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Foreign Direct Investment:
Returning Lebanon Gradually onto the World Investment Map

The Foreign Direct Investment (FDI) is one of the main factors acting as an incentive for growth in Lebanon, not only due to its direct positive impact on the national economy's activities, but also because of the positive psychological effects it generates on the general economic atmosphere, knowing that such changes will put Lebanon back on the international investments scene, which investors were regularly away from, owing to the political instability in Lebanon since 1975.

The liberal economic system adopted by Lebanon since its independence in 1943, as well as its unique hosting economic environment and active human resources, had all allowed Lebanon to attract foreign investments of all types and in various sectors.

Historical Development of Foreign Investments in Lebanon

In the early years of its modern history (1943 – 1975), Lebanon attracted international foreign investments, mainly from developed industrial countries which used Lebanon as a main platform to serve the Levant countries of the Mediterranean Sea all the way to the Gulf States. Foreign investments were not limited to commercial mediation transactions and exchange of goods and services; they targeted real production in many sectors where those investments played the more important role, such as cement, food products, water and beverage bottling, transportation, distribution, production of oil and its derivatives (refining), as well as insurance, banks, education, media and advertising.

Lebanon attracted as well a large number of non-Gulf Arab investors from neighboring Arab countries, because of forced immigration (Palestinians) or as a result of economic policies adopted in many countries such as in Syria and Iraq, where the private sector's role was reduced and investments nationalized, which constrained many Arab businessmen to establish their production, commercial and service units in Lebanon.

There are many examples of foreign investments in Lebanese economic sectors; foreign banks for instance dominated 75% of the banking activity till the year 1975, whereas we had to wait till the early nineteen-seventies to see the first General Manager of one of the Lebanese insurance companies among one hundred companies operating in this field.

As for the oil sector, the majority of the import, refining and distribution operations were funded by international foreign capital, in addition to numerous factories scattered in many Lebanese regions.

These investments were not limited to subscriptions in capital and money transfers; there were many foreign supervising managers and technicians on the Lebanese territories working hand in hand with, and training, the Lebanese workforce on production, sales, distribution, and management operations.

"Lebanonization" of productive sectors

With the beginning of the security troubles and military operations in 1975, termed the Lebanese Civil War, Lebanon's investment image changed and witnessed deep changes that led at first to the flight of the vast majority of the foreign labor and skills; later on, with the prolongation of war, many foreign companies closed, foreign capital was withdrawn and shares transferred to Lebanese partners, while regional services provided from Lebanon were suspended.

All these companies transferred their activities to regional capitals and states, and most of them moved their Lebanese managers and employees to the new countries where they settled. This caused Lebanon to lose many active human resources. This "Lebanonization" took place very quickly, along with the withdrawal of foreign capital.

Lebanon lost all its regional and international foreign markets, its national economy declined enormously in production operations, and the flow of investments reversed course. As a result, most Lebanese companies were obliged to establish production and service units in substitute countries to serve customers who left Lebanon, or they were in search of new markets to compensate for their losses in Lebanon.

Change in Foreign Investors Identity

Once the peace and security were restored at the end of 1990, and the reconstruction works were launched, foreign investments returned to Lebanon, although at a slower pace than expected. However, the identity of foreign investors changed, and the sectors attracting foreign investments as well. Available statistics on foreign investment sources indicate that non-Arab foreign countries' participation is shy and represents only a small part of the investments, being limited to some partnership projects in the public sector, such as in telecommunications, touristic projects, hotels or transportation (companies…). Other forms of foreign investments appeared in relation with management contracts and franchise activities based on promoting global trademarks, especially in the fast food industry (McDonald's, Burger King..) or in the jewelry and garments sector (Louis Vuitton, Hermes, Chanel..).

In that context, it is important to note that Lebanese companies were able to develop and export their own trademarks through management contracts and franchise, mainly in the food industry. Many restaurants and commercial shops of a Lebanese identity opened in many Arab countries (Wooden Bakery, Casper & Gambini's, Zaatar w Zeit, Kababji, etc.). In doing so, Lebanon was the only Arab country that succeeded in developing brands capable of achieving wide appeal to Arab or Levant consumers.

