

LEBANON

Robust and resilient

An open, cosmopolitan country situated on the edge of the Mediterranean Sea, Lebanon enjoys a strategic location that has made it an international business hub with global market access. A free market economy, the country has a centuries-long tradition as a commercial center and has experienced a sustained period of high growth in recent years.

A beautiful, diverse and enterprising country, with a population of just over 4 million, Lebanon has stood firm against the shocks of the global recession, thanks to its most significant asset: a risk-averse and robust financial system. In a difficult global climate, the resilience of Lebanon's banks has maintained investor confidence, as the country leverages funds toward the trade and tourism sectors.

Although a new government has yet to be appointed, after the collapse of the western-backed national unity government in January, Prime Minister-designate, Najib Mikati, a respected 55-year-old telecoms tycoon and former PM, has stated he is "seeking to form a government that will rise up to the expectations of all the Lebanese and select the right persons for the right positions.

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In the meantime, Minister of Finance, Raya Haffar El Hassan says: "One of our top priorities remains to pursue fiscal consolidation and ensure debt figures are maintained sustainably. There is still a lot to do in the country to promote growth and that will be translated into expenditures of an investment nature. We have been doing a good job of pursuing fiscal stability and discipline to minimize any vulnerabilities, because what we want, above all, is investor confidence."

During its annual assessment of Lebanon last year, the International Monetary Fund reported that the Lebanese economy showed "exceptional resilience in the face of the global financial crisis, and a capacity to rebound and thrive." It grew by eight per cent in 2010 and is slated to grow another 5.3 per cent in 2011. Domestic economic and financial conditions remained favorable.

In March, the Economist Intelligence Unit predicted that although private consumption and investments in homes and



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construction would be slower, they would still trigger growth, adding that: "The banking system would remain the backbone of the economy, eliminating any risk of the state not being able to roll over the US\$3.36 billion debt in foreign currency and sell new issues in 2011."

With more than 100 banks in the country, the Central Bank of Lebanon (CBL) has been working to consolidate the sector through mergers since 1997, using a financing strategy that did not allow any bank to go bankrupt. "If a depositor loses his money in a small market like Lebanon, it creates a negative impact on the confidence of all depositors," says Riad Toufic-Salamé, governor of the CBL. "As a result of this strategy, we have seen the banks' deposits grow from US\$8 billion in 1993 to

Green at Heart.



BANQUE DU LIBAN

US\$108 billion in the last quarter of 2010."

Such measures, along with other regulated activities such as demanding 30 per cent liquidity for each bank, buffered the Lebanese financial sector against the global crisis. In fact, as the governor reports, "We saw an impressive expansion of banking balance sheets and activities during that time."

The CBL has been able to direct funds to other productive sectors essential for economic growth and employment, giving credit incentives to industry, tourism, technology and agriculture and offering student loans.

The confidence in the country's banking sector has also been felt by Freddie C. Baz, group CFO and strategy director of Bank Audi, which has attracted US\$60 billion in inflows since 2007, 30 per cent of which was from foreign investments. "Lebanon holds the highest remittances per capita worldwide, at around US\$2,000," Baz says. "We have increased our assets by more than 60 per cent during the crisis. The solidity of our bank is not only due to the strict regulations imposed by CBL, but also our thorough management and risk-averse culture."

A universal bank that offers commercial, corporate, retail and private banking services, Bank Audi is the leading bank in Lebanon with a 20 per cent market share and 30 per cent household-penetration rate. It boasts the top 100 Lebanese companies on its books and has operations across the Middle East and North Africa region. Baz is keen to see more investment in tourism infrastructure to increase the number of visitors arriving each year. "We notice constant and sustainable growth

in the high-value-added sectors of trade and tourism," he says. "This country has lots to offer in terms of establishing and expanding business and realizing high returns, without forgetting the majestic landscapes, nature and entertainment. There are all kinds of potential."

Investors can also be assured that the nation's skills set matches business opportunities. As Minister of Education and Higher Education Hassan Mneimneh says: "Higher education is still one of the best in the Arab world as it is highly competitive."

The Lebanese International University, which was founded in 2001, has 25,000 students on eight campuses and has established itself as one of the leaders in quality education provision. The fastest-growing university in the country, the LIU is well known within the market, especially for its pharmacy faculty. All courses are taught in English, and it prides itself on having democratized the American model of higher education to provide the most competitive tuition fees in Lebanon.

Samir Abou Nassif, vice president of the LIU says: "We have affiliations with between 20 and 25 schools in Europe and the U.S., and offer a variety of opportunities, including student exchanges, faculty collaborations and joint research programs. Many companies see Lebanon as their main source for recruiting for middle and top management."



Riad Toufic Salamé
Governor
Central Bank of Lebanon


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