EMPOWERING WOMEN ENTREPRENEURS IN THE MENA REGION TOWARDS EQUAL ACCESS WITH MEN TO BUSINESS AND TRADE

MARKET STATE OF ART & TRENDS

LEBANON COUNTRY PROFILE

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LIST OF ABBREVIATIONS

Abbreviation	Definition
CAGR	*Compound Annual Growth Rate*
CAS	*Central Administration of Statistics*
CAWTAR	*Centre of Arab Women for Training and Research*
EU	*European Union*
GCC	*Gulf Cooperation Council*
GDP	*Gross Domestic Product*
ICT	*Information and Communication Technology*
IDAL	*Investment Development Authority of Lebanon*
IDI	*In depth interviews*
ILO	*International Labour Organization*
LEB	*Lebanon*
MENA	*Middle East and North African Region*
NAS	*Lebanon National Agriculture Strategy*
OEC	*The Observatory of Economic Complexity*
SWOT	*Strengths, Weaknesses, Opportunities, and Threats*
UAE	*United Arab Emirates*
UN	*United Nations*
USA	*United States of America*
USD	*United States Dollar*
WIPO	*World Intellectual Property Organization*

INTRODUCTION

Under developmental efforts by **The Centre of Arab Women for Training and Research (CAWTAR)**, launching the project **'Empowering Women Entrepreneurs in the MENA Region towards Equal Access with Men to Business and Trade Markets'**, this report aims to analyse the sectors that were previously identified as sectors with high potential for women participation and for creating businesses in 6 MENA countries. The report at hand is amongst a series of 6 reports for each of the following countries namely **Algeria, Egypt, Jordan, Lebanon, Morocco, and Tunisia** in the prominent sectors of **agri-food, textile, and ICT**. The report presents a main economic overview of the country followed by a market trends analysis on each of these sectors. This report therefore represents Lebanon and emphasizes on assessing potential business opportunities to be led by women in the country.

However, it is crucial to consider Lebanon's current unstable economic situation. This report has fulfilled its purpose through massive dependence on secondary data. Further analysis resorted to interviews with key experts in each sector and highlighted the unpredictability of doing business midst current situation. This has also been evident through the demotivation expressed by experts to share any insights caused by downturn in the current economy accompanied by frustration from recent events and uncertainty.

Macroeconomic Overview

Lebanon is a developing nation, listed 92nd on the Human Development Index and ranking among the top in the Arab world outside of the Persian Gulf's oil-rich economy. It is considered a state with an upper middle-class income. Nevertheless, by the end of 2019, Lebanon's economy was undergoing a large-scale, multi-dimensional crisis. The Lebanese sovereign debt crisis, corruption, and recent events have resulted in a currency crisis, political unrest, catastrophic shortages, rising unemployment, and poverty.

The Lebanese economy is services-oriented representing78.8% of the country's GDP[(1)] as of 2020, with the main growth sectors include banking and tourism. The industrial sector accounts for 12.8% of GDP constituting mainly manufacturing agri-food products (26%), followed by construction materials (12%) and chemical products(8%)[(2)].The agriculture sector, despite Lebanon being almost self-sufficient in the production of fruits and vegetables, it contributes with 3.1% of the GDP with heavy reliance on dairy, livestock and cereal exports.

As for employment, the agriculture sector employs 13.4% of the workforce, the industrial sector employs 22.3% of the workforce, and the services sector employs 64.3% of the workforce[(3)]. Lebanon has one of the world's biggest overall gender disparities (ranked 145th out of 153 countries in the World Economic Forum Gender Gap Report 2020) and one of the lowest global rates of female labour-force participation[(4)]. Within the unemployment pool, females have a higher unemployment rate of 14.3 percent as opposed to 10 percent for males[(5)].

1. Economic and political overview. Credit Agricole Group. 2021
2. Industry. IDAL.
3. Ibid.
4. UN Women: 2020 Beirut Explosion Response Plan. United Nations Arab States. 2020.
5. Labour Force and Household Living Conditions Survey 2018-2019 Lebanon. CAS, ILO, and EU. 2020.

The Lebanese economy is suffering due to the pandemic coupled with the tragedy of the Beirut port explosion, which demolished hundreds of SMEs and the port through which 70% of the Lebanese economic activity is conducted(6), resulting in adecline in the GDP by 25%, the worst and lowest rate in over a decade(7). Furthermore, Lebanon's gross public debt surged by 8.9 percent per year in the first half of 2020, reaching $93.40 billion(8). This further aggravates living conditions for the Lebanese population of which 55% already live in poverty and 23% live in extreme poverty(9).The table below highlights Lebanon's main macroeconomic indicators:

Table 1: Lebanon's macroeconomic indicator

Demographics & Macroeconomic Indicators	
Population & growth rate (2021) (10)	6,825,442 people with a population growth of -0.44 percent in 2020.
Age structure (11)	0-14 years: 25 percent 15-64 years: 67.38 percent 65 years and above: 7.55 percent
Population distribution by gender (12)	Males: 50.34 million. Females: 49.66 percent
Labour force (13)	Male participation rate is at 76%, while female participation rate is at 29%.
Urbanization rate (2020) (14)	86 percent of the total population (6,069,524 people).
Illiteracy rate by gender (15)	Males: 4%,Females: 8.1%
Economic growth trend (16)	2015: 0.21%, 2016: 1.53%, 2017: 0.85%, 2018: -1.93%, 2019: -6.7%, 2020: -20.3%
GDP (2020) (17) GDP per capita (2020) (18)	33.38 billion USD 4891.00 USD
GDP by sector (19)	Agriculture: 3.1%. Industry: 12.8%. Services: 78.8%
Inflation (20)	84.86%
Investment/doing business (21)	54.3

6. Lebanon succumbs to the highest debt-to-GDP ratio in the world. Arabian Business. 2020.
7. Lebanon: Growth rate of the real gross domestic product (GDP) from 2010 to 2020. Statista. 2021.
8. Lebanon succumbs to the highest debt-to-GDP ratio in the world. Arabian Business. 2020.
9. Merhej, Karim, and Maysa Baroud. THE DIGITAL ECONOMY AS AN ALTERNATIVE IN LEBANON: FOCUS ON MICRO, SMALL, AND MEDIUM ENTERPRISES. Issam Fares Institute for Public Policy and International Affairs. 2020.
10. Lebanon: Population growth from 2010 to 2020. Statista. 2021.
11. Lebanon: Age structure from 2010 to 2020. Statista. 2021.
12. Lebanon - Male to female ratio of the total population. Knoema.
13. UN Women: 2020 Beirut Explosion Response Plan. United Nations Arab States. 2020.
14. Lebanon Urban Population 1960-2021. Macro Trends.
15. Labour Force and Household Living Conditions Survey 2018-2019 Lebanon. CAS, ILO, and EU. 2020.
16. Lebanon GDP Growth Rate 1989-2021. Macro Trends.
17. Lebanon GDP 1988-2021. Macro Trends.
18. Lebanon - Gross domestic product per capita in current prices. Knoema.
19. Economic and political overview. Credit Agricole Group. 2021.
20. Development of inflation rates in Lebanon. World Data.
21. Doing Business 2020. World Bank. 2020.

