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Aligning Business with sustainable development
The Case of the Food and Beverages Sector in **Lebanon**

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Abbreviations

AA	Association Agreement
ABL	Association of Lebanese Banks
ALI	Association of Lebanese Industrialists
BDL	Banque Du Liban
BIT	Bilateral Investment Treaties
BPT	Built Property Tax
CAS	Central Administration of Statistics
CCIB	Chamber of Commerce, Industry and Agriculture
CIT	Corporate Income Tax
CPI	Corruption Perceptions Index
CSOs	Civil Society Organizations
EDL	Electricité du Liban
EU	European Union
F&B	Food and Beverages
FAO	Food and Agriculture Organization
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GCR	Global Competitiveness Report
GCWL	General Confederation of Workers in Lebanon
GDP	Gross Domestic Product
GII	Global Innovation Index
GIZ	German Society for International Cooperation
GNI	Gross National Income
GVA	Gross Value-added
ICCPR	International Covenant on Civil and Political Rights
ICESCR	International Covenant on Economic, Social and Cultural Rights
ICT	Information and Communication Technology
IDAL	Investment Development Authority of Lebanon
IFIs	International Financial Institutions
ILO	International Labor Organization
IPR	Investment Policy Review
IPZ	Investment Project by Zone
ISDS	Investor-State Dispute Settlement
ISI	Import Substitution Industrialization
ISIC	International Standard Industrial Classification of Economic Activities
IZs	Industrial Zones
LAS	League of Arab States
LLC	Limited Liability Company
M&A	Mergers and Acquisitions
MEA	Middle East Airlines
MFN	Most-Favored-Nation
MICs	Middle-Income Countries
MoA	Ministry of Agriculture
MoET	Ministry of Economy and Trade
MoF	Ministry of Finance
MoI	Ministry of Industry
MoL	Ministry of Labor
MoPH	Ministry of Public Health
NGOs	Non-Governmental Organizations
NRWT	Non-Resident Withholding Tax
NSSF	National Social Security Fund
NTB	Non-Tariff Barrier
OECD	Organization for Economic Co-operation and Development
PDC	Package Deal Contract
PDO	protected designation of origin
PIT	Personal Income Tax
PPP	Public-Private Partnership
PWC	PricewaterhouseCoopers
R&D	Research and Development

Regie	Lebanese Tobacco and Tunbac Monopoly Department
SAPs	Structural Adjustment Programs
SDGs	Sustainable Development Goals
SITC	Standard International Trade Classification
SLFI	Syndicate of Lebanese Food industrialists
SMEs	Small and Medium Enterprises
SOE	State-Owned Enterprises
SPS	Sanitary and Phytosanitary Measures
TIPs	Treaties with Investment Provisions
UDHR	Universal Declaration of Human Rights
UNCAC	United Nations Convention against Corruption
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNGPs	UN Guiding Principles on Business and Human Rights
UNHCR	United Nations High Commissioner for Refugees
UNIDO	United Nations Industrial Development Organization
VAT	Value-Added Tax
WANA	Western Asia and North Africa
WBES	World Bank Enterprise Survey
WDI	World Development Indicators
WEF	World Economic Forum
WHT	Withholding Tax
WIPO	World Intellectual Property Organization
WITS	World Integrated Trade Solution
WTO	World Trade Organization

1. Introduction

Historically, Lebanon had performed the function of an economic intermediary connecting the West with the Arab hinterland. This role was reinforced in the aftermath of the Second World War, as the country became a regional hub for tertiary activities, including trade, banking, transport-communications, tourism, and professional services (Issawi 1964; Gates 1989, 1998). By virtue of its outward-oriented services model and the domination of its bourgeoisie's interests, Lebanon had become a 'merchant republic'[1] in which big business interests were elevated above the imperative of strengthening the weak structure of the Lebanese state. It was not without its implications on the role and accountability of the private sector in Lebanon and the country's potential as a destination for domestic and foreign investment.

This paper is concerned with answering the following set of questions: What is the development reality in Lebanon? What is the state of private investment? What is the Lebanese government's role in furnishing a conducive environment for investment and private sector development? How can the private sector positively contribute to the attainment of the Sustainable Development Goals (SDGs)?

It is not the intention of this paper to contribute to the ideological debate concerning the merits of the private versus public sector. Instead, it aims to move the debate towards a more pragmatic ground. It attempts to explore the role of the private sector in Lebanon based on accountability and its contribution to sustainable development. The paper looks at the Food and Beverages (F&B, hereafter) sector as a case study. The choice of the sector is based on the following criteria. First, Lebanon's cuisine and its F&B products worldwide stand out as the ultimate ambassadors for the small Middle Eastern economy. Second, representatives from the F&B industry have been the most accessible for the purpose of interviews, and the information received from the respondents is sufficient to construct a telling argument about the industry's contribution to Lebanon's sustainable development. Third, on a handful of occasions, the sector was the subject of a series of scandals involving lapses in safety standards, calling into question the existing regulatory framework that governs the business sector.

The paper adopts a descriptive research approach. It uses qualitative and quantitative data from various sources. It relies on descriptive tools in its quest to offer a more in-depth understanding of the issues raised by the above questions. For qualitative data, the paper uses the Ministry of Industry's sample survey (MoI 2019) of 1500 industrial enterprises for 2016 and the 2019 World Bank Enterprise Survey (WBES, hereafter) for Lebanon, conducted between May 2019 and April 2020. The choice of micro-level data is driven by the limited availability of sectoral data such as employment and wages by sector. Where applicable, the paper also draws on qualitative data from semi-structured interviews that the author has executed with government officials and representatives from the F&B sector. This helps contextualize the contribution of the F&B sector to the SDGs, including through the conduits of employment generation, value-added and exports, innovation, research and development (R&D), and the environment.

The remainder of this paper is as follows. Section 2 presents the reality of the development context in Lebanon. It sheds light on the state of the private sector and investment. Section 3 overviews the domestic regulatory framework governing investment in Lebanon. Section 4 offers a political economy analysis on the role of the state vis-à-vis the business sector in the country. Section 5 presents the case study of the F&B sector. It discusses the regulatory and incentive framework and critically appraises the industry's contribution to Lebanon's sustainable development. Finally, section 6 concludes and offers an alternative approach to the private sector's role and accountability.

2. Reality Check: The State of Development in Lebanon

A multifaceted crisis has become apparent in Lebanon since the popular uprising of 17 October 2019.[2] The crisis can best be described as a dual crisis taking two forms: the first is economic and financial and is manifested in the country's first-ever sovereign debt default on 9 March 2020; the second relates to the outbreak of the Covid-19 pandemic[3] and the negative demand and supply shocks that it engenders (Sherry 2020). Whereas the causes behind the global outbreak of the pandemic remain contested, the roots of the economic and financial meltdown are manifold. Among the primary reasons is the presence of a largely financialized[4] economy, that is, the predominance of finance-related capital over real economic activity, with no desired structural change[5] having taken place.

The asymmetry between productive capital and financial capital has been reinforced, *inter alia*, by a long-standing fiscal-monetary policy mix that favored the interests of financial capital, big banks, and oligarchs over sustainable development considerations. In this context, a hallmark of Lebanon's economy has been its fixed exchange rate regime, which is a manifestation of the country's domestic political, social and economic interests. Baque Du Liban's (BDL, hereafter) monetary stance of defending its unrealistic exchange rate peg (LBP to the US Dollar) to fund the Lebanese government and pay for imports has rendered the country reliant on continuous foreign inflows, namely non-resident deposits, remittances as well as loans and grants to shore up its foreign currency reserves and sustain the country's extant economic model. As a result, Lebanese commercial banks paid high interest rates to depositors (mainly wealthy) and allowed them to extract high profits on low-risk investments. This sort of *Ponzi scheme*[6] run by BDL and the banking sector, combined with increasing state capture by an out-of-touch politico-economic elite, has served as a hindrance to productive private sector development while allowing the country's commercial-financial elites to secure massive profits and funnel them out of the country at every juncture.

This model of economic governance has had implications for Lebanon's potential as a destination for foreign investment and its prospects for embarking on a path of sustainable development. Confidence in the Lebanese economy, especially among non-resident depositors and investors, has ebbed since the onset of the uprisings, particularly in the aftermath of the flagging sovereign credit ratings and the dwindling of the country's foreign reserves as of 2019. The country's ability to attract foreign capital has become largely dependent on its willingness to implement long-overdue economic and governance reforms.

Table 1 offers an insight into the state of the Lebanese economy and its business environment. Except for the *openness to trade* and *innovation* indicators, Lebanon performs poorly on matters related to the business climate. For instance, corruption is seen as widespread, and the legal and institutional framework to combat corruption is incomplete despite Lebanon having ratified the United Nations Convention against Corruption (UNCAC) in 2009. Among other things, this has continued to cause frustration among local and foreign businesses.

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Table 1: Key Metrics and Scores

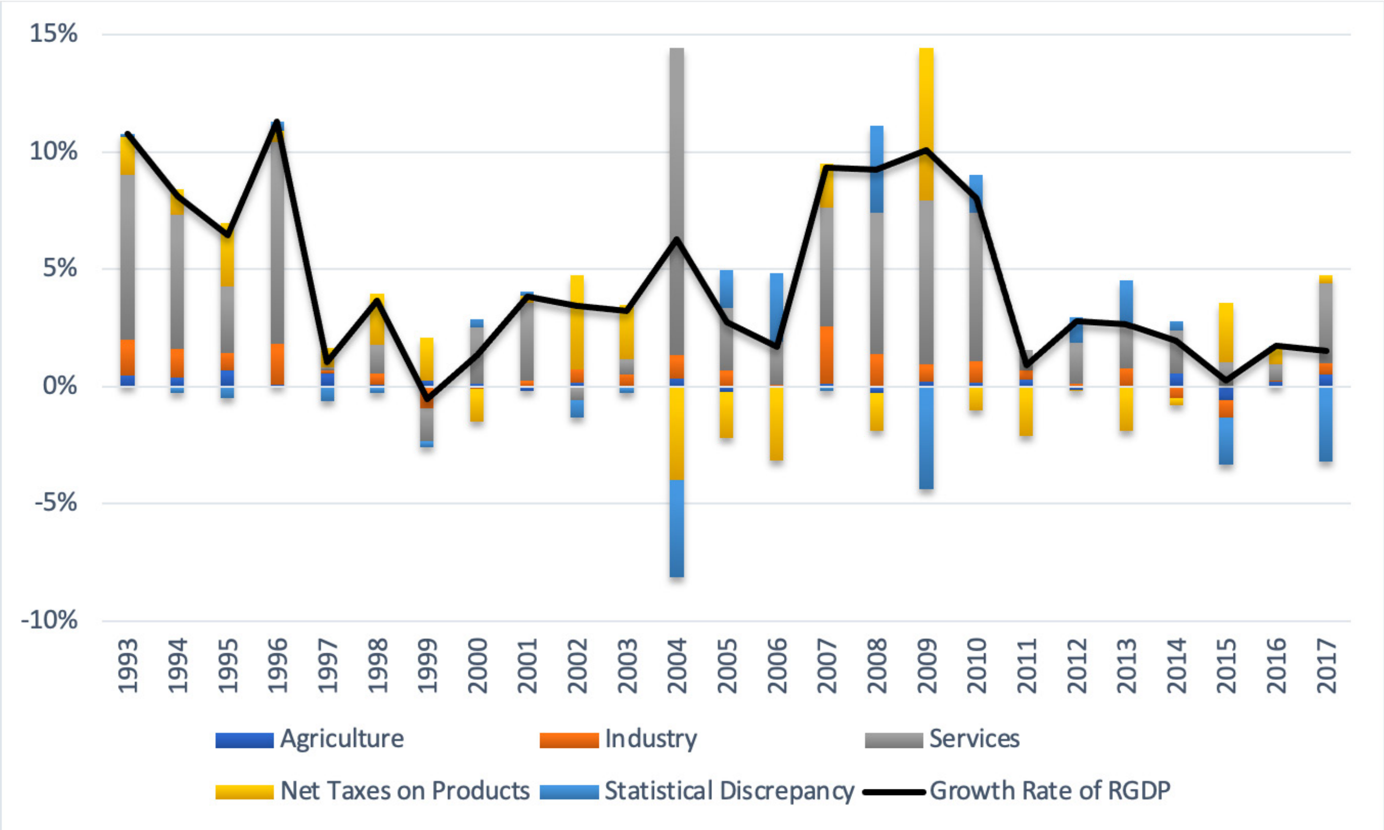
Measure	Year	Index/ Rank	Notes
Corruption Perceptions Index	2019	of 180 137	Ranking is based on the levels of public sector corruption, as perceived by expert assessments and opinion surveys.
World Bank Doing Business Index	2019	of 190 143	Raking is based on the ease of doing business (regulatory environment conducive to the starting and operation of a local firm).
Global Innovation Index (GII)	2019	of 129 88	Ranking is based on countries› innovation environment and output.
World Bank GNI per capita	2019	$7,600	This estimate is based on the 1500LBP/US$ rate. It would be much smaller if it were to reflect the current demand and supply equilibrium in the money market.
Effectiveness of Anti-Monopoly Policy	2017-2018	of 137 120	Second lowest in the MENA region (after Yemen) in terms of the effectiveness of anti-monopoly policies that aim to ensure fair competition.
Extent of market dominance	2017-2018	of 137 63	Based on the survey question, "In your country, how do you characterize corporate activity?" [1 = dominated by a few business groups; 7 = spread among many firms].
Openness to trade (trade in % GDP)	2019	63.60%	This is higher than the World average of 60.4% and lower than the MENA average of 87.7%.

