Confidential

Economic Value Analysis
Cedar Island

Ernst & Young

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Private and Confidential

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Dear Sirs

ASSISTANCE IN THE PREPARATION OF AN ECONOMIC VALUE ANALYSIS OF CEDAR ISLAND

In accordance with the terms of our engagement letter with Capital Plus Holding S.A.L. and Maalem Holding Co. B.S.C. (together hereafter referred to as "the Client") dated 24 September 2008, we have prepared the economic value analysis ("EVA") report ("the Report") for the Cedar Island ("the Island" or "the Project") and attached it herewith.

Scope of our Work

The scope of our engagement included undertaking a first level economic impact assessment which takes existing identifiable trends in economic performance and overlays the likely impacts of the Project under consideration. Selected outputs from the EVA include:

- New jobs created;
- Expenditure generated through the demand produced by Cedar Island's residents;
- Impact on the construction sectors in terms of revenues and temporary employment created; and
- Economic benefit accruing to Lebanon from the Project.

Purpose of our report and limitations

Our research has been based on information available in the public domain, supplemented by Ernst & Young ("EY") proprietary information and information from the Client. There were limitations in the availability of market and project information and while we have sought to work around these limitations, it is possible that the views expressed in the Report might have been different if additional information had been available.

Our report should be used only for the purpose noted in our agreement and any summaries of, or references to, our report in other documents that are prepared for any other party, for any other purpose, must be reviewed and approved by us prior to release or publication. EY assumes no responsibility whatsoever in respect of, or arising out of, or in connection with, the contents of our report to parties other than you. If others choose to rely in any way on the contents of our report, they will do so entirely at their own risk.

Projections were prepared using a set of hypothetical assumptions about future events and were provided by the Client. We have not verified or audited any data received from the Client or third parties. Actual results may differ from the projections since anticipated events frequently do not occur as expected. Economic, technical and environmental conditions may change and affect the operation and, consequently, the projected outcome. The variations between actual and expected outcomes may be material.

A more complete listing of the limitations relating to this report is shown in section 2.

Investment advice

Our report should not be considered as investment advice, but should provide you with an independent economic value analysis of the Project.

Events occurring after our report is issued

We will have no obligation to update our report for, (or otherwise keep you appraised of), events occurring subsequent to the date of issue of the Report in its final form.

Yours faithfully
For Ernst & Young

Walid Nakfour
Partner

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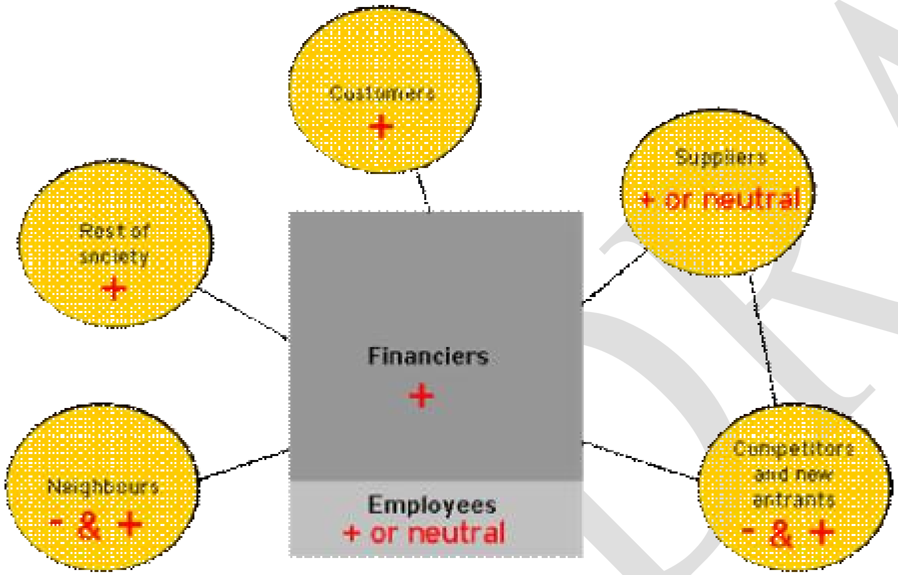
1 Summary of results

1.1 Development Impact

The figure below summarizes the impacts of the Project on the different stakeholders in the society. It is noted that "+" refers to a positive impact, "-" refers to a negative impact and neutral refers to a non-positive, non-negative impact.