Covid-19 impact

As most of the globe, the outburst of the Covid-19 pandemic negatively impacted economies, and primarily the tourism sector. With Lebanon mainly depending on tourism, the impact was even harder than other neighbouring countries, shutting down restaurants, tourist industries, general service industries and other relevant sectors of construction, arts and entertainment(22).

In terms of trade, exports and imports reached their lowest levels in over a decade, with exports shrinking to reach USD 8.98 billion(23), a 51.17% decline from 2019, and imports reaching USD 14.97 billion(24), a52.56% decline from 2019, due to restrictions imposed on imports in light of COVID-19.On the same line, and as asurvey conducted to measure effect of the pandemic on the consumers' purchasing criteria shows that consumers cut down their purchase expenses and altered their criteria, with increased price sensitivity constituting the main purchasing factor, where customers resorted to cheaper goods(25).

Selected sectors

I. The Agri-food sector

There are around 1,245 agri-food enterprises in Lebanon, accounting for the majority of overall industrial firms, with 48 percent concentrated in Mount Lebanon Governorate(26), and while the agricultural sector's contribution to GDP is miniscule, the sector employs 13.4 percent of the workforce(27), and agri-food exports have grown at a 2% CAGR since 2010, illustrating the sector's potential and longevity despite external and internal obstacles(28).

Agri-food exports amounted for 11.7 percent of total exports and 12.4 percent of industrial exports in 2019. Simultaneously, agri-food imports constitute a substantial share of overall imports, accounting for 18 percent of total imports and averaging USD 2.9 billion on average between 2014 and 2018. Domestic agri-food production only fulfils around 20 percent of local demand making the bulk of Lebanon's food supplies imported(29). When evaluating trade, the United States proves to be a prospective market for Lebanese food and beverage items. Various crops may be grown, which will benefit both the agricultural and industrial sectors. For example, olive planting allows for the production of virgin olive oil. In 2018, the volume of olive output was 117,413 tons. For the period 2011-2018, the CAGR was 4%(30). Lebanese wine is also garnering popularity throughout the world, with IDAL reporting that exports hit USD 21 million in 2019. Lebanese dairy products, nuts, fresh and dried fruits, and chocolate are very popular, especially among Arab nations(31). However, owing to a variety of factors, such as

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22. Assessing the Impact of the Economic and COVID-19 Crises in Lebanon. World Food Programme. 2020.
23. Lebanon Exports 1989-2021. Macro Trends.
24. Ibid.
25. Abdulkhalek, Rasha, and Maged Eid. Effect of Corona Virus on the Shopping Criteria of Lebanese Consumers. International Journal of Business Marketing and Management (IJBMM). 2020.
26. Textile Industry in Lebanon. Textile Infomedia.
27. Economic and political overview. Credit Agricole Group. 2021.
28. Agri-food. IDAL.
29. Ibid.
30. Ibid.
31. Khamis, Rim. The potential of sustainable agriculture in Lebanon. Annahar. 2020.

regulatory challenges, strong rivalry, a lack of market intelligence, distribution accessibility, and an overall lack of linkages, relatively few Lebanese enterprises have thus far effectively entered the market[32].

With the pandemic hitting, the ramifications on agri-food supply networks have been minimal on national value chains but significant on global value chains, making import and export more difficult during the lockdown period. At any rate, the repercussions of COVID-19 on domestic agri-food markets were limited in contrast to the significant impact of the inflated exchange rate between the LEB and USD, which culminated in rising food prices[33].

Exports and Imports

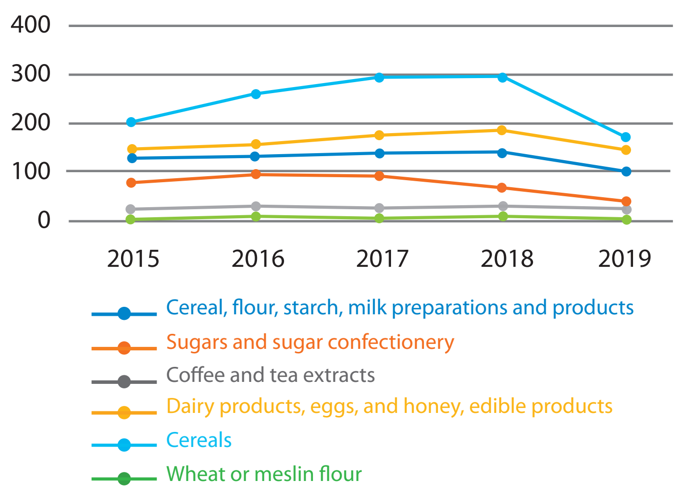
This section presents main exports and imports in the agri-food sector emphasizing on manufactured food rather than agricultural crops. By analysing export andimport trends, prominent products can be identified for highlighting potential business opportunities.

As figure (1) illustrates main exports in the agri-food sector. Edible fruits, nuts, peel of citrus fruit or melons make up the highest export share, while sunflower seed or safflower oil has seen a dramatic increase between 2017 and 2018 and it has been on the rise since. Other products that have increased between 2018 and 2019 include edible fruits, nuts, peel of citrus fruit or melons, as its exports increased from USD 141 million to USD 171 million.

All products representing main imports in Lebanon in the agri-food sector as illustrated in figure (2), have seen a stagnant with exceptional yet minimal decline in the year of 2019. Cereals, dairy products, eggs, and honey, edible products had the most noticeable drop between 2018 and 2019 of 41 percent and 23 percent, respectively.