Source: Transparency International; World Bank Doing Business Report; World Intellectual Property Organization (WIPO); World Development Indicators (WDI); and World Economic Forum (WEF) Global Competitiveness Report.

Notes: Contrary to widely acclaimed global reports such as the UNDP's Human Development Report, which tracks a country's progress on social development through a set of annually updated indicators, the World Bank's Doing Business Report exhibits a strong anti-regulation bias which is often perceived to undermine social progress and promote inequality. For more information, see Baunach and Ortiz (2020).

Lebanon has also demonstrated a poor growth performance of its primary and secondary sectors. According to Le Borgne and Jacobs (2016), manufacturing and agriculture's share of employment has generally declined since the 1990s, and real wages have tended to fall in a sustained manner. The same could be said about their contribution to real GDP growth. As figure 1 shows, the services sector acted as the primary driver of growth for the Lebanese economy. Its contribution to real GDP growth averaged 71.2 percent between 2000 and 2017, compared to 4.6 percent for agriculture and around 14 percent for industry. The predominance of the services sector and the country's overreliance on imports of goods and services, and the inflow of financial capital have rendered the Lebanese economy vulnerable to domestic and external uncertainties. It exposed its inability to respond to adverse shocks successfully. Even during episodes of rapid economic growth, such as growth over the period 2007-2010, the economy has fallen short of promoting sustainable and inclusive growth[7] by failing to create decent jobs necessary for economic and social stability.

Figure 1: Contribution to Real GDP (RGDP) Growth - Supply Side



Source: National accounts, author's calculations

Notes: Data is in constant 2010 US$; GDP (at market prices) is calculated as Gross Value-added (GVA) at basic prices plus Net Taxes on Products (Product Taxes - Product Subsidies). The discrepancy between both sides of the identity still arises and is captured by the "statistical discrepancy" component.

The following subsection sheds light on the reality of the private sector in Lebanon. It illustrates some of its salient features and the challenges it faces. The discussion is then followed by a review of the investment landscape, both domestic and foreign.

The predominance of the services sector and the country's overreliance on imports of goods and services, and the inflow of financial capital have rendered the Lebanese economy vulnerable to domestic and external uncertainties.

2.1 The Private Non-Agricultural Sector: Characteristics and Challenges

An important feature that has defined the Lebanese economy since its independence in 1943 is its market-oriented approach, assumed to have taken effect in the early 1950s. It allows for free entry and exit by firms, and government legislation promotes a prominent role for the private sector. The latter operates in various industries, including trade and tourism, agriculture, manufacturing, construction, banking and finance, media and advertising, and consulting and engineering. A 2014 report by the Lebanese Ministry of Finance indicates that the private sector contributes to around 88 percent of national expenditures (MoF 2014).

Drawing on data from the 2019 WBES for Lebanon, Table 2 illustrates the composition of the Lebanese non-agricultural private sector by industry and size.

Notes: Economic sectors are classified based on the International Standard Industrial Classification (ISIC, Revision 3.1) codes: Food & Beverages (ISIC code 15); Other Manufacturing (ISIC code 16-37) and includes the manufacture of textiles, wood & paper, chemicals, plastics & rubber, metals, machinery & equipment; transport equipment, furniture, etc.; Wholesale and Retail (ISIC code 51, 52); and Other Services (ISIC codes 45, 50, 55, 60-64, and 72) including Construction, Sale, and repair of motor vehicles, Hotels and restaurants, Transport and related services, and Post and telecommunications. Firm size is divided into small: 5-19 workers; Medium: 20-99 workers; and Large: 100+ workers.

The services sector represents the largest sector of economic activity, with commerce, tourism, and financial services constituting the major industries. The manufacturing sector is smaller in size than services.

Small enterprises constitute the largest share of the Lebanese private sector, standing at approximately 54 percent of total private domestic enterprises. The predominance of small firms is typical of developing countries. It indicates that the Lebanese private sector has ample room for achieving economies of scale, which is essential for circumventing its small market size.

Table 2: Stratification of Lebanese firms by Industry and Size, 2019

Sector	Size			Total	% of Total
	Small (5-19)	Medium (20-99)	Large (100+)		
F&B	32	46	9	87	16.4%
Other Manufacturing	73	47	18	138	25.9%
Retail	131	41	22	194	36.5%
Other Services	47	40	26	113	21.2%
Total	283	174	75	532	100%
% of Total	53%	33%	14%	100%	

Source: World Bank Enterprise Survey 2019 for Lebanon.

As tables 3 and 4 show, *Limited partnership* and *sole proprietorship* constitute the two most predominant legal types of enterprises in Lebanon, reaching a cumulative of 72 percent of enterprises. Moreover, the vast majority of firms in Lebanon are owned by private individuals residing in the country, where the proportion of private domestic ownership stands at approximately 98 percent.

Table 3: Legal Type, 2019

Legal Status of The Firm	Percent
Shareholding company with shares traded in the stock market	2.63%
Shareholding company with non-traded shares or shares traded privately	16.92%
Sole proprietorship	31.95%
Partnership	8.46%
Limited partnership	40.04%
Total	100%

Table 4: Type of Ownership, 2019

Ownership Structure	Percent
Proportion of private domestic ownership in a firm (%)	97.6%
Percent of firms with at least 10% of foreign ownership	1.2%
Percent of firms with the legal status of Sole Proprietorship	31.1%

Source: World Bank Enterprise Survey 2019 for Lebanon.

As implied previously (table 1), the Lebanese private sector is generally open to transacting with the international market. Many Lebanese firms are two-way traders. That is, they directly engage in international trade through both exports and imports. This is especially true for the manufacturing and retail trade industries.

The business sector in Lebanon also faces several obstacles. The biggest three obstacles affecting the operations of private firms are political instability, access to finance, and corruption (table 5). The same goes for the manufacturing sector as a whole and the F&B sector in specific. In addition, competition by informal establishments, electricity challenges, tax and trade regulations, and business licensing and labor regulations, among others, also pose considerable challenges to the operations of formal private enterprises.

The biggest three obstacles affecting the operations of private firms are political instability, access to finance, and corruption. The same goes for the manufacturing sector as a whole and the F&B sector in specific.

Table 5: Biggest Obstacles Facing Private Enterprises, 2019'

Obstacles	Industry				
	F&B	Other Manufacturing	Retail	Other Services	Total
Political instability	27	30	64	46	167
Access to finance	25	51	58	24	158
Corruption	10	20	31	24	85
Informal competitors	9	12	14	2	37
Electricity	9	14	4	5	32
Tax rates	2	5	9	4	20
Trade regulation	1	3	3	3	10
Access to land	0	0	3	1	4
Business licensing	1	0	3	0	4
Inadequate workers' education	0	1	1	1	3
Transport	0	1	1	1	3
Courts	1	1	0	0	2
Crime, theft, and disorder	1	0	1	0	2
Labor regulations	0	0	0	2	2
Does not apply	1	0	2	0	3
Total	87	138	194	113	532

Source: World Bank Enterprise Survey 2019 for Lebanon.

For example, company establishment and liquidation are considered cumbersome, lengthy, and costly. An UNCTAD (2018) report indicates that establishing a Limited Liability Company (LLC) in Beirut employing 15 persons or more may require, on average, more than 15 days, involving several procedures and costing approximately 42 percent of Lebanon's income per capita.[8] It stands in sharp contrast with comparator countries such as Morocco and Singapore, where the number of procedures required to start a business is half that of Lebanon, and the fees charged to that end are approximately zero.

Similarly, liquidating a business is an arduous endeavor and is generally open to rent-seeking. According to the same report, liquidating a company requires general discharge certificates from both the Ministry of Finance and the National Social Security Fund (NSSF). These certificates must be presented to the trade register, the principal body responsible for company establishment, proving the absence of outstanding financial obligations to the two administrations above. While some degree of regulation can be helpful from the perspective of public interest, it may be intended to ensure that the rights of third parties are not undermined – many private establishments point out that closing a business in Lebanon can linger for several years.

2.2 Investment Trends and Sectoral Concentration

The Investment Development Authority of Lebanon (IDAL) is the national authority that seeks to promote local and foreign investment in eight key sectors: industry, media, technology, telecommunications, tourism, agriculture, and agroindustry. According to a report by IDAL (2018), 60 new investors, both national and foreign, benefited from the different support schemes provided by the Lebanese government in 2018 to carry out investment projects in the country. These projects have had an estimated total value of $375 million and were expected to create 3,403 direct jobs.

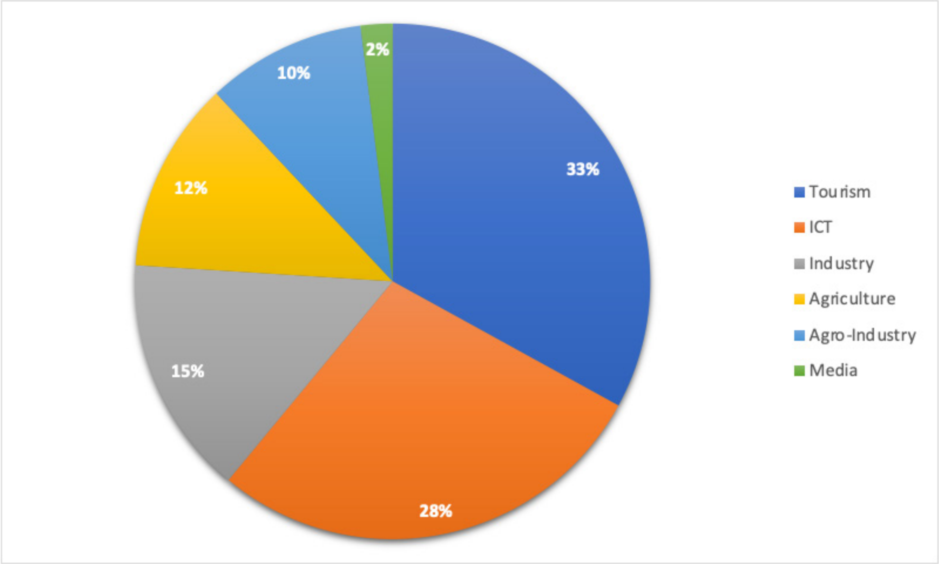
As shown in figure 2 below, Tourism, ICT, and Industry accounted for the largest share of these projects (33%, 28%, and 15% respectively), followed by Agriculture (12%), Agro-Industry (10%), and the Media (2%).

