The Challenges of the Software Industry

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Overview

- The high-tech industry in Lebanon emerged in the early 1980s.
- The country now has a fairly well-developed software sector with a potential for growth*.
  - Recent trends include Mobile Phone App development
  - Game development for multiple platforms

- Lebanese software companies offer good products and services, and has the capabilities to operate in several cultural and linguistic environments.

- The predominance of services in the Lebanese economy has been beneficial to the software industry, which generate the largest part of total output. Solutions for:
- Banking,
- Accounting and Finance,
- Trade (Inventory Management)
- Tourism
- Communication

- Software applications and development for industry and scientific research are almost non-existent.

Industry Structure

- Lebanon's software industry consists of approximately 375 software companies, employing a little more than 1000 people.
  - Some has regional and international locales

- Experts estimate that the five leading companies cover more than 50 percent of the market.

- Many firms fail within their first few years of existence.

- Software firms are concentrated in the capital Beirut and its suburbs.

- The quality of services varies
  - Many provide excellent quality and service,
  - Nevertheless, many lack expertise and perform below established standards.

Market Trends

- The leading users of software are:
  - Large companies and small and medium-sized enterprises whose managers started to invest in software and hardware, perceiving the value added it could bring to their businesses.
  - Almost all banks use software applications, with varying sophistication;
  - Large hospitals and an increasing number of companies in different fields (wholesale and retail trade, advertising, hotel management, etc…), are also increasing their IT investment to upgrade, improve and promote their services.
  - Government software consumption contributed significantly to the growth of demand,
    - The government has launched a reconstruction program and adopted a policy of modernization in its public administration offices and structures.
    - Government demand is estimated to be over 20 percent of the total IT market.

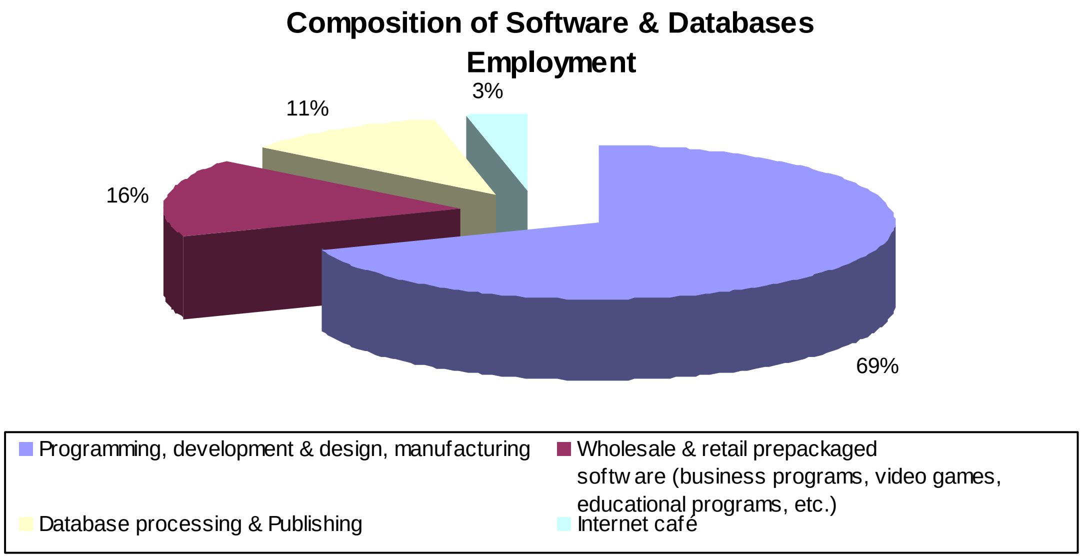
- The level of domestic demand for locally produced software solutions is estimated to be insufficient to absorb domestic output, and many Lebanese firms operate below capacity.
- Local software development companies are outsourcing their talent and expertise to multinational organizations.
- There is a potential for the export of locally developed software and services;
- Currently, those that do sell abroad generally do not exceed 10 percent of total sales.

Strengths and Weaknesses

Strengths	Weaknesses
• Schools, universities, private companies and public administrations are investing in new equipment to keep up with global trends. • Taxes on IT products have decreased, and special offers and payment facilities on hardware and software* are now available. • Telecommunications, despite their relatively high cost, are becoming more available*. • There are many software companies in Lebanon that provide very high-quality software and services.	• The cost of developing and marketing business and entertainment software applications. • Local software development houses mention that there is still a bias among local companies towards expensive foreign software imports. “Made in Lebanon”. • The prevalence of piracy causes Lebanese output to be undervalued and discourages local investors, especially those with limited financial means, as well as foreign companies.

Economic Impact

The sector generates approximately US$125M* of turnover and US$85M* of value add. The copyright factor is 100 percent due to the total reliance of the sector on copyright, and hence the sector contributes around 0.39 percent to GDP.



The software sector consists of 300+ companies, employing a little more than a thousand people and contributes around 0.10 percent to overall employment.

Summary

- The Software Industry in Lebanon contributes:
  - Around 0.34 percent to GDP compared with 0.4 percent, 0.03 percent, and 0.16 percent in Jordan, Morocco, and Tunisia respectively.
  - Of all the copyright-based industries, only the software industry has been seen as performing well.
  - High piracy rates and unlicensed use of business and entertainment software in the Arab countries, especially Lebanon and Morocco is a negative factor.
- IPR Enforcement requires
  - Agile and trained enforcement agencies and personnel
  - Better equipment to face incoming wave of online piracy (Optical media is making way for downloads)
  - Speedier court processes and procedures
  - Deterrent fines

New Vision

- Economic policies favor traditional industries.
- Copyright-based industries, until recently, had been:
  - under-valued
  - not viewed as a significant economic driver and source of growth,
  - despite their significant contribution to the economy.

- Therefore, Copyright-based industries do not:
  - receive the consideration they deserve from economic policies
  - a situation which needs to be changed but has yet to gain significant momentum

- Economic policy decision-makers and all players and stakeholders in the copyright-based industries must be made aware of the importance and weight of this sector.

- Furthermore, the socio-economic power of copyright-based industries is out of proportion to its economic weight, and has a privileged role in improving the quality of life.

- Lebanon could be the leader of vital regional collaboration activities in creative industries, coordinating and facilitating trade, control and regulation among the different countries in the MENA region.
- The regional dimension has always been a major driver for the Lebanese creative industries

Recommendations

- Success in the new global economy depends on approaching economic development with a new sense of:
  - Creativity
  - Innovation
  - Emphasis on a more competitive business climate
  - Improved quality of life.

- As Lebanon faces significant economic challenges, the sustainability of growth and development requires leveraging on existing resources.

- All sectors in Lebanon have been suffering from lack of resources and the economy needs to receive a serious “second look” in conformity with the emergence of the “New Economy” which emphasizes on the following keys to competitiveness:
  - Knowledge
  - Creativity
  - innovation

- The copyright-based industries are a key aspect of this new strategy and to succeed they require:
  - Easy access to funding
  - Tax Incentives
  - Human Resources
  - Trade Facilities
  - Freedom of Information
  - Intellectual Property Awareness and Protection

Questions?

THANK YOU!