September 2025 Number 87

LCPS المركز اللبناني للدراسات The Lebanese Center for Policy Studies

Policy Brief

Hospitality and Tourism

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This policy brief is part of a series of nine sectoral studies developed by the Lebanese Center for Policy Studies (LCPS). The lead author of this series is Senior Economic Researcher Lina Maddah, with the contribution of Executive Magazine. The aim of this series of briefs is to examine the impact of Lebanon's economic crises on key economic sectors and present recommendations that can assist with private sector recovery. This series was developed with the support and contribution of the Lebanese Private Sector Network (LPSN) and in collaboration with Executive Magazine.

Sector Overview

Hospitality and tourism have provided major economic growth to Lebanon, and for good reasons. Although one of the smaller destinations for tourism in the Mediterranean, Lebanon's diversity of micro-climates and geographic features, leisure and recreation options, cultural and religious treasures, ethnic traditions and culinary offerings have proven attractive to tourists pursuing a wide range of interests. Given Lebanon's natural and cultural offerings, the hospitality and tourism sector has provided notable contributions to job creation, foreign exchange earnings, and overall economic growth. In a period hailed by some as the 'golden years' of the 1960s, the avail-ability of upmarket hotels and—by the standards of the time and in comparison with Arab cultural environments—liberal leisure options that included state-licensed gambling, were a significant draw for well-off revelers coming from Arab and European countries. While tourism stalled in the second half of the 20th century due to the country's entanglement in serial internal conflicts and regional warfare, the inbound-tour-ism and hospitality industry grew back and expanded from the 1990s, functioning as major conduit for hard currency inflows and providing high, albeit primarily seasonal, employment. This established hospitality and tourism as a pillar of the post-reconstruction economy, even as incidents of terrorism and episodes of conflict around the Eastern Mediterranean caused gaps in tourism growth and fluctuations in the sector's importance for GDP and job creation. Tourism disruptions and inconsistencies in policy making hindered niche tourism verticals such as religious, rural, environmental, and adventure tourism. Operators thus relied heavily on relatively short seasonal business from well-off leisure and business travelers from some Arab origin countries, middle-class visitors from nearby Arab countries, visitors with Lebanese diaspora roots, and individual tourists from other source countries.

In 2018, the sector's total contribution was estimated to be $10.4 billion, or 19.1 percent of the country's GDP, ranking second in the Middle East[1]. For the same year, the sector's capital investments reached $1.3 billion, with investment growth projections for a compound annual growth rate of 2.7 percent to $1.7 billion. Data cited by the Lebanese Ministry of Tourism stipulate a combined direct and indirect average annual contribution of 19 percent to the country's GDP for the period 1997 to 2019, but the data show significant fluctuations in direct GDP contributions of tourism in peak and trough years.

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IDAL - Sectors in Focus - Tourism (http://investinlebanon.gov.lb/en/sectors_in_focus/tourism)

Challenges

The way in which hospitality ventures and operators in in-bound tourism have been experiencing the crisis years from 2019, was in some regards more severe and in other regards counter-cyclical to sectors in the real economy. The impact of Covid-19 related lockdowns and travel restrictions was heavy. By

November 2020, the occupancy rate in Beirut's 4 and 5-star hotels had slipped to 16 percent, down from the previous year's recorded 69 percent during the same period[2]. Hotel industry managers and board members in the Syndicate of Owners of Restaurants, Cafes, Night Clubs and Pastries reported that the Covid pandemic impacted their sectors also into the first and second quarters of 2021, without the financial relief that operators in developed economies could access. Inversely, the resurgence of summer visitor flows from the Lebanese diaspora and tourists softened establishments' purchase-power related funding perils.