While the increase in investment projects in the Tourism sector in 2018 may have been the outcome of relative improvements in the political and security climate, the interest in Lebanon's ICT sector can be attributed to the country's decent stock of human capital and the burgeoning technology projects in the areas of health, renewable energy, and the environment.

In terms of the number of investment projects announced in 2018, 93 percent were classified as greenfield[9] investments (Ibid). From the perspective of sustainable development, greenfield investments are usually preferred over mergers & acquisitions (M&As) because greenfield investments tend to increase the investment base, whereas M&As[10] merely reflect changes in ownership (OECD 2019).

Lebanon is also open to foreign direct investment[11] (FDI). UNCTAD (2018) breaks down Lebanon's post- civil war FDI performance into four phases. The first phase spans the period 1990 until 1997. The second phase is between 1997 and 2003. The third phase covers the period 2003-2009, and the fourth is effective since 2010.

Figure 2: Distribution of Projects by Sector (% share), 2018



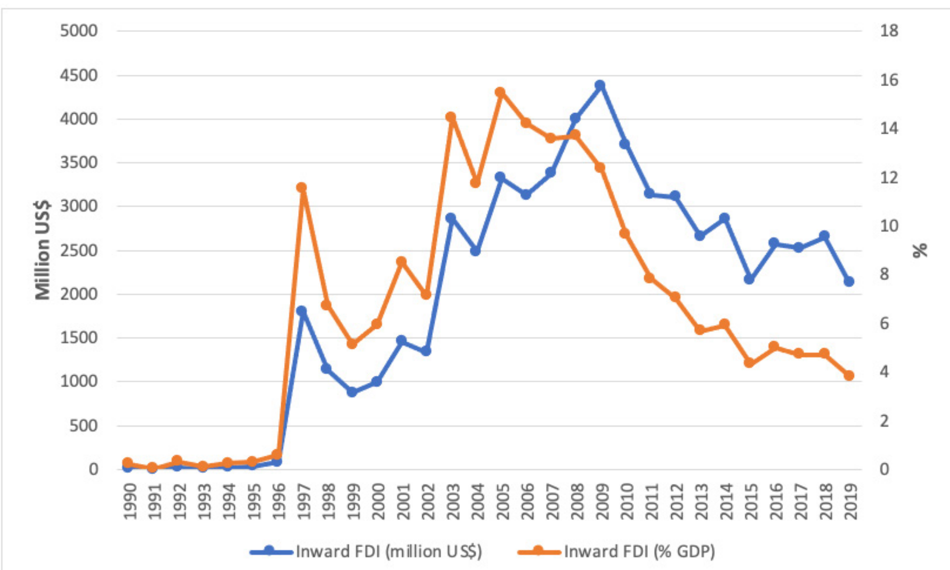
Source: Investment Development Authority of Lebanon (IDAL), Annual Report 2018.

In the first phase, FDI was low as the war-torn country was still dusting itself off. This is demonstrated in figure 3 below, where FDI inflows during the period 1990-1996 stood at an average of approximately 24.5 million US$ per year. The second phase witnessed a rapid increase in FDI inflows in part due to the proliferation of real estate projects linked to reconstruction, the introduction of a fixed exchange rate which provided for better anchoring of inflation, and the improvement of the investment framework by providing incentives for, and relaxing restrictions on, investment as of the early 2000s. As a result, between 1997 and 2002, FDI inflows hovered around an annual average of around 1.3 billion US$.

The third phase saw a boom in FDI inflows, concentrated in tourism and telecommunications activities and enabled by the ease of restrictions on investment by offshore companies. Between 2003 and 2009, average annual FDI inflows were in the vicinity of US$ 3.4 billion. In the fourth phase, FDI inflows have been influenced by cross-border spillovers, including the effects of the global financial crisis, the conflict in Syria, and the ensuing refugee crisis, in addition to declining oil prices which had a bearing on the levels of FDI from the traditional countries of origin of FDI to Lebanon, especially the oil-rich countries of the Middle East. In this context, FDI inflows declined to an annual average of 2.75 billion US$ over the period 2010-2019. As figure 3 shows, FDI[12] stood at approximately 3.8% of GDP in 2019, down from around 12.3% a decade earlier.

Despite the slowdown over the previous decade, Lebanon's FDI performance outranks the Western Asia and North Africa (WANA) region. As a share of GDP, inward FDI in Lebanon stood at 3.8% of GDP in 2019 compared to 1.6% for WANA[13]. Moreover, average FDI inflows to the region have shrunk to less than half following the global financial crisis of 2008–2009 and the onset of the Arab Spring in 2010–2011. In contrast, Lebanon's slowdown in FDI flows was less severe (UNCTAD 2018).
A breakdown of FDI by type of investment is shown in figure 4 below.

Figure 3: FDI Trend, 1990-2019



Source: UNCTAD Statistical Database.

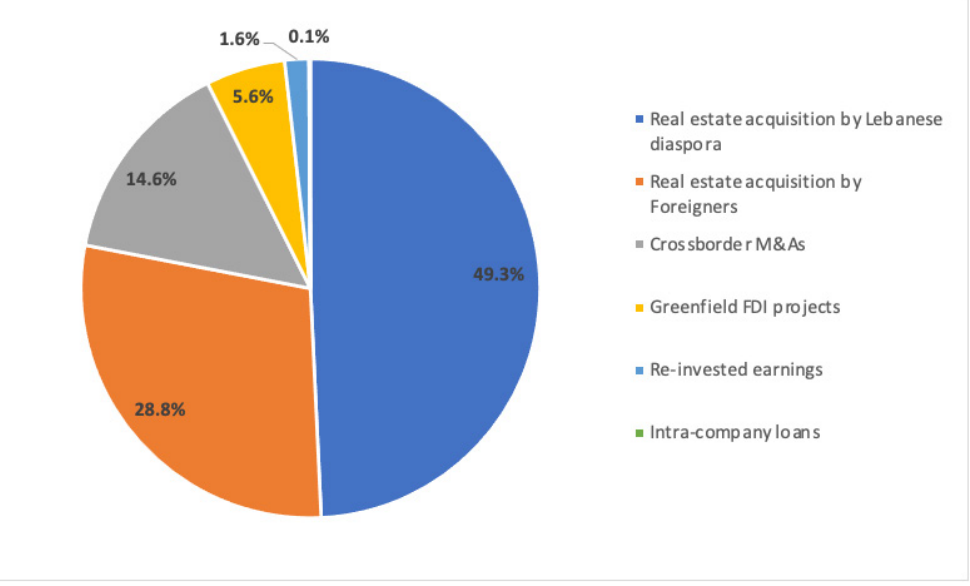
Around 78 percent of FDI inflows in 2018 were in the real estate[14] sector, distributed between the acquisition of real estate by the Lebanese diaspora (49.3 percent of FDI) and foreigners' acquisitions (28.8 percent). To a large extent, this may be attributed to the lower prices and excess supply of real estate projects, which ensued BDL's decision to suspend housing subsidies. Cross-border M&As accounted for 14.6 percent of total FDI inflows, with major acquisitions concentrated in the tourism[15] and financial sectors. Greenfield FDI projects constituted 5.6 percent of total FDI, re-invested earnings 1.6 percent, and intra-company loans 0.1 percent. There is scant data on the distribution of greenfield projects by sector. However, the available data indicates a concentration of these projects in services. According to UNCTAD (2018), real estate, hotels and tourism constitute the primary components of greenfield projects in Lebanon.

In terms of the developmental impact of the sectors that have received the most FDI, the following is true. Real estate, hotels, tourism, and financial services have seen their value-added almost double between 2010 and 2018 (figure 5).

FDI projects in Lebanon have also contributed to employment generation. UNCTAD's (2018) investment policy review (IPR) indicates that around 34,021 jobs were created between 2003 and 2017 because of FDI projects. This figure amounts to approximately 71.5 percent of total jobs created over the same period.

One aspect of the *foreign* projects and partnerships announced in 2018 is that most of them were meant to partake in the forthcoming reconstruction and infrastructure development in neighboring Syria. Nonetheless, the entry into force of the "Caesar Syria Civilian Protection Act"

Figure 4: FDI by Type of Investment (% share), 2018



Source: Investment Development Authority of Lebanon (IDAL), Annual Report 2018.

– a US bipartisan law sanctioning any government or private entity that normalizes relations with the Syrian government and contributes to the reconstruction of Syria – has adversely affected Lebanon-based businesses and exacerbated the country's already grave economic crisis. However, foreign companies have also demonstrated interest in the country's Information and Communication Technology (ICT) sector and the nascent oil and gas sector.

Notwithstanding openness to foreign investment, there are limits to foreign presence in the country. For example, only Lebanese nationals may practice law, manufacture and trade defense related products, or own political newspapers and broadcast media. FDI is also restricted in two key sectors: fixed-line telephony and energy transmission, operated by state-owned enterprises (SOEs) with a de facto monopoly. The following section discusses the legislative and regulatory framework governing investment in Lebanon.

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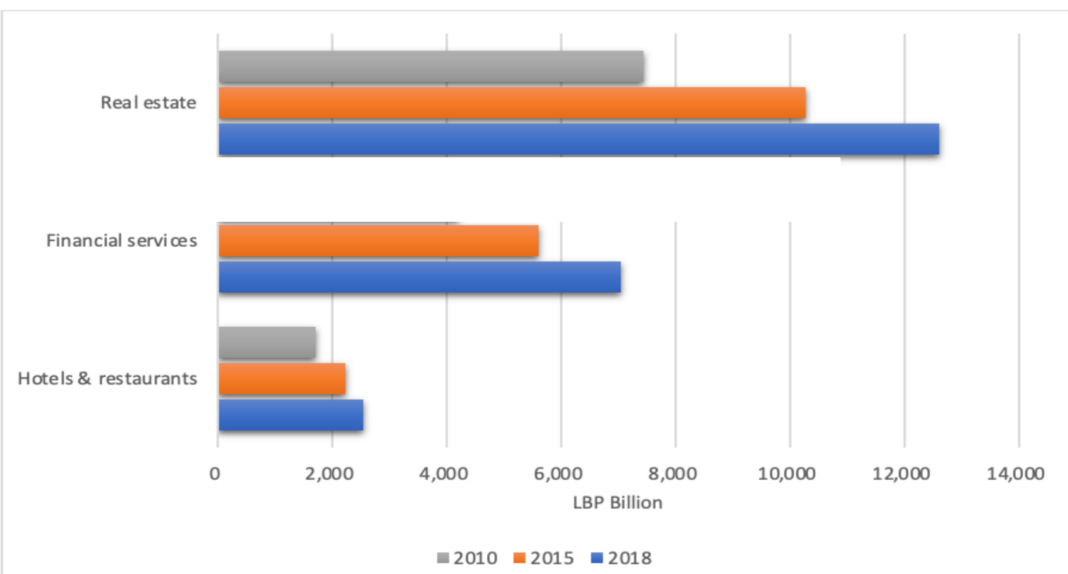
Figure 5: Gross value-added by selected industry



Source: National Accounts, author's calculations.

3. Legal Framework Governing the Private Sector in Lebanon

Lebanese positive law incorporates aspects of human rights principles. This is because Lebanon is a signatory to the International Covenant on Economic, Social, and Cultural Rights (ICESCR) and the International Covenant on Civil and Political Rights (ICCPR). Moreover, the Universal Declaration of Human Rights (UDHR) has been enshrined in the preamble to the country's constitution as per Constitutional Law of 21 September 1990. Despite that, the country's legislative framework demonstrates shortcomings, especially on the developmental front. This section discusses the legal and regulatory framework concerning the country's investment environment and evaluates it from the perspective of its alignment with considerations of sustainable development.