Figure 1-1: Summary of impacts



Source: Adapted from a Harvard Business School publication, 2003, EY analysis

1.2 Economic benefits

The following table summarizes selected outputs calculated for the purpose of the economic value analysis of the Cedar Island.

Table 1-1: Summary of economic benefits arising from the Cedar Island

Population increase	8,974
Yearly expenditure generated by the Island's residents (USD)	78,271,228
Temporary FTE jobs created over the Project's development	9,000
Temporary FTE jobs created over the Project's construction	54,876
Permanent FTE jobs created as a result of new housing units	234
Permanent FTE jobs created as a result of new commercial space	28,774
Permanent FTE jobs created as a result of new recreational space	49,096
Gross permanent jobs created	78,105
Yearly Gross Value Added – GVA (USD)	995,073,523
Total capital investment on the Project (USD)	12,775,120,000

It is noted that the above table does not account for the return realized by the Project's investors, which constitute an important component of the economic value of the Project.

2 Project Background

2.1 Project Background and Scope of Work

Capital Plus Holding S.A.L. and Maalem Holding Co. B.S.C. (together hereafter referred to as "the Client") are planning to develop an island linked to the Lebanese coast and shaped in the form of the Lebanese cedar tree (hereafter referred to as "the Project" or "Cedar Island").

Cedar Island, with an approximate 10 million square meters footprint, will be mainly composed of six principal zones including residential buildings, villas and palaces, office buildings, retail spaces as well as public and/or recreational facilities (e.g. gulf court, malls, parks, etc.). The Project is also expected to include schools, day care facilities and health care clinics.

The Client has requested Ernst & Young ("EY") to extend its professional services and assist with preparing an economic value analysis (EVA) of the aforementioned development.

As agreed upon with the Client, the scope of our work includes the conduct of an EVA of the Project to determine its impact on the Lebanese economy.

2.2 Statement of Limiting Conditions

2.2.1 Quality and availability of information

Substantial portions of the Report are based on market information derived from external sources, as well as project and costing information provided by the Client. While EY has no reason to believe that such information may be materially inaccurate, EY has not independently verified the accuracy of such information. EY will not accept any legal or other liability as to the accuracy or completeness of such information.

Moreover, certain market information is either outdated or not available in the public domain. Accordingly, amendment or inclusion of such information could result in different economic benefits than those presented in the Report.

It is important to emphasize that the estimates as well as qualitative assessments have been prepared using a number of hypothetical assumptions about the society, economy and the Project, neither of which can be guaranteed to occur, even if the assumptions described in the Report do arise, actual results are likely to be different from the projections due to unexpected events. Variation between actual and expected results may be material.

2.2.2 Purpose of our report and restriction on its use

This report contains information concerning the establishment of the proposed Project. The information presented herein is furnished solely for the purpose of assisting the Client in performing a preliminary EVA for the Project. This report should not be relied on by third parties or be used for any other purpose.

The information contained herein is subject to change. Whilst EY has taken reasonable care in the preparation of this report, the delivery of this report does not imply that any information contained herein will continue to be correct subsequent to the date of the Report. The estimates included in this report have been prepared on the basis of certain stated assumptions. Future conditions may differ from the assumptions used and consequently no representation is made with respect to the accuracy or completeness of these estimates. Neither the delivery of this report, nor any oral, written or printed communication in relation to the Report, is or should be relied on in any way as a promise or representation as to future results, earnings or events.

2.2.3 Events occurring post issuance of the Report

We shall not be responsible for updating our analysis and report for events occurring after our final report is issued.

2.2.4 Use of our report

Our report should be used only for the purpose previously noted, and any summaries of or references to our report presented to any other party must at first be reviewed by us. Such summaries or references may not be released without our prior written consent.

3 Country Overview

3.1 Economic and Political Development

3.1.1 Historical background

After the end of the civil war, the successive governments of Lebanon set a series of objectives aimed at encouraging the private sector to act as the engine for growth through the creation of a conducive and liberal economic environment that enables it to prosper. In fact, Lebanese governments worked on the development and modernization of legal, administrative, and regulatory frameworks in order to provide incentives for the private sector and contribute to the national economy's sustainable growth, while committing, at the same time, to maintaining legislative stability and respecting its commitments and obligations.