Figure 1 Subsector export flows. *Source: OEC.*

Figure 2: Agri-food subsector imports flow between 2015 & 2019. *Source: OEC.*

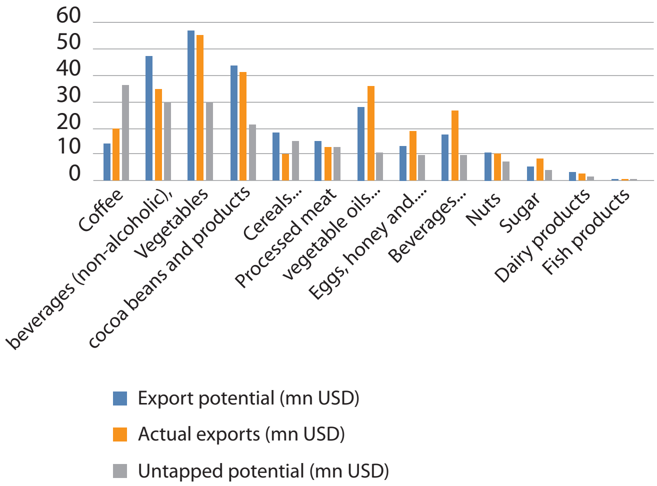


Export Potential

While actual exports show certain products to rank highest in terms of value, this section presents other products that may not be highly exported but rather have high more potential to be exported.

Figure (3) shows the untapped export potential for the main food products in Lebanon, highlighting also the actual exports versus the untapped export potential[(34)].

Figure 3 Untapped export potential across commodities in Lebanon



As illustrated, the top five food products with untapped export potential are coffee, beverages (non-alcoholic), vegetables, cocoa beans and products, and processed meat.

Tables 7 in the market opportunities section elaborates more on the potential of these products by clarifying values of the untapped export potential for the top food sub-products, as well as the main potential export markets for those sub-products.

Main Sectoral opportunities and challenges

Lebanon has been facing numerous challenges in the agri-food sector for years as a result of high manufacturing costs, trade monopolies, unfavourable international trade agreements [(35)], inaccessible raw materials, fluctuating prices of raw materials, relying heavily on imported products and raw materials, lack of governmental monitoring, and frequent power outages. Trade limitations imposed by Covid-19 have exacerbated Lebanon's economic and financial crises, raising the prices of imported food goods even higher[(36)]. In addition to the Covid-19 crisis, the explosion at the Beirut port in August 2020 destroyed a huge portion of Lebanon's grain stocks. Unfortunately, Beirut's port holds the country's only grain silos and receives 80% of its imports[(37)], further condemning the country's economy to more chaos. Moreover, political instability is constantly shaking its trade flows with important markets such as Saudi Arabia and United Arab Emirates.

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32. THE PREMIER VIRTUAL EXHIBITION OF LEBANESE FOOD AND BEVERAGE – USA 2020. The Embassy of Lebanon, Washington. 2020.
33. Lebanon National Agriculture Strategy (NAS) 2020 – 2025. Ministry of Agriculture.
34. Difference between export potential and untapped export potential: In the calculations that aggregate untapped potential at the region or sector level, Trade Map does not allow a negative gap between actual exports and export potential (actual exports > export potential) in one product, market, or supplier to cancel out a positive gap (actual exports < export potential) in another. They preserve the individual untapped potential levels and sum them. For this reason, the remaining untapped potential to a group of countries (or products) aggregates only those values where the actual export value remains below the potential value.
35. Big challenges to agricultural sector and food security in Lebanon because of government neglect. Women Economic Empowerment Portal. 2014.
36. Assessing the Impact of the Economic and COVID-19 Crises in Lebanon. World Food Programme. 2020.
37. Ibid.

However, the sector enjoys other strength points and activities, and based on The Agricultural sector in Lebanon document published by the United Nations Economic and Social Commission for Western Asia, and IDIs conducted, this table shows the SWOT analysis to be considered by policy makers and support organizations as summarized in the table (2) below[38]:

Table 2: SWOT analysis of the agri-food sector in Algeria

Strengths	Weaknesses
• Close proximity to Gulf and European markets, which are net importers of fruits and vegetables. • Large Diaspora creates access points to new markets. • Very positive name-recognition in Gulf countries particularly with "Lebanese Apples". • Mediterranean climate allows for a long growing season and for crop diversity. • FFVs are often handpicked and gathered in unpolluted areas and Lebanon's juices are considered high quality, when made from 100 percent natural fruits and vegetables. • Ready availability and accessibility to agricultural inputs, unlike in many other developing countries. • Access to cheap seasonal labour from neighbouring countries (mainly Syria, but also from Egypt). • Well-established food canning industry with extensive markets in the Gulf, EU and North America.	• Lacking food quality and safety standards. • High-cost structure compared to other MENA countries. • Institutional fragmentation creates bottlenecks. • Poor logistics, particularly in timeliness of delivery. • Water scarcity as a production constraint and a lack of adequate investments in irrigation infrastructure. • Weak marketing infrastructure. • High debt service. • Lack of land-use planning and rapid urban encroachment over prime farmland. • Highly fragmented land holdings and predominance of part-time farming. *Severe politicization of agricultural and rural development institutions, with programs and policies driven mainly by political considerations.*
Opportunities	**Threats**
• Organic FFVs offer higher premiums than conventional products. • High-end products offer more stable returns than low-end alternatives. *Food commodity prices have fallen considerably since the recent price shock, resulting in lower food subsidies, which may enable realignment of public investment in R&D and food quality and safety.*	• Egypt, Syria, and Turkey compete in Lebanon's major export markets; Jordan is an emerging threat. • Climate change. • High vulnerability to future grain-price shocks. • Projected long-run increase in key input prices (i.e. petroleum and fertilizer). *Cheese is Lebanese markets is limited in its varieties and is drastically higher in prices than outside of Lebanon.*

Demand trends and needs

After the pandemic hit, there has been a continuous growing global interest in nutritious food and healthier lifestyles all around. Accordingly, the Lebanese population have started exhibiting increased awareness levels reflected in their purchase of food with high nutritional values and following healthier trends. This has been further highlighted from field experts as follows:

38. The Agricultural Sector of Lebanon. United Nations Economic and Social Commission for Western Asia. 2013.

> *"People in Lebanon's investment in sports rose, as well as their interest in various diets; keto being one of them". -IDI with a Lebanese key expert in the agri-food sector*

It has been also highlighted that a growing consumer market have been willing to compromise on the shelf life of the product in exchange for more environmentally friendly products, placing additional pressure on manufacturers to be more sustainable.Moreover, Christians fasting found a great alternative in gluten-free food products, same as people with gluten intolerance. Accordingly, gluten-free food products are currently garnering more popularity as they serve these two segments along with people generally interested in following a healthy lifestyle. Among these popular food products are banana breads and apple chips. Following the trend, there has been a growing market for Lebanese protein bars.Furthermore, and in line with people's growing interest in nutritious food, people started cultivating their own plots and harvesting their own produce. To combat rising prices of animal feed, Lebanese people have begun to consider locally producing it themselves.