3.1 Investment Legislation

Lebanon's Investment Promotion Law, No. 360 of August 2001 (and its supplementary decrees), encourages investment in various sectors of economic activity. It tasks IDAL, the country's national investment promotion agency, with promoting Lebanon as an important destination for investment through attracting, facilitating, and retaining investments. It also sets a framework for regulating investment and provides a range of incentives to investors, including tax incentives, administrative reforms, and support to incubators. Provisions under this law are meant to incentivize investments and benefit investors in the following key sectors: Industry, Agriculture, Agro-Food, Tourism, Information Technology, Telecommunication, Technology and Media (IDAL 2001).

Following the Law, Lebanon has introduced a one-stop-shop[16] (OSS) that offers local and foreign investors support services. According to IDAL (2013), experience in various emerging economies has shown that OSS contributed to reducing the cost of doing business and increasing the flow of investments through improved service delivery. Lebanon's One-Stop-Shop offers two incentive schemes: The *Investment Project by Zone (IPZ)*, which caters to small and medium-sized projects; and the *Package Deal Contract (PDC)*, which caters to large-scale projects that have a significant impact on employment. According to IDAL (2018), five investment projects benefited from IDAL's incentives schemes in 2018 and were expected to generate 790 direct jobs. These projects were valued at around $82.3 million, distributed across the following sectors: Agro-Industry (48.3% of total investment value), Tourism (45.2%), and Industry (6.4%).

Lebanon's investment law, however, does not contain the standard provisions that usually feature in relatively more comprehensive investment laws. Such provisions include the core standards of treatment and protection which apply to domestic and foreign investors. This gap in the investment law is usually bridged in bilateral investment agreements, which involve Lebanon and its regional or global partners.

To put things in perspective, Lebanon has BITs with 50 countries, out of which 42 are in force, and eight have been signed but are yet to enter into force (UNCTAD, 2020a). Of the 50 BITs, 13 are with countries that are members of the League of Arab States (LAS). Lebanon is also engaged in treaties that include investment rules and provisions. These are known as treaties with investment provisions (TIPs).

Generally, investment treaties are primarily focused on the promotion and reciprocal protection of foreign investors and investments, though creating a favorable environment for investors, including by granting them a sort of treatment that is not less favorable than that granted to national investors or investors of any other state. Such treatment is often referred to as *National Treatment* and *Most Favored Nation (MFN)*

Treatment. But more importantly, these treaties confer legal power on foreign investors, allowing them to seek international arbitration in a dispute with the host government. As Mohamadieh (2020) points out, this is done through a mechanism referred to as the investor-state dispute settlement[17] (ISDS), whereby an investor can claim compensation for what is deemed adverse actions by the host state, including direct or indirect expropriation, breaches of a certain favorable treatment, or other impairments.
To date, Lebanon has been involved in 8 ISDS cases (UNCTAD 2020b). Of these, 5 cases[18] involve Lebanon as the respondent (host) state that must answer to investor demands, and 3[19] cases involve Lebanon as a non-disputing state party whereby Lebanese companies have sought international arbitration against host countries for committing actions that are deemed unlawful by Lebanese investors.

A caveat is in order. These contractual agreements cannot be tackled in isolation if the purpose is to determine the impact of an agreement on a country's sustainable development path. Bilateral, regional, and multilateral trade and investment agreements are highly interdependent and have substantial feedback effects (Mohamadieh 2006). The rules that are stipulated in one agreement may indeed influence the negotiations on ongoing or future agreements. As far as Lebanon is concerned, any examination of the prospects of investment agreements should be looked at in the context of the stakes of Lebanon within the different bilateral, regional, and multilateral processes, including the EU-Lebanon Association agreement (AA), the country's accession process to the World Trade Organization (WTO), and other free trade agreements (FTAs) and BITs. This, however, goes beyond the remits of this paper.

The discussion thus far demonstrates that Lebanon's legislative and regulatory framework that governs investment is not comprehensive. The lack of an overarching framework that underlies investment-related policymaking extends to other areas that have a bearing on the role of the private sector and its potential to contribute to the country's sustainable development. These areas encompass, among other things, laws that are concerned with privatization, competition, public procurement, labor, and corporate taxes.

3.2 Privatization

Law No. 228, dated May 31, 2000, was enacted to govern the privatization process and specify its conditions and scope of implementation. Under the same decree, the "High Council for Privatization" (Council, hereafter) was established and entrusted with planning and implementing privatization programs and their relevant operations, which consist mainly of bids and tenders. Furthermore, in August 2017, a law on public-private partnerships (*PPP Law 48)* was passed. The Law accorded the Council the responsibility of regulating PPPs and promoting investment in the infrastructure sector and its privatization role. Accordingly, the Council's name was changed to the High Council for Privatization and PPP.

The foundations of Privatization in Lebanon can be traced back to the mid-1980s, when the country's major state enterprises, Electricité du Liban (EDL) and the national carrier Middle East Airlines (MEA), accumulated losses and contributed to the mounting fiscal deficit and public debt. As a result, it led to intensified calls for privatization, which was deemed an effective remedy for the low productivity and efficiency in the delivery of public services (MoET 2003).

Law No. 462 of 2002 aims to enhance the involvement of the private sector in public utilities. It sets the framework for regulating the Electricity sector by establishing functional, administrative, and financial independence for the three different phases of production, transmission, and distribution of electricity. Under this law and the provisions of the Privatization Law, the Council shall propose the privatization of production and distribution activities in the electricity sector. At the same time, the transmission of electrical power remains under government control (InfoPro 2002). Other SOEs that have also been candidates for privatization include the telecommunications sectors, Casino du Liban, Grain Silos (damaged by the Beirut blast of 4 August 2020), the Lebanese Tobacco and Tunbac Monopoly Department (Regie), the Tripoli and Zahrani refineries, in addition to public utilities such as water, transportation, postal and hospital services, among others (MoET 2003; MoF 2007).

More recently, powerful interest groups such as the Association of Lebanese Banks[20] (ABL) have renewed calls for privatization in the aftermath of Lebanon's sovereign debt default in March 2020.

Privatization programs, including the promotion of PPPs, are in line with global efforts led by donor governments and international financial institutions (IFIs) to promote changes in national regulatory frameworks that aim to leverage private finance for development projects. This comes as part of the Structural Adjustment Programs (SAPs) promoted in developing countries, and it becomes more relevant in the context of the Lebanese financial crisis and the impending austerity measures, in which mainstream economic policy prescriptions that encourage a low fiscal deficit create a perverse incentive in favor of privatization and PPPs.

The rationale for privatization rests on the assumption that private enterprises tend to outperform state-owned enterprises (SOEs) owing to a better and more efficient allocation of resources, in addition to much clearer principal agent relationships. This, according to neo-classical economic theory, would ensure that efficiency benefits trickle down to society. Empirical research has, nonetheless, arrived at mixed and controversial findings. This is because the impact of privatization in developing countries has often been carried out from a myopic economic lens that focuses on profitability while ignoring the multidimensional aspects of sustainable development, including the returns to society, transparency and accountability, employment conditions, as well as the quality of life and the environment, among others (Uddin and Hopper 2003; Josiah et al. 2010; Kouser et al. 2016).

In the case of Lebanon, the lack of adequate technical infrastructure and organizational capacity to execute the privatization plan could prove counter-productive and undermine potential efforts for sustainable development. For example, the archetypal case of privatization that epitomizes the risks involved in advancing neo-liberal policies in the context of an inept political class, a highly clientelistic system, and an incompetent public administration with weak oversight is the private reconstruction of Beirut's downtown, led by the private real estate company of the late Prime Minister Rafic Hariri. According to Schmid (2006), Hariri's for-profit undertaking led to the expropriation of former tenants and owners and to the eviction of the refugees who had previously occupied deserted properties in the capital's downtown. The private project is deemed to have failed as it had contributed to a system of profiteering that dominated decision-making for the decades that followed.

Regarding PPPs[21], there is a large body of evidence indicating that the promotion of PPPs merits caution. This is because PPPs have certain characteristics which make them more costly than traditional public procurement. According to Romero (2015), these characteristics include, among others:

- higher cost of capital, since private companies usually borrow at a higher interest rate that involves a risk premium,
- private partners have profit expectations, which may preside over socially optimal outcomes, and
- higher construction and transaction costs associated with the negotiation and implementation of complex PPP contracts.

Beyond the explicit liabilities outlined above, PPP contracts often lack transparency and are subject to limited public scrutiny. This may lead to less informed fiscal policy decisions, increase the likelihood of rent-seeking, and undermine democratic accountability. For example, Romero (2018) carries out an evidence-based examination of the impact of ten PPP projects implemented in both advanced and developing economies,including in healthcare, education, energy, transport, water, and sanitation. While the report is cautious about generalizing its findings in the complex universe of PPPs, it finds that all the ten PPPs under study are associated with the risks and liabilities outlined above.

the lack of adequate technical infrastructure and organizational capacity to execute the privatization plan could prove counter-productive and undermine potential efforts for sustainable development.

3.3 Competition

Lebanon is yet to adopt a comprehensive competition law. The Lebanese economy is largely oligopolistic, and abuses of dominant position are widely suspected. Ibrahim (2020) points out that about two-thirds of the Lebanese market may be characterized as oligopolistic. Key cartelized industries include, among others (Boswall and Wood 2020; Ibrahim 2020): the fuel-imports industry, consisting of three companies reportedly linked to sectarian leaders; the concrete industry, controlled by three cement producing companies; the pharmaceutical industry, largely controlled by five companies; the soft drinks market with a single company controlling 45 percent of total industry sales; in addition to the rapid increase in exclusive agencies that enjoy sectarian protection.

The Ministry of Economy and Trade submitted in 2007 a draft competition law, which has been revised and updated in 2019. The draft law aims to monitor and control monopolistic and economic concentration processes linked to private businesses and SOEs. In addition, it attempts to put a mechanism that prevents collusive agreements and prohibited practices that would lead to a breach of competition. According to a UNESCWA (2016) report, the draft law strives to foster an environment of competition that would prevent the manipulation of prices and contribute to improved efficiency and productivity, innovation and technical progress and sustained growth in output and employment. Importantly, the 2019 version of the draft law was rejected by a technical committee in June 2020 under the pretext that it contains articles that go against free-market fundamentals.

In the absence of a competition law, claims concerning competition-related matters are reviewed under various laws by local courts. Legislative Decree No. 73 of September 1983 regarding the possession and trading of commodities, materials, and crops (amended by Decrees No. 72 for the year 1991, and 490 for 1996) in addition to two articles that address issues of unfair competition in the country serve as the legal framework for competition. The last two articles are 97 and 98 of Resolution No. 2385, issued on 17-Jan-1924 (amended by the law dated 31-Jan-1946). Succinctly, the articles stipulate that courts retain the right to evaluate any activity that appears to constitute an act of unfair competition[22] and that the plaintiff may request the court to put an end to the act of unfair competition and claim compensation for the damages inflicted. The Ministry of Economy and Trade is entrusted with the monitoring and fulfillment of the competition mandate.

A law that was projected as a breakthrough on the competition front is Law No. 431 on Telecommunications, enacted in July 2002. It was meant to foster competition by allowing a third operator[23] of telecom services in Lebanon to join the industry. However, collusive behavior in such a lucrative industry is likely to be high and may contradict the claimed objective of encouraging competition.

Lebanon is yet to adopt a comprehensive competition law. The Lebanese economy is largely oligopolistic, and abuses of dominant position are widely suspected.

3.4 Public Procurement

Lebanon does not have a comprehensive and unified procurement law. The existing procurement system is outdated and fragmented and suffers from a weak legal framework and overlapping institutional mandates, causing inefficiencies. Often, Lebanese government agencies sole-source contracts through non-competitive procurement processes, which are sensitive to corruption. These are also known as no-bid contracts, whereby certain contractors are chosen based on direct contracting processes that involve differing standards.

That said, Lebanon currently has a draft public procurement law, which awaits the Cabinet's and Parliament's ratification. Reportedly, this draft law sets forth a modern legal framework for the bidding process and targets public procurement of supplies, works, and services, including private sector entities wanting to bid on public projects.

