will primarily focus on its policy advocacy role and propose new legislations to improve the investment climate in Lebanon. We are currently working on propositions for lowering the criteria for investment projects to qualify for the incentives stipulated in Law 360. A proposed amendment will subsequently be presented to the Council of Ministers for approval.

Nonetheless, investors have faith in Lebanon. Many have announced that the short-term political situation will not affect their long-term investments in the country. To this confident stand of support should be added the traditional resilience of the Lebanese economy and the Lebanese people – combined with intellectual capital and entrepreneurial spirit, they have shown to possess an amazing determination to bounce back from adversity.

Lebanon was, is, and will always remain a popular destination for tourism and business.

I hope you enjoy this issue.

**Nabil Itani**  
Chairman - General Manager

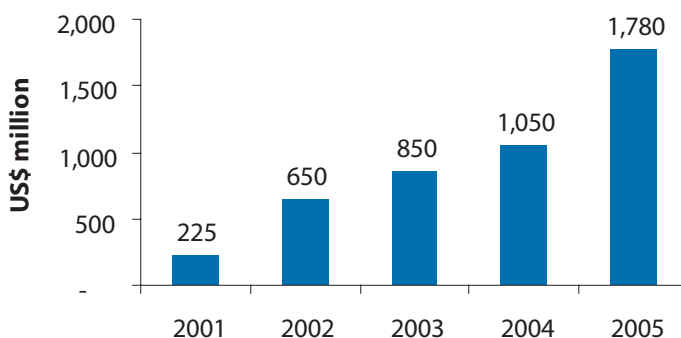
## Arab Investments to Lebanon in 2005

Arab Foreign Direct Investments (AFDI) to Lebanon reached more than US\$1.78 billion in 2005, recording a double-digit increase of 70% over the previous year. In terms of capital inflows, Lebanon ranked third among 12 Arab countries, after Saudi Arabia and Sudan. The largest investors were Kuwait (32%), Qatar (25%), Saudi Arabia (22%) and the UAE (15%), with most investments going to the services sector.

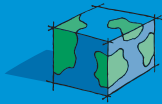
These figures were first published by the Inter-Arab Investment Guarantee Corporation - IAIGC in its annual report on the Investment Climate in the Arab Countries.

AFDIs to Lebanon have been steadily increasing since 2001, recording a CAGR of 51%.

AFDI to Lebanon (2001-2005)



Source: IAIGC - Annual Report 2005



# Events @ IDAL

## IDAL at Lebanon Building and Investment Conference

IDAL participated in the Lebanon Building and Investment Conference in Beirut on September 20-21, 2006. Under the auspices of Prime Minister Fouad Siniora, the conference gathered ministers and other high-level officials from the public sector, as well as representatives from several NGOs.

The aim was to discuss the adverse effects of the Israeli attacks during the summer, with delegates debating under the conference motto: Evaluation, Financing and Conducting. Mr. Nabil Itani discussed the implications of the war on investment, emphasizing the resilience of the Lebanese economy and the great confidence Arab and foreign investors continued to place in Lebanon.



## IDAL attends Lebanon Opportunities Conference

For the fourth consecutive year, Lebanon Opportunities organized a business networking conference. It was held on June 21-22, 2006, at the Dbayeh Convention Center, Mount Lebanon.

The event focused on identifying investment opportunities in Lebanon and included debates and workshops. More than 50 experts gathered to discuss topics such as corporate governance, Islamic banking, and energy; as well as potential prospects in real estate, IT and private equity funding.

At the conference, IDAL promoted the 27 projects listed with the Business Matching Service - BMS.

## IDAL at Sea-Front Development and Real Estate Conference

The 2nd Sea-Front Development and Real Estate Conference in the Middle East took place on May 18, 2006. Under the patronage of Minister of Tourism Joe Sarkis, the conference was held concurrently with the Beirut Boat Show at Le Royal Hotel in Dbayeh, Mount Lebanon.

The joint event, organized by the Arab Marine Industries Association - AMIA in collaboration with the magazine The World of Yachts & Boats, attracted private and commercial investors, government officials, property owners, designers and planners.

IDAL introduced Investment Law 360 and highlighted incentives designed to attract investors and presented recent investment projects in tourism, particularly sea-front developments.



## IDAL and Beirut Bar Association workshop

IDAL and the Beirut Bar Association jointly organized a workshop on investment legislation. At the workshop, held on June 14, 2006, at the association's premises in Beirut, participants discussed legislation governing investment in Lebanon, with special focus on Investment Development Law 360.