COVID-19 impact on consumer behaviour

After the spread of the pandemic, a survey was conducted to assess the effects of the pandemic on livelihoods, to which people reported that in order to bridge income disparities, one or more livelihood-based coping methods were used, with spending less on food being the most often reported approach. Furthermore, households' ability to get food was hampered by hyperinflation(39). As such, the prime minister of Lebanon stated that the country is on the cusp of a massive food calamity in May 2020(40).

High Demand Products

Upon assessing which subsectors have potential for growth or a competitive advantage to capitalize on, data has identified wine, olive oil, dried fruits and nuts, chocolate, and spices as the main subsectors with market opportunities(41) as listed in table (3) below citing the reasons behind the appeal of the products.

Table 3 : Subsectors with market opportunities

Lebanese wine	It has achieved global recognition, with strong penetration rates in nations with a sizable diaspora population. Wine exports were USD 21 million in 2019, with the United Kingdom (33 percent) and the United States (17 percent) leading the list of destinations.
Olive oil	Its exports have fared well over the years, increasing at a CAGR of 6% between 2010 and 2019, giving potential for diverse investment possibilities in the production of extra virgin olive oil from new olive types.
Dried Fruits & Nuts	The value chain may be restructured to generate higher products and become a constant supplier to underserved regional markets like Saudi Arabia, Egypt, and Spain.
Chocolate	Lebanon is a major exporter of chocolate to GCC nations, providing fine chocolate pieces in elegant packaging. With new healthier chocolate products, local firms have the potential to enter wealthy growing markets.
Spices (42)	They are among the food sub-products with great potential, as the Lebanese have special mixes and use their spices differently than overseas.

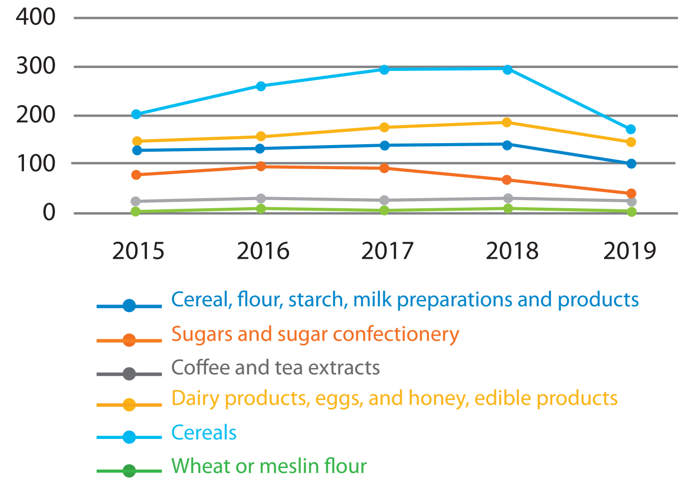
39. Assessing the Impact of the Economic and COVID-19 Crises in Lebanon. World Food Programme. 2020.
40. Ibid.
41. Agri-food. IDAL.

Local demand

The local demand trends in the agri-food sector can be assumed from Lebanon's main imports as illustrated in figure (4).

High demand products such as cereals, dairy products, and eggs are considered in high demand with large growth potential given the large imports data. Production and trade of such in-demand goods can be utilized to satisfy local demand.

Figure 4 Agri-food subsector imports flow between 2015 & 2019. *Source: OEC.*



International demand

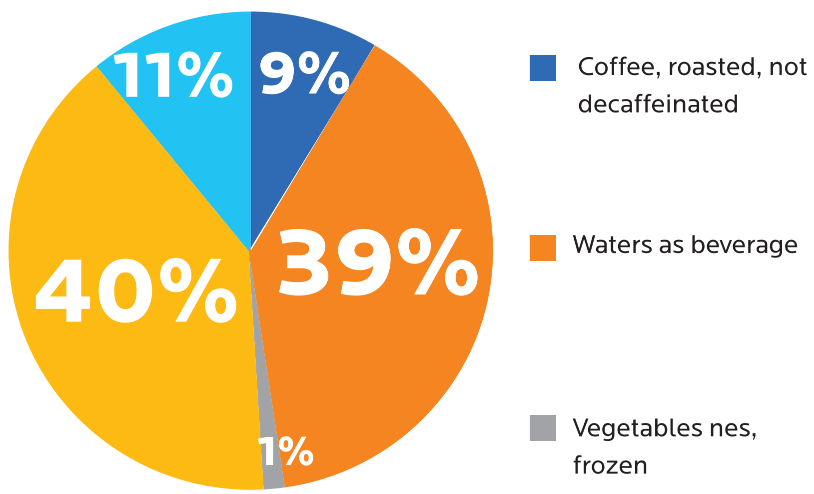
For new businesses to tap in the international demand, high exported namely sunflower seed or safflower oil and edible fruits, nuts, peel of citrus fruit or melons can be important indicator for producers to produce more to meet the global demand.

While these sub-products have potential for growth as furtherly corroborated through IDIs with key market experts, they emphasized that the country needs to focus on other sub-products as opposed to traditional Lebanese food which is mostly imported by neighbouring Arab countries.

To gain more exposure in international markets, Lebanon needs to invest in vegan, organic, and healthier alternatives.

Furthermore, Figure (4) illustrates coffee, roasted, not decaffeinated, and water as the highest two commodities with untapped export potential out of the five top subsectors in the agri-food sector.

Figure 5 Top commodities with untapped export potential



II. Textile

The textile industry in Lebanon comprises around 14% of the total industrial sector. In total, there are almost 800 manufacturing facilities [(43)]. As to the status of the industry, there is a general decline across local production, exports, imports, and market size with local production recued to half, while imports and the market size shrunk heavily as shown in table (4) below[(44)].

Table 4 : Apparel market status

	2019	2020
Total Local Production	$ 100 million	$ 50 million
Total Exports	$ 28 million	$ 25 million
Total Imports	$ 414 million	$ 143 million
Total Market Size	$ 486 million	$ 168 million

Exports and Imports

Lebanon's textile export market size is USD 0.05 billion with UAE, Italy, and Qatar as the main global markets among other countries as represented in figure (7)[(45)] below.