3.5 Labor

Private sector employment is regulated by several laws. These include the Lebanese Labor Law of 1946 (as amended); the Social Security Law (1963) and its supplementary decrees; Decree 7993 on Trade Unions (1952); Decree 1756 regulating the Employment of Foreign Persons (1964); and the Law on Collective Labor Contracts, Mediation, and Arbitration (1964).

Despite their importance, the laws governing the labor market in Lebanon suffer limitations. For example, the labor code excludes some sectors and activities such as public servants, seasonal workers in agriculture, domestic services, and family enterprises (UNCTAD 2018). Moreover, existing laws do not effectively address problems of skills mismatch, brain drain, and informality. Another limitation is concerned with the treatment of the minimum wage. The labor code stipulates that wages cannot be lower than the minimum wage set by a decree issued by the Lebanese Council of Ministers. However, the setting of the minimum wage is not predicated on objective and scientific criteria which allow minimum-wage earners to keep up with the rising cost of living in the country.

As per the Labor code, gender discrimination regarding the type of work and compensation is outlawed. However, women's participation in the Lebanese labor force is exceptionally low. According to data from the World Bank Development Indicators (WDI), female labor force participation (FLFP) in Lebanon[24] stood at approximately 23 percent in 2020, in comparison to about 44 percent in Middle-Income counties (MICs) and 52 percent in OECD member countries.

Freedom of association and the right to unionize is strictly regulated despite the right to assembly being guaranteed by the constitution. Lebanon is not a signatory to the International Labor Organization (ILO) Convention on Freedom of Association and Protection of the Right to Organize. Labor laws distinguish between Lebanese private sector and public sector workers and between Lebanese workers and foreign workers when it comes to trade unions. Public sector workers are banned from establishing or joining a trade union. Similarly, foreigners are not allowed to establish trade unions but may, subject to strict conditions, join unions after prior authorization from the Ministry of Labor (MoL). That said, the dynamics of unionization in Lebanon are weak. The country's national trade union center, the General Confederation of Workers in Lebanon (GCWL), has been the subject of serious criticism questioning the extent of its representativeness, adherence to workers' interests, and the scope of state embeddedness in its affairs. These concerns were intensified given the confederation's stance on universal healthcare coverage and the public sector pay rise, which was approved in 2017 (Oxfam 2019).

In this view, Lebanese labor laws are lacking, and in certain instances, they carry contradictory provisions. Moreover, the reforms that have been introduced have hitherto been incomplete as they fail to tackle the increasingly pressing challenges of unemployment and informality. This goes against the raison d'être of the labor code, which is to protect wage earners and guarantee social and economic protection.

Freedom of association and the right to unionize is strictly regulated despite the right to assembly being guaranteed by the constitution.

3.6 Corporate Taxes

Lebanon adopts a territorial tax system whereby income sourced in the country is subject to tax (income derived from foreign sources is not taxed). In accordance with the Income Tax Law (Legislative decree 144 dated 12-June-1959), tax is levied on profits from industrial, commercial, and non-commercial professions, among other types of income.

The standard Value-added tax (VAT) rate in Lebanon is 11 percent, levied on all commercial transactions undertaken by business entities. The corporate income tax (CIT) is computed at 17 percent of net profit from Lebanese-source income for resident companies. For non-resident companies, a non-resident withholding tax (NRWT) applies at 2.25 percent of the revenue from the sale of materials and equipment and 7.5 percent of the revenue from the sale of services. Both resident and non-resident companies pay 10 percent withholding tax (WHT) on income, revenues, and interest earned from accounts opened at Lebanese banks and from treasury bonds. They also pay 10 percent WHT on dividends.

Companies are also required to pay 15 percent tax on capital gains from the sale of fixed assets, as well as a payroll tax levied at progressive rates ranging between 2 percent and 25 percent (Budget Law 2019). Employer-borne social security contributions deducted from employees' wages and salaries are as follows: 8 percent for the maternity and sickness benefit schemes, on a maximum of LBP 2.5 million per month; 6 percent for family benefit schemes, on a maximum of LBP 1.5 million per month; and 8.5 percent of total annual income for the end of service indemnity, with no salary limit. Other corporate taxes include a municipality tax, a built property tax (BPT) on built property of any type, and a stamp duty on contracts (written or implied) that mention sums of money.

Tax collection and taxpayer (investor) compliance remain weak. UNCTAD (2018) mentions that the IMF estimates Lebanon's tax collection to be at 15 percent of GDP, while it estimates its tax capacity to be 34 percent of GDP. Thus, due to ignorance, policy challenges, or deliberate evasion, weak compliance reflects a weak tax administration in Lebanon.

This section shows that Lebanon's regulatory framework governing investment is not comprehensive and is incoherent. There seems to be no single guiding logic or overarching doctrinal framework that underlies investment-related policymaking. This is evident in investment promotion, competition, and public procurement, where legislation is ad-hoc, incoherent, and sensitive to politicized decision-making processes. In areas where the legislation effort is apparent, such as the corporate tax codes, enforceability is weak, and non-compliance is rampant.

The next section attempts to explain this phenomenon. It presents a political economy analysis of the role of the state vis-à-vis the business sector in Lebanon and unpacks the historical conditions that shaped the roles of both agents of development and change.

due to ignorance, policy challenges, or deliberate evasion, weak compliance reflects a weak tax administration in Lebanon.

4. The Role of the State in Lebanon: A Political Economy Approach

A UNDP (2015) report suggests that the private sector in Lebanon is a vibrant sector that significantly contributes to the economy's growth and stability, notwithstanding the continuous episodes of political turmoil and economic crisis. One may attribute the standing of the private sector in Lebanon to the entrepreneurial spirit that defines private agents in the country. In the spirit of Joseph Schumpeter's (1934) view of entrepreneurship, Sayigh (1962, pp. 122-123) explains that the Lebanese entrepreneur is a "common adapter" and a "business leader" who adapts new knowledge and skills and, more importantly, introduces incremental innovations in the context of a continuously expanding frontier of production technology, marketing, and organization. According to (Sayigh 1957), these advantages exist, to a large degree, since Lebanese entrepreneurs are well-traveled, fluent in foreign languages, and have historically demonstrated cleverness and keenness for opportunity in domestic and international markets.

These economic agents are among Lebanon's primary agents of development. The latter has historically played a crucial role in the evolution of the country's political economy, which defined the boundaries between the state and the private sector. Agents of development essentially belong to two groups: the state with its class of political elites; and private business, especially the mercantile-financial bourgeoisie, as Gates (1989) puts it. Historically, the interplay of interests of both elite groups had implications for the role of the Lebanese state in development.

The Lebanese state exists on a continuum of state characteristics, where two polar cases[25] stand out:

“developmental state and predatory state.” While it does not fall into the conventional polar categories, the state in Lebanon offers a combination of both – that is, it possesses characteristics of predation and embedded autonomy. This is because Lebanon is a confessional state with a delicate sectarian balance. The form of government is consociational democracy – a power-sharing model institutionalized since the country’s establishment considering its composition of multiple religious minorities (Salamey and Payne 2008). Under this system, local community leaders would bargain for power within state institutions and assume the core functions associated with the state, such as the provision of services, jobs, and security, in addition to the pursuit of personal interests (Calfat 2018).

The truism of the delicate sectarian balance, combined with the consociational form of government, had largely led to the emergence of a weak state. One important outcome was the rise of a multiple balance of power between different factions of society against a dual balance of power or a clear hegemony by one group over another. This had prevented the complete capture of the state by businesses despite the dominance of mercantile-financial interests. For example, during General Fouad Chehab’s (1958-64) rule, a series of social and economic policy reforms aimed at improving public sector performance and alleviating inequality were devised. However, as Makdisi and Marktanner (2009) indicate, the strong opposition by the established business interest groups that did not favor redistributive reforms meant that these reforms did not materialize. But even the powerful business elites who had the power to put President Chehab’s social reforms on hold were tied up by sectarian considerations. It had kept in check the private sector’s potential political role as a national bourgeoisie that can achieve state capture.

The implication is that no single interest group in Lebanon, be it the business or political elites, is strong enough to dominate. Businesses are unable to completely capture the state, and the political establishment is unable to entirely capture business, especially that the state apparatus is not insulated from external social, economic, and political influences. This political economy of Lebanon helps explain the lack of a coherent and comprehensive legislative framework that governs investment and regulates the role of the private sector in favor of sustainable and inclusive development.

This dynamic – that is, the complex interrelationship of private and political powers – begs the question of whether a potential developmental vision in Lebanon could ever emerge and be implemented. The history of modern Lebanon indicates that aspirations for economic, social, and political change had been made increasingly difficult in the context of a politico-economic setting molded primarily in favor of elites and sustained by the politics of sectarianism. Even after the end of the civil war in 1990, a variant of unfettered neo-liberalism had emerged, where poorly representative governments, dominated by corporate and financial interests and sustained by IFIs, have perpetuated a system of political domination and inequality (Elston-Weidinger 2020).

Perhaps a ray of hope amidst the despair lies in the October 17th uprising of 2019, where the Lebanese people demonstrated unprecedented cross-sectarian solidarity. Although the uprising has hardly challenged the dominance of Lebanon’s leading establishment, an important implication is that it laid the foundation for organized public action based on a shared vision for the role of the state and development in the country. Indeed, the uprising must not be conceived in the context of the traditional binary labels of success and failure. As Elston-Weidinger (2020) points out, the uprising must rather be appreciated as a process and understood within the context from which it emerged.

The following section presents the case study on the F&B sector in Lebanon.

5. The Food and Beverages (F&B) Sector in Lebanon: A Case Study

The F&B industry is regarded as a vital sector of the Lebanese economy. It has demonstrated an ability to generate employment opportunities and enhance livelihoods, especially among women and rural communities, let alone innovate in the face of mounting global competition. It also can create backward linkages with the agricultural sector and higher value-added through the production and export of processed goods.

The sector also possesses important comparative advantages, which have implications for its competitiveness. According to IDAL (2019), Lebanon's agricultural land as a share of its total territory stands at 63 percent, which is large compared to other Middle Eastern countries. This comparatively large area, combined with a relatively skilled labor force, can contribute to developing a competitive agriculture processing sector. The country also boasts a large and scattered diaspora, which can play an even bigger role in raising foreign demand for Lebanese agro-industrial products. The F&B sector can also benefit from important, albeit limited, government initiatives that allow it to market its products in international exhibitions and fairs while also being introduced to the latest technologies by foreign investors and buyers. This section reviews the regulatory and incentive framework related to the F&B sector and then explores the sector's contribution to Lebanon's sustainable development.

5.1 Regulatory Framework governing the F&B Sector in Lebanon

The Lebanese government has a key role in providing an environment of policy and regulation that should, at least in principle, guarantee F&B sector accountability and enable it to grow and meet desired social and economic objectives. To this end, the government has occasionally issued laws and regulations that concern F&B products destined for local consumption or export markets. Table 6 below illustrates some of the key regulations involving the Lebanese industrial sector and the F&B sector more specifically.

As can be discerned from the table, the legislation aims to define the principles of control over F&B (and other industrial) enterprises and the conditions and requirements for their operation. Generally, conditions to be observed in F&B factories are concerned with filling, packaging, and storing products, as well as isolating non-conforming ones; lighting, ventilation, and drainage standards; the condition of walls, floors, and ceilings, and those related to the machinery, equipment, and tools used in F&B production. In the case of non-compliance, sanctions may range from a warning to a temporary suspension of business activities, and establishments that violate laws and regulations about the protection of public health, neighborhoods, or the environment can be tried before the Single Criminal Judge.