How to approach FDI models?

There is naturally an international definition of the FDI concept set by international organizations, such as the International Fund Corporation (IFC) and the World Bank, and based on the ownership by a foreign investor of the whole or part of a national company capital. The minimum percentage fixed by the World Bank is 10% of the capital of the target company, and is considered to be sufficient to enter in a long-term relationship that could contribute to changing management patterns and setting a new approach to the production, marketing and exploitation methods of the target company by the foreign investor.

Multiple factors and conditions exist to determine foreign investments in Lebanon, including the following:

a. Production unit must be subject to tax on profits in Lebanon.

b. It must have fixed assets and a sufficient number of permanent employees.

c. Its accounting and financial records must be different and separate from the mother company abroad.

d. It must directly perform all production and commercial transactions related to goods and services.

e. It must be directly involved in sales, marketing and promotional operations, and issue billing invoices.

f. The unit located in Lebanon must cover all expenses resulting from its operations within Lebanon.

What are the FDI specifications in Lebanon?

Foreign investments take various forms and a varied methodology, each having its own characteristics and effects on the company and local economy. Globalization developed more forms of foreign investments due to the facility of commercial and service exchange and money transfers. Definition of FDI has subsequently expanded to cover multiple operations, including:

1. The green investment based on the establishment of complete new companies such as building new hotels or creating previously-inexistent industrial or commercial units, not via acquiring existing assets and properties. There are many examples of the same in Lebanon; in the past few years, many foreign investors injected large funds in many new companies, especially in real estate development, distribution and warehousing activities, as well as in hotels, retail companies, and transportation companies, etc.

2. Acquiring equity in, or acquiring existing Lebanese companies. Such foreign investments are considered to be the result of strategies and plans set by foreign big companies, not necessarily because they are drawn to the internal Lebanese market, but for the following main reasons:

- Expanding their activities outside traditional markets, for they regard Lebanon as having promising investment opportunities, either for its internal market volume or just for their presence in the Lebanese market being considered as one in a trend setting market. Indeed, many marketing and promotion foreign managers believe that their company's presence in the Lebanese market strengthens the brand and enhances the company's commercial image, especially in the retail and distribution industry.

- Buying shares in existing Lebanese companies is not limited to Arab and Gulf investors; global companies do so as well within their strategic expansion plans. Nestlé, for example, bought the first Lebanese water bottling company in order to dominate the larger part of the Lebanese market, and Heineken, the international beer brewing company, bought Almaza breweries and Laziza trademarks, and became the only player in the Lebanese beer market, within its strategy to assert itself as the world's category leader, knowing that it made similar moves in most MENA countries.

3. In addition to direct investments in Lebanese companies whose management was transferred to their foreign partner, the Lebanese market witnessed many Lebanese companies being bought by Arab and Gulf capital or investment funds which acquired the larger part of the capital but kept the local management, as happened with the Credit Libanais Bank, bought by EFG-Hermes, or the oil derivatives distribution company.

4. Partnerships with the private sector in some government projects on BOT- Build Operate & Transfer basis (e.g. Mobile phone companies) or on sub-contracting basis (Subscribers and Collection Department at EDL- Electricité du Liban, the country's prime electric power institution). In this context, many partnerships were achieved through joint ventures between Lebanese investors and foreign partners. This kind of joint projects, between the public sector and private investors, with foreign investments in the lead, was expected to grow more considerably, but the mismanagement and bad governance in the public sector, added to internal political conflicts, prevented the execution and achievement of privatization projects, although decisions in that respect were taken repeatedly.

The difficulty of partnerships between the private and public sectors mainly resides in the failure currently witnessed, for instance, in the oil sector in Lebanon. Despite all projected opportunities, the promulgation of a law in that regard, and the launch of the first public tenders, the national commission in charge of the management of this sector, LPA- the Lebanese Petroleum Administration, failed to approve the final bidding process which would have ultimately awarded major corporations the prospection and exploitation operations in that sector, let alone that it's expected to become the most substantial platform for foreign investments.