## IDAL at Arab Economic Forum

IDAL attended the 12th Arab Economic Forum - AEF, held on May 11-12, 2006, at the Intercontinental Phoenicia Hotel, Beirut.

More than 1,200 high-profile government and business delegates were present at the two-day event to discuss trends and developments in the Arab countries.

The main topics discussed during the conference included the current oil boom and its effect on the economic future and on reforms in the Arab countries; Arab equity markets, banking and multinationals; and the outlook for private equity in the region.

The AEF was organized by Al-Iktissad Wal-Aamal and the Central Bank of Lebanon, in partnership with the International Finance Corporation - IFC of the World Bank and the Association of Banks in Lebanon.



## IDAL hosts press tour

IDAL hosted a tour for the local and regional press corps to view some of the projects granted benefits and incentives through Investment Development Law 360 and facilitated by IDAL. The tour included a sample of five projects currently under construction in the Beirut and Mount Lebanon areas and was attended by more than 50 journalists from major Lebanese media outlets. They visited Serai Gate, the Hilton Beirut and the Grand Hyatt hotels in downtown Beirut, and Benta Pharmaceuticals in Dbayeh, Mount Lebanon. This was followed by a tour and lunch at HabtoorLand in Haret El Sit, Mount Lebanon.



# Projects Update

The Beirut Waterfront Development has received benefits and facilities through the Package Deal Incentives granted by IDAL through its One Stop Shop directorate.

## Beirut Waterfront Development

The Beirut Waterfront Development (BWD) is a joint venture between Solidere and Stow Waterfront. The project, designed by Steven Holl in collaboration with Lebanese architect Nabil Gholam, comprises residential, commercial and recreational facilities. Around 12,000m<sup>2</sup> of fully-serviced, furnished units will be available for sale. There will also be an 800-member yacht club and a health and fitness center, in addition to 9,000 m<sup>2</sup> of commercial areas.

The project, expected to be completed in 2008, will cost an estimated US\$72.74 million and provide 210 job opportunities.

# Legal Framework

## New Code for Corporate Governance

A new code for corporate governance (CG) was introduced on June 13, 2006, by the Lebanese Transparency Association - LTA.

The code was drafted in accordance with current Lebanese corporate law and best practices in CG. Prior to approval, the proposed code had been comprehensively debated and vetted by major corporate stakeholders, the Lebanon CG taskforce and international organizations, as well as legal experts, accountants and academics.

Though companies are not required by law to adopt the new CG code, implementation may increase investor confidence and fuel profits by guarding against waste, thus facilitating easy access to new capital and advantageous financing options. The code also clarifies a company's exit policy and ensures a smooth inter-generational transfer of wealth and divestment of family assets, as well as reducing the risk of conflicts of interest.

For a corporation, the CG code may also prove valuable when professionalizing the management and strengthening the system of internal control. It can be instrumental in establishing proper incentives for the board and management to pursue objectives in the best interest of shareholders; facilitating effective monitoring through a system of checks and balances; and ensuring sufficient and timely disclosure of corporate matters within an organization.

The LTA is, along with partners in the private sector and academia, planning workshops and information sessions to raise awareness of the new CG code.

# Investment News

## Reef Real Estate Investment to develop Bhersaf Tourist Village in Lebanon

Reef Real Estate Investment of the UAE recently launched the Bhersaf Tourist Village project in Bhersaf, Mount Lebanon.

The project is to be built on a total area of 23,000m<sup>2</sup> and will consist of 17 luxury four-storey villas, each with a swimming pool and views of Beirut, the Mediterranean Sea and the Sannine Mountains.

The cost of the project is estimated at US\$20 million and completion is expected by the end of 2008.



## DAMAC Properties to develop La Residence by Ivana Trump

La Residence by Ivana Trump is developed by the UAE-based DAMAC Properties and co-designed by the international celebrity, Ivana Trump.

The US\$150 million project is located in downtown Beirut and is expected to be completed in 2009. The 27-storey tower will be allocated for apartments and duplex penthouses, while the lower podium levels will have retail outlets and restaurants. The residential units will feature the latest home-technology and security systems, and amenities are to include a swimming pool and a health and fitness center.

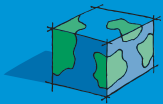


## Grand Tower to be developed by International Investment Bank

The Bahraini-based International Investment Bank - IIB has launched a US\$25 million mixed-use real estate development in downtown Beirut, the Grand Tower project.

The 29-storey tower will include small to mid-sized apartments aimed at the fast-expanding market segment of middle-income Lebanese. The IIB is offering a private placement of an 81,25% equity stake with a projected Return on Investment of 54% over an anticipated three-year investment period. The transaction has been structured in accordance with Islamic Shari'ah law.