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Table 6: Selected laws, decrees, decisions, and circulars

Legislation	Date of Issue	Subject	Source
Law of 1962	23-Jul-1962	Establishment of LIBNOR, a public entity entrusted with determining national standards and granting the Lebanese Conformity Mark (NL)	LIBNOR
Law 20	05-Sep-2008	Creation of the Ministry of Industry (amending Law 642 dated 2/6/1997)	MoI
Decree 9765	11-Mar-2003	Inspection, measures, and sanctions against non-complying industrial establishments	MoI
Decree 9805	28-Jan-2018	Legally binding status to national standards related to the F&B sector	MoET
Decision 1/1	15-Jan-2014	Conditions to be observed in F&B factories	MoI
Decision (1/178/2015)	29-Jul-2015	Re-import of rejected Lebanese products	MoET
Decision 119/1	15-Sep-2017	Prohibiting the use of coloring additives in the production of pickles	MoI
Decision (7060/2018)	09-May-2018	Criteria and requirements for existing slaughterhouses	MoI
Decision 17/1	26-Feb-2019	Requirements for water refining and bottling (amending Decision 114/1)	MoI
Decision 15/1	12-Mar-2020	General preventive measures for food factories	MoI
Decision 17/1	06-Apr-2020	Factories› Control Mechanism to combat COVID-19	MoI
Decision 71/1	05-May-2020	Conditions regarding locally manufactured goods offered for the first time	MoI
Circular 131/1	27-Nov-2018	Day-care for children of male and female factory workers	MoI
Circular (961/84/2020)	02-Apr-2020	Prohibiting the dismissal (and foreign replacement) of Lebanese workers	MoI

Source: Ministry of Industry; Ministry of Economy and Trade.

Notes: A large part of F&B legislation concerns the broader industrial sector in Lebanon; LIBNOR is "The Lebanese Standards Institution."

5.2 Industrial Policy: Incentives to the F&B sector

Traditional industrial policy schemes such as inward-oriented import-substitution industrialization (ISI) strategies or even far-reaching protection or subsidy measures are not applicable in Lebanon. But there have been certain government initiatives aimed at conferring benefits on particular industrial activities. These initiatives have intensified following the breakout of the civil war in Syria in 2011 and the subsequent closure of the only accessible land route (via Syria) for Lebanese trade and commerce. Below is a brief account of the incentive structure benefiting the F&B sector and the industrial sector more broadly (table 7).

Furthermore, in 2018, the MoI launched a vision for the sustainable development of the Lebanese economy to be achieved by 2025. An integral component of this vision is to expand the domestic market for Lebanese sustainable products through the establishment of industrial zones (IZs), which, it said, shall contribute effectively to the achievement of the SDGs.

The operation of IZs may have unintended social and economic impacts, including difficult work conditions and environmental pollution, among other things. Notwithstanding, IZs can positively contribute to local socio-economic development. According to Anh et al. (2019), IZs can have a pervasive effect on various elements in the economy, including through attracting domestic and foreign investment, addressing unemployment issues, improving technology transfer in addition to enhancing the integration of domestic enterprises in the global production value chain, and gearing the labor market in the direction of industrialization and modernization of the provinces in which they are located. Furthermore, on the social and environmental front, IZs can improve workers' living standards and create solutions that aim to address environmental pollution in the locality (Ibid).

Table 7: Selected laws, incentives, and institutions benefiting the F&B sector

Incentive type	Subject
Tax incentives	50% tax cut on corporate income generated from exports
Export subsidies	Cash subsidies to firms that increase their exports from the previous year
Custom Duty Exemptions	2% customs duties on imports of machinery, equipment, and spare parts. 100% custom duty exemptions for over 2000 intermediate and semi-finished goods
Work Permits	up to 50% reduction on work and residence permit fees (further benefits to industries that protect the interests of the national labor force)
Construction Permits	up to 50% reduction on construction permit fees
Land Registration	up to 100% exemption on land registration fees
'Agro-Map' program	an agreement signed by IDAL and the Syndicate of Lebanese Food industrialists (SLFI) promoting the F&B sector.
Law on "Protection of National Production"	(dated 8 Dec 2006) applies to international commercial practices and increased imports deemed harmful to domestic industry or agriculture
Other incentives	exempting joint-stock companies from the requirement of having Lebanese persons in their Board of Directors

Source: MoET 2007; IDAL 2020.

5.3 Contribution to Sustainable Development

The latest data on value-added by sector in Lebanon shows that the value-added of the F&B[26] industry reached LBP 2,396 billion in 2018 (National Accounts 2018). It amounts to an approximate 110 percent increase from a decade earlier, indicating the desired contribution to the country's sustainable development path.

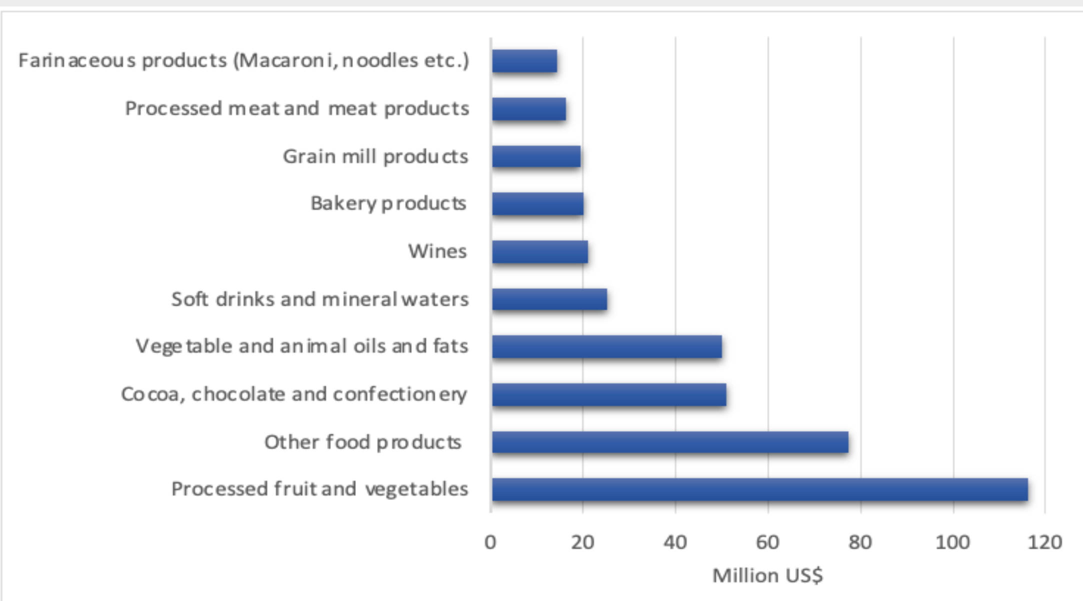
The F&B sector is also involved in generating sizeable employment. A sample survey[27] of 1,500 industrial firms carried out by Lebanon's Ministry of Industry shows that the F&B sector was home to the highest number of establishments of any other industrial sector in 2016 with 384 firms (around 26% of all industrial establishments). During the same year, the F&B industry employed 18,858 workers (approximately 34 percent of total industrial employment). It served as the largest employer in the industrial sector, followed by the *Other Non-Metallic Minerals* sector (10 percent) and the *Chemicals and Chemical Products* sector (9 percent). According to UNIDO and GIZ (2015), the F&B sector is fairly labor-intensive, which explains its job-generating potential.

Of total employment in the F&B industry, 13,969 workers (74 percent) were permanent[28], full-time employees distributed as follows: 2,520 females (18 percent) and 11,449 males (82 percent). Thus, notwithstanding the relatively low share of female employment *within* the F&B industry, total (absolute) female employment overshadows any other industrial sector.

The F&B sector also ranked first in terms of the total value of permanent workers' wages, which amounted to US$ 173,298,609 (around 29.5 percent of wages in the industrial sector) in 2016, with an average annual wage of US$ 12,406[29]. It was followed by the *Other Non-Metallic Minerals* sector (US$ 72,885,174) and the *Chemicals and Chemical Products* sector (US$ 67,298,607).

According to the UN Comtrade database, the total value of Lebanese manufactured F&B exports stood at approximately US$ 442.45 million in 2018 (around 15 percent of the country's total exports and 20 percent of its total manufactured exports),

Figure 6: Top 10 manufactured F&B exports, 2018



Source: UN Comtrade database, author's calculations.

reflecting an increase of around 10.78 percent (compound annual growth rate) since the year 2000. It suggests that the designated industry is generally open to international trade, as it seeks to exploit economies of scale and circumvent the size limitation associated with the Lebanese market.

Figures 6 and 7 below illustrate Lebanon's key F&B exports in 2018 and their top 10 destinations.

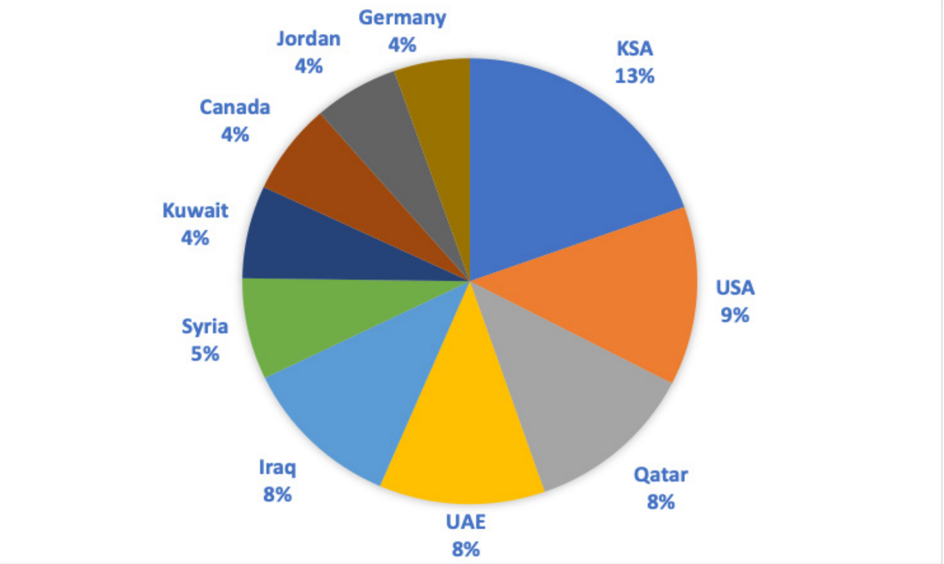
Key F&B exports included processed and preserved fruits and vegetables; processed cocoa, chocolate, and sugar confectionery; processed vegetable and animal oils and fats; soft drinks, mineral waters, and wines, manufactured bakery and grain mill products; processed meat products and manufactured farinaceous products.

Arab countries accounted for the bulk of F&B exports, with KSA, Qatar, UAE, Iraq, Syria, Kuwait, and Jordan being among the top 10 primary recipients of these exports in 2018. This stands to reason as proximity to Arab markets, strong links with the broader Arab region in terms of language and culture, in addition to the sizeable Lebanese workforce in the MENA countries, have allowed Lebanese producers to overcome information and demand uncertainties and tap into regional markets.

An important, though not the only, factor underpinning the sector's export potential is its continuous R&D and innovation effort as a means to expand beyond borders. We distinguish between two types of innovation output: product and process innovation. Product innovation denotes the introduction of new, redesigned, or significantly improved goods or services concerning their characteristics or intended uses. On the other hand, process innovation refers to new or improved production processes, including methods of manufacturing products or offering services; logistics, delivery, or distribution methods for inputs, products, or services; or supporting activities for production processes.

Data from the 2019 WBES for Lebanon shows that product innovation is prevalent across private enterprises in Lebanon (Table 8). It is particularly true for the F&B industry.

Figure 7: Top 10 Destinations for F&B exports (% share), 2018



Source: UN Comtrade database, author's calculations.
Notes: The figures do not add up to 100 percent because more countries represent destinations for F&B exports.

Table 8: Product Innovation (% of firms), 2019

Product Innovation	Industry				
	F&B	Other Manufacturing	Retail	Other Services	Total
Yes	10.7%	8%	5.2%	1.3%	11.7%
No	28%	53.3%	58%	35.5%	88.3%
Total	38.7%	61.3%	63.2%	36.8%	100%

Source: World Bank Enterprise Survey 2019 for Lebanon.