5. Management contracts and franchise: To bring private Lebanese companies back onto the world map of quality and best services provided, especially in tourism and trade sectors, many Lebanese companies resorted to management contracts with global brand owners to enhance their image and turn their projects into

successful enterprises. Many hotels and Lebanese companies operate under international hotel names such as "InterContinental" and “Four Seasons”, or world-renowned fast food chains (Burger King and McDonald’s), or are associated to luxurious international brands such as Hermes and Chanel, and less luxurious, such as Zara and H&M, etc.

Some might wonder how these companies form part of foreign investments, since there are no real investments made in Lebanon by the foreign partner who is, on the contrary, granting the Lebanese company a license to use its commercial name against a royalty fee and a certain percentage of the sales and profits.

Although the flow of money to Lebanon is absent, license contracts constitute an important factor in modern foreign investments These are more and more based on intellectual property, especially that Lebanon is the only country to have developed companies which were in turn able to grant license contracts for trademarks developed and disseminated by their owners abroad wherever they attracted clients and consumers. Lebanese companies that entered into franchise contracts are around 90, and in different sectors, especially in the restaurants field and the fashion industry, with sales outlets exceeding 400 stretched across many Arab countries and international markets.

6. Expatriate Businessmen Investments: FDI is not based on nationality or citizenship, but on the investor’s place of residence. Investments made in Lebanon by expatriate businessmen are therefore accounted for as part of FDI.

In fact, non-resident Lebanese play a crucial role in the national economy via money transfers into national banks, and expenditures on the Lebanese territory, added of course to their direct investments in companies and economic projects of all kinds.

Some of these activities are a direct extension of the activities of expatriates’ companies abroad, while other investments are based on available opportunities in the Lebanese market which attract the financial resources of non-resident Lebanese. The latter try to benefit from investment opportunities in the market of their home country instead of blocking their funds in financial accounts of feeble return, especially that earnings from interest rates decreased to less than half percent in international financial markets since the beginning of the global financial crisis of mid-2008.

The expatriates’ role is not limited to their private investments in the Lebanese market; it includes as well foreign external investments made by clients of Lebanese working abroad. It is well known that Lebanese human resources working in many other countries, especially in the Gulf region, have attained important positions within their companies, and are close to the final decision-makers; they can therefore encourage Gulf financiers to make profitable investments in Lebanon. In many cases, Lebanese expatriates partake in the investments of foreign or Arab clients in Lebanon, in particular in real estate projects and in the construction field.

Foreign investments made by expatriates are regarded as one of the most important promising financial sources for the Lebanese economic sectors, being associated in most cases with social and familial factors, and not only with the direct profitability of the investments made. It is noticed that a large number of expatriate investors prefer sometimes to invest in regions and cities they originally hail from, and not necessarily in Beirut and its neighboring cities.

What are the FDI's benefits on host countries' economies, and their impact on the Lebanese economy?

Like many countries, Lebanon benefits from FDI, knowing that such benefits are multiple and vary according to their nature and the country's hosting economic environment. States with an open economy and trade exchanges, or a skilled workforce, are more appealing than countries that are strict as to receiving foreign investments, or protective towards their economy as to the entry of goods and foreign services, or resistant to employing a foreign workforce. Benefits of foreign investment are multiple, some direct and other indirect.

1. Enhancing economic growth and performance

It is difficult to determine and assess the direct and indirect benefits of foreign investments on a national economy, in particular in Lebanon where economic figures are unavailable and active companies lack clear information about sectors or activities. However, certain approaches and analysis might help in providing an approximate assessment of the impact of these investments.

FDI is one of the essential components of economic growth in many developing and even industrial countries. The World Bank deems that the impact of these investments does not stop at their direct results and growth rate, but it also includes indirect results whether by improving the productivity in the sectors receiving foreign investments or by generating enhancements to the production, marketing, promotion and financing methods, as well as inducing positive change on internal providers who find themselves obligated to upgrade their performance and commit to world quality standards usually adopted by transcontinental companies.