Figure 6 Top 10 textile exports from Lebanon by country.

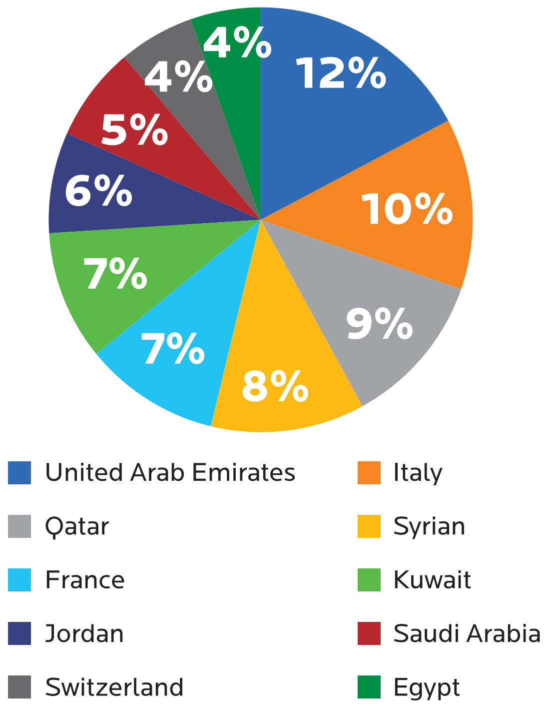
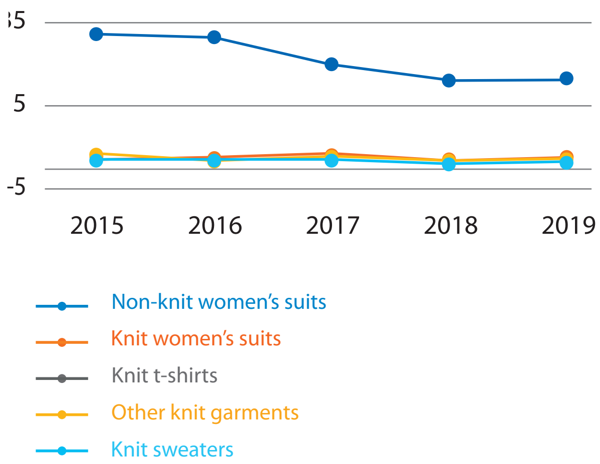


Figure 7 Subsector export flows



42. Ott, Sherry. The food of Lebanon. Ott's World. 2020.
43. Textile Industry in Lebanon. Textile Infomedia.
44. Lebanon – Apparel. International Trade Administration. 2021.
45. Source: OEC.

Figure (6)[46] shows non-knit women's suits as the main export product, even though it has been witnessing a continuous decline through the past five years, dropping by nearly 33 percent.Lebanon's textile import market size is USD 0.76 billion and the top 10 exporter countries are illustrated in figure (8)[47] below with Lebanon's import share indicated, withChina and Turkey comprising nearly half of Lebanon's import market.

Main exports include non-knit women's suits, with smaller portions in light rubberized knitted fabric and non-knit men's suits. (Illustrated in figure 5 below)

Figure 7 Top 10 textile imports to Lebanon by country.

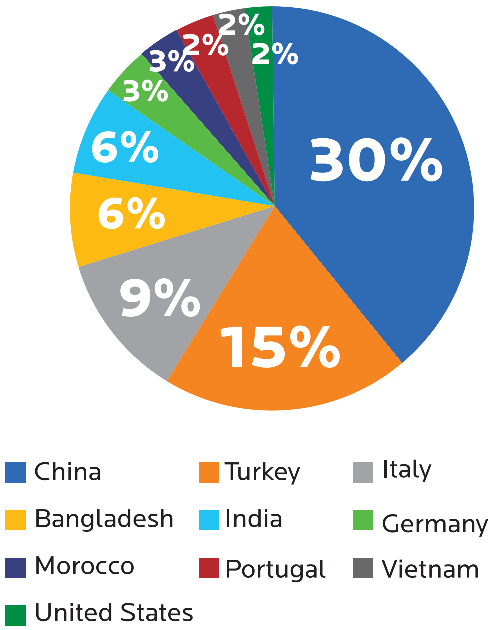


Figure 8 Subsector import flows

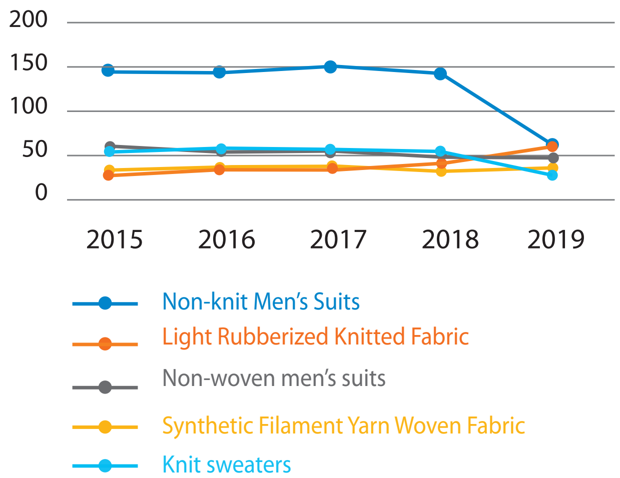
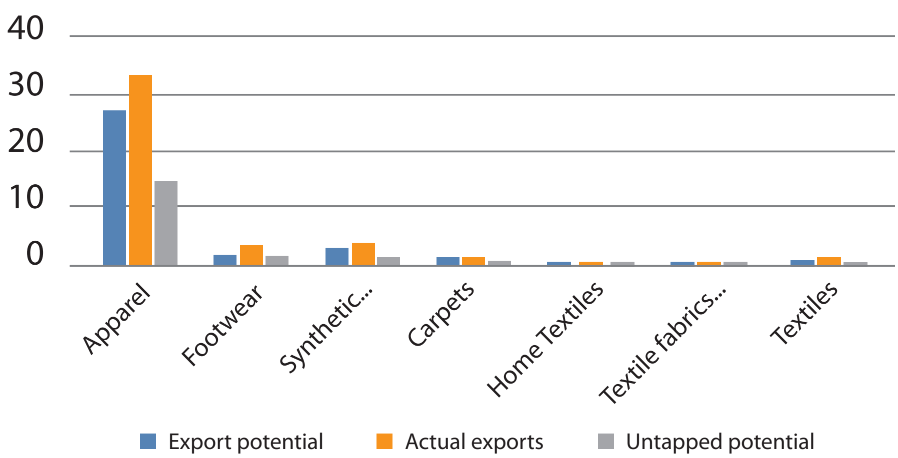


Figure 9 : Untapped export potential across commodities in Lebanon



46. Source: Infomedia
47. Source: Infomedia

Figure (9)[48] shows the untapped export potential for the main textile commodities in Lebanon. As illustrated, the top commodities with untapped export potential are Apparel, footwear, and synthetic textile fabric.