Notes: Innovation in Food and Other Manufacturing are in % of firms in the manufacturing sector. In Retail and Other Services, it is in % of the services sector. The idea is to show the intensity of innovation within each sector.

F&B firms demonstrate a higher intensity of innovation than firms in other economic activity sectors such as *Other Manufacturing*, *Retail Trade*, and *Other Services*. For example, around 11 percent of F&B enterprises introduced product innovations (A list of product innovations is available in the appendix).
The desired innovative performance of the F&B sector also extends to the area of process innovation. As table 9 shows, more than 8 percent of F&B firms have introduced process innovation, compared to *Other Manufacturing* (1.3 percent), *Retail Trade* (0.7 percent), and *Other Services* (0.3 percent).

Table 9: Process Innovation (% of firms), 2019

Process Innovation	Industry				
	F&B	Other	Retail	Other Services	Total
Yes	8.4%	1.3%	0.7%	0.3%	4.7%
No	30.2%	60%	62.5%	36.5%	95.3%
Total	38.7%	61.3%	63.2%	36.8%	100%

Source: World Bank Enterprise Survey 2019 for Lebanon.

Notes: Innovation in Food and Other Manufacturing are in % of firms in the manufacturing sector. In Retail and Other Services, it is in % of the services sector. The idea is to show the intensity of innovation within each sector.

The type of innovations introduced by the F&B industry indicates a series of small improvements or upgrades to existing products, services, or processes and methods. Thus, they are incremental rather than radical and reflect mainly a process of adoption, imitation, and technology adaptation. This stands in contrast to the extent of innovation that takes place in advanced economies and which is characterized by innovation that takes place at, or beyond, the technological frontier. Nonetheless, F&B innovations confer important competitive advantages for the F&B sector and the broader industrial sector, which exhibits linkages with the rest of the economy. These linkages are crucial for sustainable development as they involve the diffusion of technology, skills, and know-how across different sectors, thus leading to improvements in productivity.

The innovative performance of the F&B industry has largely been aided by its R&D[30] effort. According to an OECD (2002) report, there is a positive relationship between R&D and innovation output – that is, firms tend to introduce more innovations if they engage in systematic R&D efforts. As table 10 demonstrates, R&D is prominent in the F&B sector. Around 14.2 percent of F&B firms have introduced in-house R&D (performed within the firm), while 4.4 percent introduced R&D outside the establishment (with external or foreign institutions or companies). Regarding the total amount spent on R&D, the F&B sector ranks second, with a typical F&B firm spending an average of LBP 58.76 million.

Table 10: R&D Investment (% of firms), 2019

R&D Spending	F&B	Other Manufacturing		Other Services	Total
In-house R&D		10.2%	8.1%	4.6%	
Outside R&D	4.4%	4.4%	4.2%	2.0%	7.3%
In-house & Outside R&D	6.7%	4.9%	2.9%	2.6%	8.1%
R&D Spending (LBP million, industry average)	58.76	64.27	45.22	51.81	

Source: World Bank Enterprise Survey 2019 for Lebanon.

Notes: R&D in Food and Other Manufacturing are in % of firms in the manufacturing sector. In Retail and Other Services, it is in % of the services sector. The idea is to show the intensity of R&D within each broad sector.

In line with the incremental nature of innovations among F&B firms, R&D performed by the private sector in Lebanon could best be described as a tool that enhances the absorptive capacity of firms and their ability to exploit foreign knowledge and technology. Like most other developing countries, Lebanese industries are adapters rather than suppliers of technology.

Another important aspect of F&B businesses in Lebanon is that they demonstrate signs of increasing awareness regarding the environmental impact of their operations. Around 25.3 percent of F&B firms have incorporated environmental and climate change issues in their strategic objectives (table 11). Of these firms, around 10 percent have measured their CO_2 emissions.

Table 11: Environmental Awareness (% of firms), 2019

Firms mentioning Environmental or Climate Change Issues in Strategic Objectives	Industry				
	F&B	Other Manufacturing		Other Services	Total
Yes		10.9%		20.4%	
No		87.0%		74.3%	
Total		97.8%		94.7%	

Source: World Bank Enterprise Survey 2019 for Lebanon.

Notes: The total does not add up to 100% because firms responding with "Don't know" or firms to which environmental issues do not apply have been dropped from the sample; figures are in % of firms in their respective industry. This is to reveal the weight attached to environmental issues within each sector.

The discussion so far presents ample evidence that the F&B sector contributes positively to Lebanon's sustainable development. The sector is recognized with an underlying potential for innovation, trade growth, and employment creation. However, the F&B sector is a very real sector; there are shortcomings associated with F&B businesses, which are not insulated from malpractices and misconduct.

One important challenge facing the industry relates to concerns over quality at the various stages of the F&B value chain. Chlouk (2016) indicates that such challenges range from concerns at the farming level concerning the usage of chemicals such as pesticides and antibiotics and water quality and sanitary and phytosanitary (SPS) norms to concerns over the production process and adherence to SPS norms in production, despite the Lebanese parliament having approved in 2016 Law No. 35 on Food Safety, which includes provisions that aim to improve public health and which advocates of consumer protection saw as a breakthrough in the legislative arena.

For example, over the past decade, reports about contaminated food and lapses in safety standards have been issued, and scores of slaughterhouses, farms, factories, and restaurants were ordered to be closed (Beer 2014). In 2018, trading in pickled turnips manufactured by 6 F&B companies was suspended because of the use of coloring material that is not authorized for use in the production of pickles.

On a handful of other occasions, Lebanese food exports have been rejected from entry to certain international markets due to discrepancies with safety and traceability standards and a lack of requisite knowledge on behalf of many Lebanese producers and exporters about foreign regulations and requirements. According to the Ministry of Economy and Trade (MoET 2005), about 50 percent of the country's agro-food exports were rejected by European markets due to labeling irregularities, around 35 percent because of illegal and unsafe additives and colorants, and about 5 percent due to the presence of salmonella.
In 2020, the Ministry of Health (MoPH), in cooperation with the country's Customs Department, stormed several warehouses where tons of expired chicken were stored. As a result, famous chicken brands in the Lebanese market used chicken with an expiry dating back to 2016 and 2017. The ministry closed the factory responsible for processing the expired chicken, and the products were immediately withdrawn from the market. However, the popular opinion in the country conceives that such actions by officials constitute mere media stunts, especially that no thorough strategy and supplementary mechanisms are set in place to monitor the meat and poultry market and ensure that similar scandals do not happen again. To date, the owners of both the expired chicken and the factories in which the expired chicken was processed remain at large. Reportedly, they enjoy political backing. In addition to quality and traceability issues, the F&B industry faces challenges that have to do with labor informality and protection.

El Mufti (2018) explores labor conditions linked to national and foreign informal workers in the F&B sector in three Lebanese provinces. The study finds that exploitation of Lebanese and foreign workers at various levels of vulnerability within the F&B industry is widespread, despite existing compensation mechanisms such as benefits linked to work accidents. Many workers are denied benefits, including basic protection.

This section shows that the F&B industry is a dynamic sector on the national level and holds great potential for sustainable development. However, the challenges facing it are real. For example, quality and safety concerns directly bear on the sector's potential to retain export markets and tap new ones. By the same token, failure to guarantee workers' rights in terms of basic protection can effectively undermine its potential to contribute to the SDGs. In this regard, the lack of penal action against private parties that violate laws and regulations pertaining to the protection of public health and social and economic rights of workers calls into question both the adequacy of the regulatory environment governing the F&B sector its enforceability.

6. Concluding Remarks

This paper explored a set of issues related to Lebanon's private sector and the overall investment environment. It examined the role of the F&B industry in the context of its contribution to sustainable development.

A key takeaway is that Lebanon is yet to develop a comprehensive and coherent long-run strategy on the role of the private sector and, more importantly, on the regulatory environment that would allow it to actively contribute to the achievement of the SDGs. The paper also demonstrated evidence that the F&B sector exhibits an underlying potential. It showed that the sector positively contributes to sustainable development, as captured by its capacity to generate employment and value-added, tap foreign markets through exports, introduce R&D and innovation outputs, and account for environmental and climate change concerns in the design of strategic objectives.

Given the above challenges, and in the context of the deep economic crisis that engulfs Lebanon, there is unquestionably a growing realization that fundamental reforms need to be implemented. At the heart of such reforms lie the revamping of the private sector as a dynamic economic agent, conditional on its contribution to sustainable development objectives and the gearing of public policies and incentives towards meeting this objective. In other words, the role of the private sector should be perceived within the context of a comprehensive developmental vision that aims to mobilize productive capacities and enhance capabilities.

In what follows, the paper outlines an enhanced approach to investment promotion in Lebanon which would entail a more substantial developmental impact. Among the primary aims is the attraction of higher levels of FDI, particularly to the F&B sector, and the promotion of a more coherent regulatory framework that governs not only the F&B industry but also the overall business sector.

Lebanese food exports have been rejected from entry to certain international markets due to discrepancies with safety and traceability standards and a lack of requisite knowledge on behalf of many Lebanese producers and exporters about foreign regulations and requirements.

6.1 An Enhanced Approach to Business and Sustainable Development

The following regulatory reforms are proposed to better align investment, including in the F&B sector, with sustainable development objectives.

6.1.1 Regulatory and Policy Alternatives

Investment Law 360 and its related decrees constitute the only framework that defines the mandate of the investment promotion agency and the incentive schemes that target priority sectors. As UNCTAD (2018) points out, Lebanon needs to develop an investment promotion plan, which translates into a strategy for attracting FDI in promising sectors. Such a plan should be situated within a longer-term strategy for social and economic development that would place the SDGs at the forefront of policymaking. In this context:

- A benchmarking exercise is required. This exercise aims to identify key economic activities at relatively high levels of disaggregation (subsectors and branches of industries), which are deemed to play a leading role in the country's long-term development. These activities, and the value chains in which they operate, will serve as priorities for FDI promotion and targeting.

- The importance of economic activities should be benchmarked against a series of criteria including, but not limited to the ability to generate employment, notably among women and youth; export growth; fiscal revenues; as well as activities that ensure environmental sustainability, and exhibit linkages with other sectors through technological and knowledge spillovers (Ibid).

- A statistical database that provides reliable information on investment, domestic and foreign, is needed to complement the investment promotion plan and provide investors with consistent and reliable data on the country's investment reality. For this purpose, IDAL may benefit from the abundance of databases, surveys, reports, and interviews produced by various stakeholders such as government institutions, academic and research institutions, non-governmental organizations (NGOs), donors, and other sector-specific stakeholders.

If the Lebanese government opts to move in the direction of privatization and PPPs to leverage private finance for development projects, it should ensure transparency and accountability towards the Lebanese electorate and provide them with a non-biased understanding of the fiscal risks involved. This is done through:

- Carrying out a broad-based evaluation of privatization and accounting for the multidimensional aspects of performance (economic, social, and environmental) into the design and implementation of privatization programs.

- Allowing access to all documents concerned with PPPs and the liabilities associated with their implementation.

- Publicly disclosing information about the medium- to long-term fiscal implications of every privatization and/or PPP project in national accounts.

The Lebanese economy is characterized by high levels of market concentration, which adversely impact the welfare of consumers and prospects for domestic and foreign investment. The draft competition law encompasses promising (written) reforms in terms of limiting practices of unfair competition. Yet its deliberate avoidance by politicians and cartels for over a decade implies that the answer is one of political will. In this context:

- A genuine commitment on behalf of the

Lebanese state, in addition to financial assistance from domestic and international partners, is required to prevent cartels and patronage networks from opting for short-term concessions to avoid lasting reform. A policy priority in this respect should be the adoption of a comprehensive competition law, in addition to the establishment of an authoritative competition agency.

- An earnest effort towards calling out companies and exposing their sectarian patrons is a responsibility that rests squarely on the shoulders of progressive forces in the country.