The results of FDI change according to the partnership sources and sectors of investment. The longer and more diversified a production chain is, the deeper the impact of such investments. In that context, Lebanon enjoys special characteristics allowing it to benefit even more from foreign financing of its production projects, in spite of the political and security fluctuations that limit the non-residing investors' propensity to invest in Lebanon.

There are no available statistics in Lebanon on the influence of internal and foreign investments on economic growth, but some partial comparisons between sectors or with similar countries help in estimating the growth rate of the National Product at around 0.6% for every one billion dollars of investment. In other words, if the investment volume represents 1% of the value of the domestic product, the additional growth rate of this product shall be in Lebanon of 0.24% for every one billion dollars invested. There are of course differences between investments according to their nature (new investment, buying existing assets, operations expansion, etc) and the sectors that attract them (construction, trade, industry, etc.).

2. Increase of foreign money transfers

Direct money transfers supply financial markets that are in need of financial resources that national economic activities fail to engender.

Many consider this positivity to be marginal and not representing a substantial source for the Lebanese market since the Lebanese banking sector has internal financing and enjoys a high financial liquidity. Indeed, bank deposits represent more than three times the real volume of the economy. Subsequently, should there be any effective investment opportunities, they can be provided by the domestic banking sector, without having to necessarily wait for external transfers.

Not many economists share this analysis. They consider that bank deposits do not spare the need for internal and foreign investment transfers which are usually used for long-term investments. That feature is rarely available in bank deposits which are usually provided for short-term ends and are not suitable for investments of a long-term nature. Moreover, bank loans are not granted usually for investment purposes, but they mostly aim at covering operating expenses.

As for investments, they are financed by investors' partnerships and long-term loans provided by investment funds or investment banks. According to World Bank analysts, the most important weakness of Lebanese companies is the increase of their bank debts in relation to their capital investment. Therefore, incoming capital cannot be considered as a luxury or a marginal surplus, but a major component of investment.

3. Contributing to the improvement of the economic environment

Foreign investments of whatever nature constitute encouraging factors for creating an attractive economic ambiance, and form an essential constituent of the improvement of the economic image of Lebanon and its return on the international investments map. As shown here above, foreign investments are different today from what they were in the seventies of the past century. In the aftermath of the withdrawal of foreign capital due to the Lebanese war, it was gradually replaced by investments from Lebanese expatriates and Gulf capital sources, with their preferred targets mainly being the construction sector, the retail trade industry and the touristic domain.

On the other hand, established companies do not invest in goods or in providing services for regional markets, but aim essentially at servicing the internal market to benefit from economic opportunities within Lebanon. With these changes, Lebanon lost its regional role as a mediator between international and middle-eastern markets.

Decreasing work opportunities volume as a result of foreign investments, since new investors reduce the volume of wages or replace some existing positions with non-Lebanese workforce considered less expensive than the Lebanese internal workforce, or similar to it but in a better way.

According to available figures and data, estimated work opportunities resulting from a new internal or foreign investment in Lebanon are of one direct work opportunity for every investment of a value ranging between 150,000 and 300,000 US dollars, in addition to 0.7 to 0.8 indirect work opportunities created in sectors providing this investment (back flow) or related to this sector (forward flow).

4. Enhancing and training human resources

The presence of a foreign partner, in particular a non-Arab partner, contributes to improving the performance of the internal workforce, either by way of training and development, or through administrative and production methods adopted in international companies. Such an improvement is not limited to managers or employees working at the facility subject to investment, but it reaches as well their suppliers. Indeed the new administration imposes on companies dealing with it new ways and high-quality production requirements, as well as strict specifications with regard to packaging, storage and transportation, that can only be met by training human resources working at the providing companies.

Let's take foreign investments in the retail trade for example. They imposed on agricultural companies and food products industries commercial and industrial conditions that were not previously required. In order to meet such requirements and specifications, local providers had to invest in equipment and modern production lines, and to train their workforce.

5. Foreign technical and administrative transfers

The entry of foreign partners in Lebanese companies was not restricted to money transfers only. There were bank transfers and new production techniques that local partners benefited from, at all phases of the local production chain. These techniques expanded to include all players in the local private sector, considering that during the 1975-1990 Lebanese war the country regressed in applying new production methods due to the political and security situation prevailing, let alone the reduction in new investments and the risks involved during that period.