A wave of closures of hospitality establishments was juxtaposed with new openings from cafes and budget eateries to rural and urban guest houses; upbeat occupancy and revenue performances have been observed in the main tourism sea-sons, such as during the summer of 2022. While most tourism and hospitality ventures could be seen as offering food, drinks, and accommodation at substantial discounts to pre-2020 prices during 2021 and deep into 2022, investments into venue openings and trends of new price diversification and alignment with, or increases of, pre-crisis dollar prices became apparent from the second and third quarters of 2022. Structurally and operationally, the sector continues to face challenges:

Political instability, internal conflicts, tensions and protests, and security concerns, and a high influx of refugees from neigh-boring countries, are all factors that contributed to a perception of safety risks deterring potential tourists from visiting Lebanon. This was coupled with the Arab embargo on Lebanon, where countries warned their citizens against traveling to the country.[3]

More recently, the events of October 2023 and their belligerent repercussions have led to a grave new security state within the country and a surge in travel advisories from various embassies cautioning against travel to Lebanon and in some cases urging foreign residents to leave the country. Ernst and Young reported a drop in hotel occupancy in Beirut from 62.2 percent in September 2023 to 31.8 percent in October 2023, while room prices tripled[4] in the latter month. The following months have led to a precarious 'new normal' wherein as of March 2024, nearly 100,000 residents have been displaced from southern Lebanon[5]. Additionally, Lebanon's residents and visiting expats cautiously arrange their outings and visits with the understanding that plans can be subject to immediate security-related cancellations.

Lebanon's inadequate infrastructure (transportation systems, roads, and public services) requires significant renovations to improve the overall visitor experience and accessibility to tourist sites. The burden of damages from the Beirut port explosion on infrastructure, retail stores, museums and galleries, and heritage buildings in the affected districts in and near to the Beirut central district caused a further setback to the growth of the industry. While domestic tourism has an in-creased cost advantage over outbound tourism in times

2 Samer Hajjar and Laurent Yaacoub (2021) Check-up or check-in? - Executive Magazine (executive-magazine.com)

3 Saudi Arabian nationals recorded the largest share of tourism spending in Lebanon in 2017, accounting for 14% of total spending, followed by the UAE (12%) and Kuwait (7%).

4 Ernst and Young 2023 Middle East Benchmark Survey

5 OCHA reports in its 'Lebanon: Flash Update # 14- Escalation of hostilities in south Lebanon, 21 March 2024,' that 90,491 persons have been displaced from south Lebanon due to ongoing hostilities

of currency depreciation and losses of purchase power, hospitality operators are challenged in serving their native clientele due to severe electricity outages and the difficulties in obtaining fuel to keep operations smooth and to provide amenities such as air conditioners. High lira inflation rates reduce the purchasing power of local tourists and make the pricing strategies of hospitality business more complicated. There have been inadequate private investments, such as the absence of tour programs in cultural tourism. Present and longer-term detriments to the country's ability of attracting visitors and meeting concerns of health-and-environment conscious domestic tourists are rooted in increased pollution of water resources and land due to illegal/improper dumping of solid waste and sewer water. Unlocking of new tourism opportunities is hindered by severe budget problems on the national government's level and by failures of municipalities and unions to work together in creating a tourism master plan with a common objective and a wider perspective.

Opportunities

The experience of the last three decades indicates that positioning Lebanon as a potent tourism destination from the perspective of environmental integrity, cultural heritage, communal and religious diversity, and absence of pollution and eyesores in urban and rural settings will require recurrent environmental cleanup campaigns, awareness building from school ages, incentives for behavior change, and enforcement of relevant laws as well as fining and prosecution of small to large violations. Encouragingly, numerous initiatives by public, civil, and private sector stakeholders have shown successes and at the same time hold further expansion and intensification potentials. Added together, they can boost contributions to GDP and economic growth from international tourist arrivals and domestic holidaymakers. Opportunities that can boost profitability and job creation in this sector include:

- Medical tourism: leveraging quality healthcare facilities and expert medical professionals (plastic surgery, dentistry, cardiology, orthopedics, oncology, and fertility treatment, among others). Lebanon is renowned for its health services and has always been considered the Middle East's top destination for medical tourism. New investment opportunities can exist in wellness and alternative medicine, elderly care centers, rehabilitation centers, and sports and health centers.
- Rural, green, and sustainable tourism: Additional to the 190 hotels with a capacity of around 12,300 rooms[6] a significant opportunity exists for boutique hotels, guest houses, youth hostels, and furnished apartments in rural areas of Lebanon.