Attached in the market opportunities section is a table that elaborates more on the potential of these products by clarifying values of the untapped export potential for the top textile sub-products, as well as the main potential export markets for those sub-products, which are mainly,

Main Sectoral opportunities and challenges

To preserve local production, the Lebanese government has attempted to prohibit the sale of some Turkish items, notably textile imports worth US$123.3 million annually. Following lobbying by the Association of Lebanese Industrialists about 'unfair competition,' Lebanon's Council of Ministers accepted the country's ministry of economy and trade's proposal to prohibit specific Turkish items. Since the commencement of the Syrian crisis in 2011, Lebanon has been swamped with Turkish products, thanks to the closure of the Syrian border and the establishment of a direct freight ferry between Tripoli in northern Lebanon and Mersin in southern Turkey. The Turkish lira's decline since 2015, from TRY2.3 to the US dollar in 2015 to TRY4 in 2018, has also boosted imports. Due to high labour and production expenses, domestic production in Lebanon has decreased. Rakha provides the example of textile dyeing, which costs roughly US$4/kg in Lebanon but just US$0.50 in Turkey[49].

Assessing strengths and weaknesses in the textile sector is based on The Analysis of Lebanon's Apparel Market document published by Bank Med, and conducted IDIs, this table shows the SWOT analysis to be considered by policy makers and support organizations as summarized in the table (5) below[50]:

Table 4: SWOT analysis of the textile sector in Algeria

Strengths	Weaknesses

• Business culture that encourages interaction with various regional and international trade partners.
• Tradition of exposure to world fashion and reputation of sense of style and «good taste».
• Lebanese investors franchising foreign brands have shown interest in the apparel sector, increasingly opening shops in the country.
• Entrepreneurial approach aimed at improving apparel manufacturing coupled with increasing investment in technology and machinery.
• Low customs duty on imported textiles and clothing, hence encouraging foreign investment in the sector.
Positive dynamism in the country's tourism sector promises in a vibrant apparel market.
	• Limited local apparel manufacturing due to:
	  • Low labour productivity
	  • Inefficient use of machinery
	  • High production costs
	  • Dependence on imported material
	• Lack of effective trade agreements that encourage apparel trade.
	• Poor export-oriented strategies and lack of sufficient presence in high-potential retail channels, thus limiting the possibility of overseas expansion.
	• Manufacturers targeting low-end market cannot compete with low-cost imports.
	Lebanese labour is/are expensive.

48. Source: OEC.
49. Cochrane, Paul. Lebanon to ban Turkish textiles. WTIN. 2018.
50. Analysis of Lebanon's Apparel Market. Bank Med. 2014.

Opportunities	Threats
• Proximity to European and Arab markets. • Potential development of specialized apparel subsectors requiring high fashion or «taste» input like wedding dresses and haute couture. *Growing global apparel market with possible new markets especially in countries with Lebanese diaspora*	• High dependence on imports which increases exposure to international apparel price trends such as lace and chiffon from France, China, and Korea. • The apparel market's high exposure to the country's risk resulted in its poor image on capital markets, thus hindering its access to capital and financing. • Excessive and inflexible regulations coupled with aggressive entry of low-cost multi-national competitors. *Unstable domestic as well as regional political and security situations*

COVID's Impact on the Sector

A month-long shutdown with no revenue was the tipping point for small clothing retail firms that were already suffering. While no official data are available, a mere stroll along these streets indicates a huge rise in empty stores with «For Sale» or «For Rent» signs as comparedto earlier in 2020. Even some of the more established fashion stores, who could afford mall locations, did not return following the relaxation of lockdown measures.

Demand trends, needs, and COVID-19 impact on consumer behaviour

Recent trends coupled with cutting expenditure have pushed consumers to rely on accessories as a way of restyling their outfits, to wear it several times without looking the same. Based on that culture, Lebanese people in general have shown increased demand on accessories and practical/versatile clothing.

> *"Nowadays, with the decline in purchasing power, consumers are relying more on practical clothing; items they can style in various ways with the use of accessories." – Lebanese textile expert*

Moreover, clothing customers in Lebanon value uniqueness, which makes producing unique pieces with higher qualities an opportunity instead of mass production that forces them to compete with fierce market players such as China and Turkey. This further constitutes an opportunity as clothing brands are having a limited presence in Lebanon, leaving a gap that local production could fill.

High Demand Products

Upon assessing which subsectors have potential for growth or a competitive advantage to capitalize on, data has identified accessories, apparel and unique apparel designs, the main sub-sectors with market opportunities. Furthermore, below charts elaborate on specific subproducts that are demanded in both local market and export market.

Domestic demand

Domestic demand trends relevant to the textile industry can be extrapolated from the most imported textile products, demonstrated in figure 10[51].

As shown, non-knit women's suits, and knit sweaters are the highest demanded products from the international market. It is likely that the industry can also cater to the national market.

International demand

International demand can be inferred through actual exports, but even they're even more clearly demonstrated through the sector's untapped export potential, which figure 11 illustrates.

As the data shows, Women's dresses, and footwear (rubber/plastic soles & leather uppers) comprise nearly 70 percent of the untapped export potential of textile commodities within the textile sector with Spain and US as main markets respectively. The figure only shows the products with the highest export potential within each sub-sector; however, more data is listed in the untapped exports table found in the market opportunities section.