Modernization of production, sales and distribution methods was not only due to foreign partnerships; a big part of it was introduced by returning Lebanese compelled to go out of the country during war years and who, in turn, acquired modern production and trade methods, which they applied in the local market.

6. Entering international markets

Improvements made through foreign partnerships or by returning Lebanese allowed Lebanese companies to meet new local requirements, and enabled those to export according to international standards specified abroad on goods and services needed. Some international and regional rehabilitation programs helped in improving the performance of companies and employees, in order to meet international markets requirements, and thus helped Lebanon return to the Middle Eastern and international markets.

7. Enhancing competitive skills

With new foreign and local investments, Lebanon was able to improve its production and reinforce its competitive skills to face foreign competition. This allowed it to reach many foreign markets through trade liberalization agreements, and prepare for free initiative agreements with many countries, Arab and European in particular.

Modernization programs financed by regional and international institutions played a major role in enhancing competitive skills, in addition to the financial support of the Ministry of Finance and soft loans supported by the Bank of Lebanon. These loans are based on investment outlays only without operating costs and they cover all sectors, especially investments in knowledge and new technology. Naturally, foreign investments benefit from such support and from all incentives granted by "IDAL" - the institution in charge of encouraging investment in Lebanon -, in particular from tax exemptions for investments in the less developed regions of Lebanon, away from Beirut and the city concentrations on the coast.

8. Exploiting natural resources

Countries very often resort to the local and foreign private sector to develop their natural resources, especially to extract materials, such as in mining and oil and gas, where foreign partners usually have a vast expertise coupled with financial and marketing means that are not available in small national economies. Lebanon has never experienced such foreign investments, as it is waiting for the promising oil and gas prospection and exploitation contracts, knowing that they have been delayed by the official administrative complications prevailing for many years now. Until such contracts are executed, it is difficult to approach this kind of investments and determine their success in Lebanon.

9. Exploitation of infrastructure projects

In addition to natural resources development, foreign investments participate in the development of a number of infrastructure projects in many sectors, including electricity, telecommunications or waste management. These foreign investments take various forms, such as "BOT", partnership or traditional participation, and management contracts. The most important example in this context remains the mobile phone development contracts; Lebanon has indeed witnessed many problems in this area due to various political interferences, and contracts were revoked before their term, which lumbered the National Treasury with additional charges and made it lose its credibility. Waste management contracts or Beirut port infrastructure contracts regularly suffer from similar issues due to political interference in elements of the economy, in addition to rightly or wrongly suspected transactions, with the most recent of all being the closure of Beirut Port's Basin 4.

Despite the approval of privatization laws many years ago, and the establishment of a Higher Council for Privatization and appointment of its Board members, this Council remained paralyzed because of the political and administrative conflicts in Lebanon, in particular because of the Ministers' refusal to waive some of their powers as required by law. In their attempt to compensate for that failure, some politicians suggested to replace complete privatization by PPP (Public Private Partnerships) projects. However, with these solutions, the State continues to play a substantial role in the management of projects that were supposed to be operated by the private sector. These solutions failed to break the wall of the political refusal to waive the State's full rights in the management of official economic sectors. Financial burdens increased due to the mismanagement and deterioration of the quality of projects operated by the State.

10. Restructuring and improving the performance of public institutions

The majority of experts consider that delaying privatization or incorporation of public economic institutions, and ill governance, led to enormous direct losses by the National Treasury, in addition to indirect losses for investors and the Treasury, accompanied by wasting multiple economic opportunities.

Accumulated losses for EDL are estimated to exceed 16 billion US dollars during the last twenty years, which are twice the expenses spent on infrastructure and reconstruction after the war for the same period. The Lebanese government is facing a big dilemma in that sector, since the annual deficit of EDL has gone beyond 2 billion dollars, yet providing only around 60% of the needs of local power consumption. Adding to these losses, EDL lacks an efficient administration. The one currently in place is drowning in big and complex problems which make EDL's productivity deteriorate. It is unexpected that the administration of this public utility is unlikely to improve unless with a total reconsideration of essential investments and the effective participation of the private sector, whatever the way chosen: privatization, direct partnership, shared production and distribution operations, etc. All these solutions are expected to include major foreign partnerships that would help ensure the success of EDL's restructuring.