An UNCTAD (2020c) report indicates that, on average, public procurement amounts to 12 percent of GDP in OECD countries and up to 30 percent of GDP in developing countries. This means that public procurement can be a powerful tool for sustainable development. Therefore:

- Authorities should adopt a modern and comprehensive public procurement law and set forth a modern legal framework for procurement processes.

- Such a framework should integrate sustainable development in public procurement so that goods, services, and utilities are procured in a way that accounts for social, environmental, and economic considerations. This includes providing incentives for small and medium enterprises (SMEs) as well as national production.

There is an opportunity to enhance Lebanon's Labor code to improve the state of the labor market and offer a broader scope of economic and social protection for workers. In this context, authorities should:

- Ratify the ILO Convention on Freedom of Association and Protection of the Right to Organize.

- Adopt more objective mechanisms in setting the minimum wage, including by making the process more participatory.

- Adopt adequate measures to enhance female labor force participation and alleviate the gender pay gap.

- Address the country's skills-match problems through implementing reliable and periodic labor market surveys.

- Incentivize employers to put in place broader, human rights-based socio-economic protection strategies that guarantee protection to workers, including in the areas of healthcare and education.

The weak enforceability of existing laws and regulations is evident. Tax collection and investor compliance stand out as two significant examples. In this context, authorities should:

- Improve compliance with tax as well as other relevant regulations. This requires that revenue authorities encourage voluntary compliance using a cooperative and participatory regulatory environment. According to an OECD (2004) report, there is evidence that taxpayers are more likely to increase voluntary compliance when they perceive that the revenue authorities are fair and reasonable.

- Step up efforts to simplify online declaration and payment of taxes. These efforts may benefit from the enactment of Law 81 on e-transactions and data protection (dated 10-Oct-2018). The Law recognizes that electronic communication is commonplace among contemporary businesses, and it attempts to equate e-signatures and e-documents with paper-based signatures and documents. Interconnecting the MoF and the Trade Register would also simply follow-up efforts by tax authorities.

According to an OECD (2004, p. 149) report: "Attracting investment is one thing, making it work for development is another." Therefore, investment promotion measures must anticipate and account for potential market failures rampant in Lebanon, including inadequate infrastructure, cumbersome and lengthy establishment and liquidation procedures, and a concentrated market. In this context, authorities should:

- Improve the potential of infrastructure markets in Lebanon as both an investment opportunity and an enabler of investment.
- Align laws and regulations with the UN Guiding Principles on Business and Human Rights (UNGPs). This would ensure more responsible and sustainable business conduct by domestic and foreign companies.

6.1.2 Recommendations for the F&B sector

- The relevant Ministries must ensure more effective cooperation between producers, exporters, and the Lebanese public institutions to devise sustainable solutions regarding quality standards and compliance issues. According to Chlouk (2016), this requires a combination of regulatory and technical measures, including effective oversight of the production process and the inputs used therein. It would help reduce or even eliminate rejections of Lebanese F&B exports and serve as a launchpad for elevated international expansion.
- Active and concrete steps need to be undertaken by the MoI and other relevant ministries to mobilize stakeholders, including international donors, to facilitate the implementation of the IZs that are underway in collaboration with UNIDO. There is evidence that IZs have the potential to ease cost pressures and improve productivity, which would enhance the sector's potential to effectively contribute to the SDGs. The establishment and, later, operation of IZs should be linked to a regular and periodic assessment of the impact of IZs on local socio-economic development.
- Further field research is needed to identify avenues for developing specialized value chains in the F&B sector. Such effort can build on IDAL's list of the leading value chains with underlying potential.
- Lebanese authorities have an opportunity to step up efforts on the international front to ensure that a 'protected designation of origin' (PDO)[31] is awarded to specific F&B products, namely those that Lebanon has a positive reputation for manufacturing and exporting. Relevant stakeholders include the Ministry of Industry, Ministry of Economy and Trade, the Ministry of Agriculture (MoA), in addition to the Association of Lebanese Industrialists (ALI), the Chamber of Commerce, Industry and Agriculture (CCIB), civil society organization (CSOs) and the media. Having a PDO would confer a competitive advantage on the country's productive sectors, which are part and parcel of any sustainable development agenda.

There is an opportunity to enhance Lebanon's Labor code to improve the state of the labor market and offer a broader scope of economic and social protection for workers.

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Appendix

A. Product innovations in the F&B sector include, among other things:

- introduction of new flavors of wine, nuts, and croissants, as well as organic olive oil and natural colorings in drinking products
- manufacturing of gluten-free and sugar-free bread, dried fruits, as well as new sauces, and feed for dairy cattle
- Introduction of new bottles with improved Polyethylene Terephthalate (PET), widely used for packaging foods and beverages. The benefits of PET bottles include convenience (safe and lightweight), recyclability, and sustainability (increasing numbers of PET plastic bottles are made from recycled PET), as well as being cost-effective and distinctive (can be molded into different shapes).

B. Process innovations in the F&B sector include, among other things:

- The purchase of new automated production lines, which reduces production costs and allows for higher productivity and output.
- The use of new packaging machines (weighing, packing, and vacuum packaging food, nuts, and spices).
- The purchase and use of new and upgraded machines that wash, peel, slice, dry, boil, fry, and freeze produce, as well as upgraded machines for milk sterilization.

Endnotes

1 The 'merchant republic' is often employed in the literature to refer to the presidencies of Bichara al-Khuri (1943-52) and Camille Chamoun (1952-58) during which the laissez-faire orientation was consolidated and the mercantile-financial bourgeoisie's objective to make Lebanon the 'Switzerland of the Middle East' was promoted.
2 Of course, this statement does not imply causation. In fact, the Lebanese economy was already on fairly shaky grounds prior to the uprisings.
3 The outbreak of the Covid-19 pandemic in both developed and developing countries has had sweeping consequences on people's lives and the economy. As far as the latter is concerned, lower income economies have been disproportionately affected by the outbreak.
4 Increasingly, the world economy is characterised by financialization. While there is no common agreement about the definition of the term, we follow Krippner (2004) who defines financialization as a "pattern of accumulation in which profit making occurs increasingly through financial channels rather than through trade and commodity production".
5 Matsuyama (2008) uses the term structural change to denote changes in various characteristics of the economy which affect its development process. These changes reflect sectoral compositions of production and employment (usually towards higher value-added products and processes), technological progress, and organisational change, among others.
6 A Ponzi scheme usually involves a fraudulent investment whereby the initial investors are paid using the money collected from later investors. A promise is made that money collected will be invested with the aim of generating returns, thus making the process seem legitimate. Where things go wrong is when the money collected from later investors is not invested, but rather used to pay those who invested earlier. This scheme is doomed to collapse since it requires a constant flow of new money to continue.
7 Sustainable and inclusive growth here refers to relatively high economic growth rates that are sustained over a relatively long period of time, are distributed fairly across society, and create employment opportunities for all.
8 According to the World Development Indicators (WDI) database, Lebanon's gross national income (GNI) stood at 7,380 US$ in 2019. GNI here is calculated based on the World Bank's Atlas method, which uses official foreign-exchange rates to convert national currency figures into US$. A shortcoming of such method is that it does not reflect the purchasing power of different currencies, a shortcoming that is addressed by the purchasing-power-parity method.
9 Greenfield investment is a type of DI that involves building a new entity and establishing new operations in a foreign country. This is different than M&As, which involve the purchase of an existing company in a foreign country.
10 This is not to say that M&As do not contribute to employment and growth. To the contrary, changes in ownership may bring about innovative organisational methods which can raise an establishment's overall productivity.
11 A foreign direct investment (FDI) is an investment made by a firm or individual in one country into a business or corporation in another country.
12 Note that, in absolute terms, FDI has increased in 2018 in comparison with 2017.
13 FDI figures are drawn from UNCTAD's statistical database.
14 It is noted that foreign ownership of real estate is limited by size and quota. For example, Law No. 296 of 2001 stipulates that the cumulative acquisition of real estate by foreigners may not exceed three percent of total land in any district. In Beirut, it may not exceed ten percent of the capital's land area. The law prohibits the acquisition of property by Palestinian refugees.
15 For example, IDAL (2018) points out that the Saudi-based investment company Kingdom Holding Co. sold its shares in Beirut's Four Seasons Hotel for $120 million to a group of Lebanese and Arab investors.
16 IDAL's one-stop shop (OSS) can be thought of as a business or office that offers services to customers wanting to invest in Lebanon. The rationale behind the OSS is to facilitate investments by short-circuiting lengthy administrative procedures and providing investors with a single point of contact for all dealings with the Lebanese Government.
17 Generally, Lebanon agrees to partake in international arbitration concerning investment disputes. Lebanon is a member of the International Center for the Settlement of Investment Disputes (ICSID Convention) and has ratified the 1958 Recognition and Enforcement of Foreign Arbitral Awards (New York Convention) in 2007 (US DoS 2020). Lebanese law conforms to both conventions.
18 Greek, German, Italian, French and Egyptian companies (a total of 5 companies) sought international arbitration against the Lebanese state between 2000 and 2016. The dispute with the Italian company has been decided in favor of the Lebanese state,

whereas the dispute with the French investor was decided in favor of the latter. The others are pending.
19 Between 2014 and 2016, 3 Lebanese companies investing abroad sought international arbitration against the governments of Sudan, Greece and Cyprus. The dispute with Cyprus has been decided in favor of the Cyrpiot government, while the others are pending.
20 These calls are part of an alternative vision proposed by ABL and other interest groups in lieu of the Lebanese government's financial recovery plan. The latter devised a scheme for recovering losses, a significant part of which was to be borne by the banking sector.
21 While there is no single definition of PPPs, it is widely accepted that PPPs refer to a medium- to long-term contractual arrangement between the state and the private sector and involves some form of risk sharing between the two parties. Under a PPP, the private sector partakes in the supply of services originally provided by the state, including in the areas of health, education, infrastructure and energy.
22 Practices of unfair competition are usually described by courts as professional mistakes committed by enterprises in their quest for unfair profits which happen in violation of the prevailing legal and moral principles in commerce.
23 Two operators, namely Organisme de Gestion et d'Exploitation de l'ex Radio Orient (Ogero) and Alfa (formerly, Cellis) controlled the telecom industry (cellular- and fixed-line operations) in Lebanon prior to the formation of a third operator, Touch (formerly, MTC Touch), in 2004.
24 FLFP in the MENA region stood at 20 percent in 2020, the lowest among all regions.
25 In the 'developmental state' literature, a 'developmental state' which demonstrate characteristics of embedded autonomy is one which possesses an autonomous bureaucracy that coordinate economic activities in order to achieve growth and structural change. An example is South Korea. In contrast, a 'predatory state' is one in which the interests of dominant groups within the state are promoted at the expense of society. According to Robinson (1999), an archetype of this type of state is Zaire (now the Democratic Republic of the Congo), which existed between 1965 to 1997.
26 The manufacturing of Tobacco is included in the value-added figures for the F&B sector.
27 The survey is based on random sampling, whereby 1500 factories were selected randomly from a total of 4438 factories possessing an industrial certificate/license) from the Ministry of Industry. The survey was carried out between August 2017 and July 2018, and the data collected is for the year 2016.
28 Lebanese workers constituted around 82 percent of permanent, full-time employees in the F&B sector in 2016, while Syrian workers constituted about 4 percent, with the remaining 14 percent consisting of other nationalities.
29 It is especially important to note that the US$ figures presented in this paper reflect a time period when the fixed exchange rate (1500 LBP per US$) was applicable. Accounting for the stark currency depreciation which set off in late 2019 would generate a much lower estimate for wages.
30 R&D is an adequate indicator of a firm's (or country) commitment to upgrading its stock of knowledge and the technological content of its business activities. The latter can then be used to enhance productivity and the overall well-being of employees.
31 A PDO is a protection mark usually given to food and agricultural products as well as wines. To be protected under PDO, a product must have specific links to the place where it is made – it must be produced, processed and prepared in a particular region and possess distinguishable characteristics from the same region. An example is 'Feta' cheese, a flagship product of Greece.