Figure 10 Subsector import flows

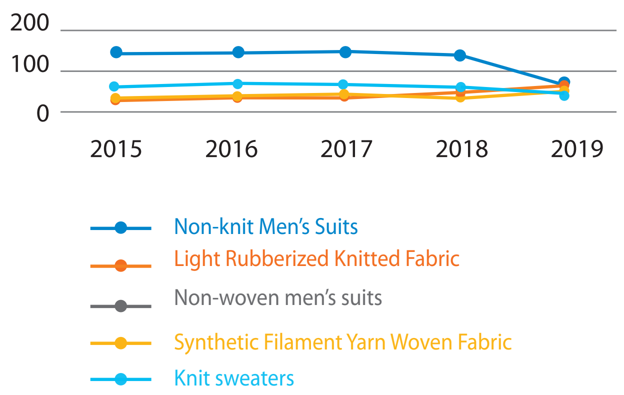
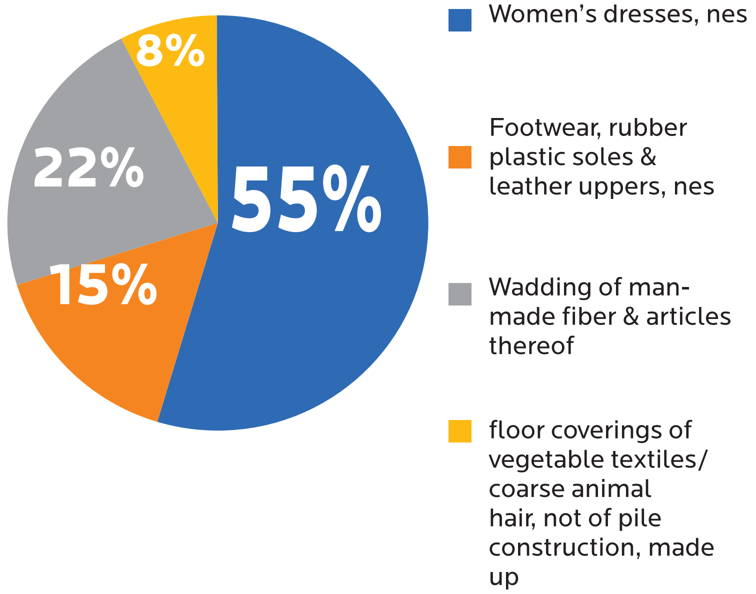


Figure 11 Top commodities with untapped export potential



.III. The ICT Sector

In 2018, ICT contributed around 2.1 percent of the country's GDP; a value of USD 1.1 billion. It is projected that the ICT Services and Manufacturing sector employs roughly 10,700 individuals, the vast majority of whom are experienced professionals. With 6,485 jobs, the equivalent of 60%, the Software sub-sector remains the largest employer. This is followed by the Digital/ Start-up Economy section, which consists of start-ups and employs around 1,700 people, the equivalent of 16% of the total[52]. Around 800 small and medium-sized firms make up Lebanon's ICT sector. Most of these businesses are distributors and sellers, although the industry is increasingly focusing on innovation and content creation[53].

51. Source: OEC.
52. ICT Sector in Lebanon 2020 Factbook. IDAL.
53. Lebanon's ICT sector growth. Shanda Consult.

According to IDAL, 48% of Lebanese ICT companies are involved in the development of software products for vertical industries (primarily for the healthcare, education, and banking sectors); 38% are involved in Web Solutions Services such as web hosting, web design, and e-services; and 14% are involved in mobile services and application development(54).

Despite Lebanon's present economic difficulties, overseas investors may still take advantage of a myriad of possibilities. The market size in 2016 reached USD 436.2 million and it is predicted to increase at a compounded annual interest rate of 9.7 percent to USD 543.5 million by 2019(55). Moreover, the de-facto depreciation of the Lebanon Pound makes it an appealing prospect for global ICT businesses and multinationals wishing to outsource a portion of their operations to Lebanon while still using one of the region's most competent workforces at cheap prices. Similarly, the numerous tax advantages provided by the offshore business structure continue to be an appropriate tool for both domestic and foreign enterprises aiming to sell entirely abroad.

Exports and Imports

Exports of ICT services more than doubled over the previous decade, rising from USD 329 million to USD 640 million between 2002 and 2017, representing a 6.9 percent CAGR .

As figure (11) demonstrates, the Gulf Region is Lebanon's top export destination, followed by other Middle Eastern countries, African countries, then European countries(57).

Exports account for 80 percent of ICT software development enterprises. They mostly export vertical software and mobile apps.

Around 85 percent of software development and services enterprises are export-oriented, with most of their revenue coming from operations outside Lebanon. Vertical software applications and mobile applications are two of the most important exporting items as illustrated in figure (12).

Figure 11 Top export markets for Lebanese ICT companies %

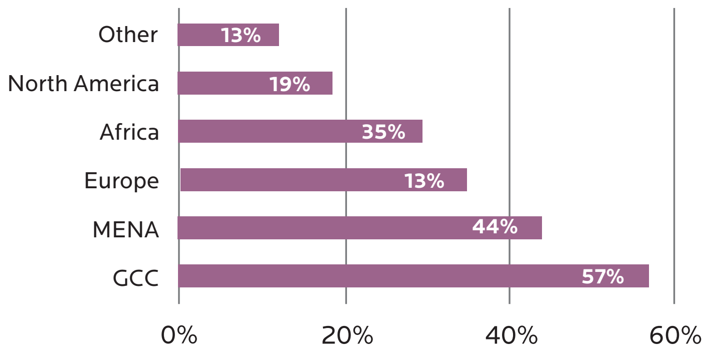
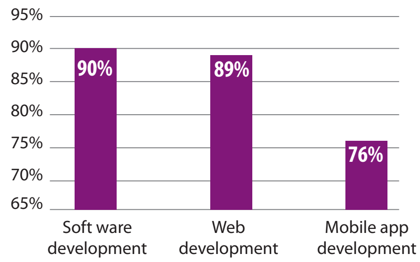


Figure 11 Top export markets for Lebanese ICT companies %



Main Sectoral opportunities and challenges

Competitiveness continues to be an issue. Even in technology and information technology, because they are not Lebanon's trademarks. The country competes against low-cost producers like India and Pakistan as Lebanon has a higher cost of living and a higher standard of living . Moreover, Lebanon faces the challenges of being up against key players in the ICT sector such as

54. Ibid.
55. Ibid.
56. Lebanon National Agriculture Strategy (NAS) 2020 – 2025. Ministry of Agriculture.
57. Lebanon's ICT sector growth. Shanda Consult.