What are the attraction factors of foreign investments in Lebanon?

The flow of foreign direct investment is influenced by multiple internal factors that help in attracting them to, or repelling them from, the national market. These factors are divided into four main axes that are summarized as follows:

1. Market Volume and Available Investment Opportunities, including:
- Economy volume and national income per capita;
- Real growth rate;
- Foreign openness to national economy;
- Economic indexes stability, and control over general budgets deficit;
- Efficient governance in public sector.

2. Political and Legal Framework:
- Laws and legislations in terms of quality and reform;
- Law enforcement and facility of rulings issuance;
- Execution of contracts and issued rulings;
- Positive business organization environment;
- Political legislations and sound governance;
- Political and security stability, and absence of violence and terrorism.

3. Investment Environment:
- Human resources cost and productivity;
- Tax system on profits and capital;
- Bureaucratic requirements and complications thereof;
- Corruption and seriousness in fighting it.

4. Infrastructure:
- Transport means and facilities;
- Traffic control quality and management;
- Quality of maritime and air transport services;
- Provisioning of telecommunications and quality thereof;
- Provisioning of energy and electricity and quality thereof.

Where does Lebanon stand from these encouraging FDI factors?

The traditional openness of the Lebanese economy and the total liberalization of money transfers and money markets remain one of the most attractive factors of foreign investments, along with the banking secrecy laws, the laws on establishing Off-shore and Holding companies, and the Code of Commerce that does not differentiate between a Lebanese and non-Lebanese investor.

The Lebanese diaspora contributed to the expansion of the investments volume through the direct investments of Lebanese working abroad, or by convincing local capital owners to partake in their investments in Lebanon. It is important to note once again in this context that investments made by Lebanese residing abroad are accounted within foreign investments in view of the foreign flow of funds having no consideration for the nationality of the investor but for their place of residence or where their companies are domiciled.

There are some tax incentives and financial facilities that help in attracting capital, by way of soft loans supported by the Ministry of Finance, under the supervision of Lebanon's Central Bank (BDL) which grants, in its turn, additional loan facilities to complete the ones provided by the Ministry of Finance and to cover all sectors. There are as well tax exemptions granted to investors, especially in remote areas, as developed with the help of "IDAL", Lebanon's investment development authority.

Besides these facilities, foreign investors benefit from the high private enterprise spirit that characterizes Lebanese businessmen locally or abroad. Partnerships and privatization programs planned for many years by the Lebanese State are supposed to form as well a huge incentive for attracting foreign investments, in particular if the central government is able to launch tenders for oil and gas prospection and extraction from the Lebanese regional waters.

Furthermore, various social factors would help in attracting investors, including the cultural and leisure environment that Lebanon enjoys, in comparison with its neighboring countries, and the great number of high-quality schools and universities providing competent and productive human resources for Lebanon since decades past.

What are the factors obstructing foreign investments in Lebanon?

Obstructing factors for foreign investments in Lebanon are not different from those faced by Lebanese investors residing in Lebanon, of which we mention the most important:

1. Political and security instability at different levels, starting from internal political divergences and frictions to the destructive regional conflicts, as well as the confessional and religious tensions, arms deployment, external interventions, inability to renew institutions and to respect constitutional deadlines, and risks of the expansion of lawless areas.

2. Increasing social risks resulting from the massive Syrian influx and the presence of more than one million Syrian citizens in all Lebanese regions, and the negative consequences thereof on the Lebanese economy, National Treasury and infrastructure.

3. Weak governance in all public sectors and difficulty of decision-making and of law enforcement, as well as a big recess in the productivity of public institutions and general authorities, especially those related to the management of some economic activities, such as electricity, water, phone, transport, health and public education, in spite of the enormous financial charges incurred by the Treasury.