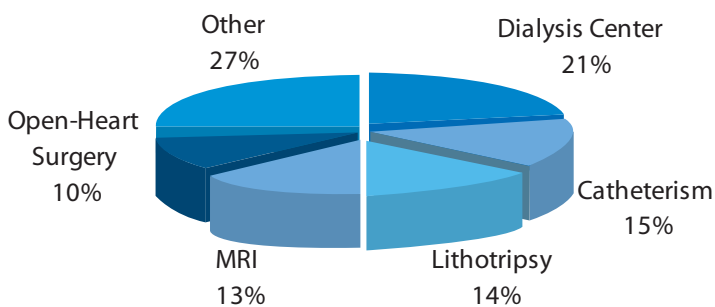
# The Health Sector in Lebanon

## Key Indicators

<b>Population</b>	<b>3.58 million</b>
Physicians	11,505
Nurses	4,157
Dentists	4,283
Pharmacists	3,359

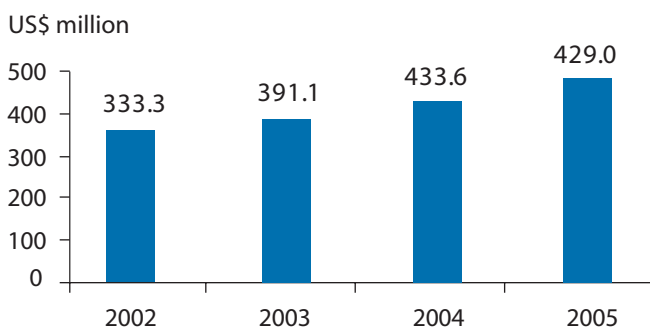
Source: World Health Organization, World Health 2006 Report

## Distribution of Specialized Centers in Lebanon



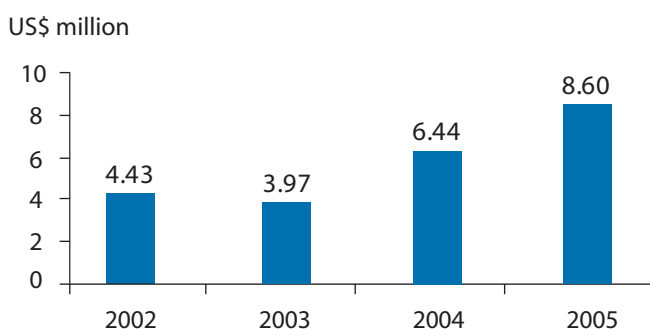
Source: Syndicate of Hospitals in Lebanon, 2005

## Import of Pharmaceutical Products



Source: Lebanese Customs, 2006

## Export of Pharmaceutical Products



Source: Lebanese Customs, 2006

## Sector Highlights



Lebanon is regarded to have the best health care in the region. Health services in the country have long been receiving due attention and priority, resulting in over 130 years of advanced medical experience.

There are currently a total of 156 hospitals, of which 102 have full accreditation. 138 are general hospitals catering to medium- and short-stay patients, while 18 provide long-term and chronic care. In addition, there are 216 specialized medical centers and five university hospitals.

Medical education is considered one of the best in the MENA region and Lebanon has an estimated 11,500 physicians – the highest ratio of doctors per capita in the region. While most pursued their studies locally, a substantial number graduated from major European and North American universities. Foreign patients are primarily from other Arab countries, like Kuwait, Saudi Arabia and the UAE, according to the Lebanese Order of Physicians.<sup>1</sup>

Over 70 medical specialties are available, ranging from cosmetic to open-heart surgery. In fact, Lebanese surgeons are gaining a growing success in cosmetic surgery, attracting an increasing number of patients from Lebanon and abroad.

Though most pharmaceutical products are imported, some are locally manufactured. According to Lebanese Customs, import of pharmaceutical products has in the past few years been steady at around US\$400 million annually, while export increased from US\$4 million in 2003 to US\$8.6 million in 2005.

## Health Tourism

Lebanon, with an ideal climate, well-equipped hospitals and highly-skilled doctors, is a key destination for health tourism in the region. For GCC nationals and patients from other Arab countries, the advantages of choosing health care in Lebanon are a shared language, similar customs and culture, and geographical proximity.

In 2002, the government appointed a committee to promote health tourism in Lebanon. Committee-members include the Lebanese Order of Physicians, the Syndicate of Private Hospital Owners and of Insurance Companies, and the Ministries of Information, Tourism and Health.

1- Syndicate of Hospitals in Lebanon, 2005