North America, Europe, Asia-Pacific, the Middle East and Africa, and South America who comprise the ICT industry .Based on TheEconomic Contribution of the Software Industry in Lebanon study, published by the World Intellectual Property Organization (WIPO), and the conducted IDIs, this table shows the SWOT analysis to be considered by policy makers and support organizations as summarized in table (6) below[60]:

Table 6 SWOT analysis in the ICT sector

Strengths	Weaknesses
• Skilled and multi-lingual human capital • Strategic geographic location • Cosmopolitan and multi-cultural heritage • Liberal market economy • Competitive creates industries	• Small size of the domestic market • Poor ICT infrastructure • Lack of an encompassing government plan for the ICT industry • Weak legal framework
Opportunities	**Threats**
• Potential for domestic growth • Rapidly expanding regional market • Large and influential diaspora	• Lack of political stability • Rising regional competition • The country is currently operating on the premise of fresh notes (cash) instead of credit cards.

COVID-19 Impact on the sector

The ICT business has survived the crisis better than other sectors, displaying its resilience in Lebanon[61]. As the SWOT analysis shows and as the global direction towards digitalization is clear, ICT sector represents a potential for Lebanese to utilize especially that it is not reliant on government investment in infrastructure and can rather rise through individual initiatives.

COVID-19 Impact on consumer behaviour

Between 2020 and 2021, while the number of internet users in Lebanon decreased by 34 thousand (-0.6%) which is insignificant decrease, however, social media users did not change in this period accounting for 64.3% of the entire population[62]. This is also a remarkable phenomenon where in most countries, social media users and internet penetration largely increased indicating active engagement on digital platforms. This indicates poor trade activity witnessed on e-commerce websites in comparison to other countries which is explained by the worse economic pressures felt by Lebanon than other countries.

58. Insider Trading. The Business Year. 2015.
59. ICT Market - Global Size, Share, Trends and Key Players (2020-2025). Reports go. 2021.
60. Study on the Economic Contribution of the Software Industry in Lebanon. World Intellectual Property Organization. 2014.
61. ICT Sector in Lebanon 2020 Factbook. IDAL.
62. Kemp, Simon. Digital 2021: Lebanon. Data Reportal. 2021.

Demand Trends and needs

In line with the global trend of depending on mobile application services, key experts interviewed have identified some trends within the ICT sector, stating a rise in the creation of mobile applications, emphasizing increase of consumers have increased their use of online platforms to include online and grocery shopping.

High Demand Products

According to IDAL's IT Fact Sheet, hardware sales hit USD 262.2 million in 2016 and are predicted to expand at an 8.3 percent CAGR between 2016 and 2019. The hardware industry is far from saturated, since demand for desktops and laptop computers remains robust across industries. The market value of the software development segment reached USD 40 million in 2016, and it is predicted to increase at a CAGR of 10.1 percent in the coming years. Due to the protection of intellectual property rights, the reduction of software piracy, and the enhancement of ICT infrastructure, software development has increased in recent years[63].

Market opportunity

Market opportunity resides within products with untapped export potential. Identifying these sub-products and relevant export markets showcase where global demand lies. This could, in turn, be a compass for investors and business owners alike, as to where to invest their efforts. The tables below (tables 7 and 8) highlight the top sub-products in the agri-food and textile sectors with their corresponding untapped export potential, as well the main potential export markets for those sub-products:

63. Lebanon's ICT sector growth. Shanda Consult.

Table 7: Untapped export potential for the top food sub-products and the main potential export markets for those sub-products[64].

Sub-category with highest untapped export potential	Export potential (mn USD)	Actual exports (mn USD)	Untapped potential (mn USD)	Markets per product group	Comments
Coffee					
Coffee, roasted, not decaffeinated	9.8	17.1	3.7	Jordan, Greece and United States	Saudi Arabia shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth $1.6 mn.
Total untapped export potential	14.1	20.3	36.2	Saudi Arabia, Kuwait and Jordan	
Beverages (non-alcoholic)					
Waters as beverage	23.7	14.5	17.1	Syrian Arab Republic, Saudi Arabia and Qatar	Syrian Arab Republic shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth $7.9 mn.
Total untapped export potential	47.3	35.5	30.6	Syrian Arab Republic, Jordan and Saudi Arabia	
Vegetables					
Vegetables nes, frozen	0.6217	1.3	0.5373	Saudi Arabia, Belarus and United States	Syrian Arab Republic shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth $4.6 mn.
Total untapped export potential	56.6	55.5	29.9	Kuwait, Saudi Arabia and Qatar	
Cocoa beans and products					
Chocolate and other cocoa preparations	33.971	30.1013	17.3613	Saudi Arabia, Iraq, Kuwait, and Syrian Arab Republic	Syrian Arab Republic shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth $3.0 mn.
Total untapped export potential	43.6	41.1	21.5	Saudi Arabia, Kuwait and Iraq	
Processed meat					
Meat or offal of fowls of the species	5.3	5.6	4.7	Syrian Arab Republic, United Kingdom and Netherlands	Syrian Arab Republic shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth $2.8 mn.
Total untapped export potential	15.3	13.4	13.3	Syrian Arab Republic, Saudi Arabia and Jordan	

Table 8: Untapped export potential for the top textile sub-products and the main potential export markets for those sub-products [(65)].

Sub-category with highest untapped export potential	Export potential (mn USD)	Actual exports (mn USD)	Untapped potential (mn USD)	Markets per product group	Comments
Apparel					
Women's dresses, nes	6.7	7.4	2.7	Jordan, Greece and United States	Spain shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth $1.9 mn.
Total untapped export potential	27.2	33.6	14.9	Saudi Arabia, Kuwait and Jordan	
Footwear					
Footwear, rubber/plastic soles & leather uppers, nes	1	2.2	0.7697	United States, Netherlands, and Belgium	United States shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth $244.9 k.
Total untapped export potential	2.7	4	1.9	United States, Netherlands and France	
Synthetic textile fabric					
Wadding of man-made fibres & articles thereof	1.3	1.6	1.1	Côte d'Ivoire, Turkey and Jordan	Turkey shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth $216.1 k.
Total untapped export potential	3.2	4.5	1.8	Syrian Arab Republic, Côte d'Ivoire and Turkey	
Carpets					
Floor coverings of vegetable textiles/coarse animal hair, not of pile construction, made up	0.4543	0.589	0.3764	United States, Netherlands, and France	Egypt shows the largest absolute difference between potential and actual exports in value terms, leaving room to realize additional exports worth $220 k.
Total untapped export potential	1.3	1.4	0.9691	Egypt, United States and Netherlands	

64. Source: Trade Map.
65. Source: Trade Map

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