4. Annual deficit of general budgets and the accumulation of a public debt that exceeds 66 billion US dollars equivalent to approximately 25% of the existing domestic product, minding that the budget deficit has worsened in the last three years as a result of slow revenues and increased expenditure volume due to the electricity deficit, salary raises and increased staffing in public institutions.

5. Slow administrative decision-making and weak governance led to the increase of briberies and legal violations, in the absence of effective controls and due to the difficulties and complications of administrative formalities related to licenses and permits required from the private sector to set up and run business.

6. With the increase of the State's financial deficit and its debt accumulation, the Treasury's capacity to finance investments in infrastructure operated by the public sector declined, and the allocations rate for infrastructure projects dropped to no more than 5% of the total budget expenditures, which led to the deterioration of this infrastructure and its services. This situation was aggravated by the flow of Syrian migrants who accelerated the slide, knowing that the World Bank estimated the aforesaid acceleration to 300 million dollars per year.

To face the fragile infrastructure, Lebanese are forced to provide these services from their own investments. This burdens companies and establishments even more, increases their expenses, and hinders their ability to compete in local and foreign markets.

7. A worrying decline in economic growth in Lebanon during the last four years to 1% and 2% after it had reached approximately 10% in previous years. Current rates are not sufficient to attract internal and foreign investments, especially with the huge decrease of investment opportunities in traditional sectors such as construction, tourism and trade. Forecasts of international organizations remain pessimistic as to the future of economic activity in Lebanon, a pessimism that is enhanced by the prolongation of the crisis and its future risks, in particular in view of the plunging oil prices and its consequences on the Gulf countries that attract many Lebanese economic clients.

8. The fragility of the financial Lebanese market represents a negative factor for hosting foreign capital, since it is hard for foreign investors to get out of their investments through financial markets, especially that regional investment funds are not interested in the Lebanese market, which results in Lebanese companies losing long-term investment funds.

Lebanese banks grant Lebanese companies loans for projects, but these companies lack partnerships in capital and long-term financing.

9. The legal and regulatory environment in Lebanon is one of the most negative factors affecting foreign investments, due to the slow pace of legislation promulgation and reform process, delay in rendering court rulings, especially commercial ones, the failure of the judicial courts to accompany modern financial transactions, the failure to execute issued judicial decisions, especially those related to contracts concluded with the Lebanese State.

It is important to note that legal instability in turn forms an obstacle to foreign investments, since proposals are regularly made to annul tax incentives previously granted, without any time limits, or to introduce new taxes or increase some, without any coordination whatsoever with the business sector or the economic experts even. It is true that these proposals have not been approved yet, but mentioning them regularly, and even including them in the budget drafts that have not been approved for ten years, repels investors, especially foreign ones.

10. Not to forget that the State and Lebanese professional and commercial associations failed to set promotional policies and plans for investing in Lebanon that focus on positive factors existing in the Lebanese economy and available opportunities for investments, and to provide information and statistics to investors that would help them orient their investments. It is true that Lebanon created establishments to promote investments but the competent authorities' work remains shy and insufficient.

Recommendations

1) Ensure a modern legal and organizational environment which is effective, stable, and attractive to investments, namely foreign ones. It would also be endowed with the characteristics of enforcing the honoring of contractual obligations, speeding up judicial rulings and their execution, and facilitating the conduct of business operations in Lebanon.

2) Activate the financial market for proper reception of foreign capital by means of facilitating the participation of international and regional investment funds into the capital of Lebanese companies, and encouraging long term investments.

3) Activate the investment promotion institutions, for them to adopt, in collaboration with the commercial and professional associations, policies and plans for promoting investment in Lebanon, while emphasizing on the positive elements already existing in the national economy and the investment opportunities that it presents, together with ensuring proper data and statistics as well.

4) Accelerate privatization and partnership in the various public economic activities, such as electricity, water, communication, transport, health, and education, in order to attract international funds and administrative capabilities in view of improving the governance and productivity aspects of the concerned public institutions.

5) Accelerate the governmental decision-making process along with upholding the credibility of the Lebanese State in international contractual situations, thus avoiding what took place in the mobile telephony sector or what's presently taking place in the oil and gas sector.