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IDAL - Sectors in Focus - Tourism (http://investinlebanon.gov.lb/en/sectors_in_focus/tourism)

- Cultural tourism (film, festivals, arts, entertainment): Lebanon has a wide range of cultural tourism choices, including 5 UNESCO World Heritage sites. During the summer season, Lebanon hosts more than 15 international music and entertainment festivals - such as the Byblos, Baalbeck, Beiteddine, Ehdeniyat, and Batroun.
- Food Tourism: world-class gastronomy and a leading destination for nightlife and entertainment catering to a variety of tastes.
- Religious Tourism: religious sites could play a substantial role in reviving the tourism sector by endorsing staycations and micro-holidays. Such initiatives can grow even in times of crisis.
- Dark tourism: visiting sites of conflict, terror, torture, tragedy and mass suffering – which require extreme care and ethics in developing as tourism destinations. Studies have shown that there are 21 potential urban dark tourism sites, the majority found in Beirut, that could be incorporated into a new dark tour-ism product as part of the recovery of Lebanon, with lessons on the traumas of conflict and the varied outcomes of reconciliation efforts.[7]

7 Anouti, A. and Kennell, J. (2022), 'Dark Tourism and Destination Recovery: Prospects for Lebanon', Mohanty, P., Sharma, A., Kennell, J. and Has-san, A. (Ed.) The Emerald Handbook of Destination Recovery in Tourism and Hospitality, Emerald Publishing Limited, Bingley, pp. 177-194.

Policy Recommendations

1. Enhance the ecosystem for rural entrepreneurs, starting with legalizing local guides' work and training them at the municipal level, and enforce and implement the statute on rural accommodations and guest-houses (the decree was issued in 2011 and is yet to be implemented and enforced).
2. Facilitate connectivity with rural areas (signage, directions, and public transportation) and provide cost-effective mobile services tailored to tourist needs.
3. Restore safety and security as a top priority, coupled with assisting vulnerable tourist locations and firms that are struggling with labor shortages, investment, and access to capital.
4. Reinforce the tourism ecosystem's resilience by encouraging tourism SMEs, their access to finance (for example rural funds as non-conventional financing tools or reactivating subsidized bank loans to the sec-tor) and developing talent and capacity.
5. Promote cooperation among players in the tourism ecosystem so that they can react and adapt to events, share knowledge and experiences, and better under-stand risks and opportunities.
6. Update classification systems for tourism related services and facilities.
7. Create more tourism routes that are themed by agro-tour-ism specificities (olive, honey, farm-stay and harvest) or by culinary and social qualifiers (e.g. guest houses offering unique cultural and familial environments, social enterprises in host-refugee cooperation, and restaurants with

authentic organic food specialties) and ascertain that establishments, when so classified, receive incentive (tax or technical support) and are quality controlled.

8. Implement a variety of evidence-based policies with a focus on high-impact interventions along the tourism value chain to increase awareness, control pollution and encourage investment, and create job opportunities for the educated youth across the tourism value chain (mainly in branding, marketing, and digital activities).
9. Recognize the Ministry of Tourism as a sovereign entity within the government, focused on managing and promoting Lebanon's tourism and utilize the government's role as a catalyst for the green transition and arrange for acquired tourism infrastructure to support the development of resilient touristic communities.
10. Additionally, it is vital that private and civil society stakeholders collectively grab the chance to address long-term priorities and reconsider the tourism industry, preserving, restoring and promoting Lebanon's cultural and historical heritage, while transitioning to more robust, equitable, and sustainable models of tourism development.

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About the Policy Brief
A Policy Brief is a short piece regularly published by LCPS that analyzes key political, economic, and social issues and provides policy recommendations to a wide audience of decision makers and the public at large.

About LCPS
Founded in 1989, the Lebanese Center for Policy Studies is an independently managed, non-partisan, non-profit, non-governmental think tank whose mission is to produce and advocate for policies that improve governance in Lebanon and the Arab region. LCPS's current research agenda focuses on: enhancing governance, informing the process of economic growth and sustainable development, promoting inclusive and effective social policies, and informing the development of policies for a sustainable environment. Four themes cut across the above areas of focus, including gender, youth, conflict resolution, and technology.

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