Notwithstanding, the Lebanese government continue to face major challenges ranging from a slowdown in economic activity to mounting public debt and devaluation pressures.

In 2002, Paris II Debt Relief Conference improved Lebanon's economic policy options as it provided the government with the means to support economic development projects, fiscal adjustments, and public finances restructuring.

In 2003, the Lebanese government received a USD 10 billion financial package that included soft loans from donor countries following Paris II Conference. This enabled the government to reschedule 32 percent of the public debt and decrease the interest bill.

The economic and financial situation further improved in 2004 though macroeconomic imbalances remained large.

In 2005, the assassination of the belated Prime Minister Rafik Hariri and the resulting political instability placed downward pressure on growth and tourism. In summer 2005, the newly appointed Lebanese government started preparing its economic and social reform program. The resulting macroeconomic and structural actions were expected to raise the primary budget surplus from 2.5 percent of GDP in 2005 to more than 8 percent of GDP in 2010 and reduce the overall deficit to 2.5 percent of GDP during the same period.

The year 2006 began with a promising performance, whereby the first and second quarters recorded an annual economic growth of 5 percent. However, this growth was restrained and reversed to negative 5 percent in real terms by the third quarter as a result of the July 2006 war. In fact, the thirty-four-day war and the resulting destruction, conflicts, and sustained air and naval blockade caused severe human, physical, and economic losses ranging from increased unemployment -especially in the tourism and agricultural sectors- to the disruption of all import/export activities.

Despite the increased dollarization during 2006, the impact of the war on the financial sector was relatively limited, showing once again the sector's flexibility to shocks. Furthermore, the high level of international reserves and the additional monetary support offered by Saudi Arabia and Kuwait to the Central Bank in the form of USD 1 billion and USD 500 million deposits respectively guaranteed the stability of the exchange rate.

3.1.2 Recent economic performance

The year 2007 did not report any significant progress in terms of fiscal performance as the country was hampered by internal instabilities. On a separate note, inflation escalated to 6 percent reflecting both the increasing international prices and the weakening of the US dollar. However, despite the unstable political situation, the Lebanese economy performed better than expected.

During the first five months of 2008, political instability persisted, paralyzing much of the government's activities and leaving the country without a president since November 2007.

In May 2008, tensions between the government and the opposition escalated when the government declared a series of security decisions, thus driving Lebanon to a critical phase culminating into the worst violence between parties since the 1975-1990 civil war. On 21 May, 2008 opponent Lebanese leaders met in Doha, Qatar and agreed to end the 18-month political clash.

On a more recent note, the international financial crisis, which initiated in the United States during September-October 2008, had so far minor impact on the Lebanese economy with economists expecting the country to have significant hope of circumventing the global recession[1].

According to Edward H. Gardner, the International Monetary Fund's (IMF) senior resident representative, the prospects of country's banking sector are currently more a function of the internal security and politics than the global economic changes[2] whereby several factors have contributed in protecting the economy from the direct repercussions of the crisis, such that:

- The absence of foreign, non-Arab, investments in the local stock market;
- The banks' higher-than-average liquidity; and
- The limited exposure to foreign, non-Arab economies.

However, Lebanon is not completely shielded from the consequences of the financial crisis. In fact, should the Gulf region be affected by the anticipated economic recession, Lebanon will consequently be impacted through its reliance on jobs, remittances and foreign Arab direct investment.

3.2 Key Economic Indicators

3.2.1 Economic growth

During the period 2003-2005, GDP has followed an increasing trend with high fluctuations in growth rates. GDP growth was driven in 2003 by exports and government spending growth, which respectively increased by 44 percent and 3 percent in real terms.[3] In 2004, GDP growth increased to 7.5 percent due to a rush in tourism and construction activities, and high exports. As for 2005, the prevailing conditions caused the GDP growth to be approximately 1.1. Nevertheless, aggregate demand rose by 1 percent mainly driven by imports. Real GDP is estimated to have declined in 2006 due to a drastic reduction in both consumption and fixed investment after the conflict with Israel.[4] The year 2007, although recording a 4 percent growth in real GDP, was a tough year for Lebanon with an unstable political situation.

The following table lists GDP figures, real GDP growth rates, and consumer price inflation rates for the period 2003-2008:

Table 3-1: GDP and consumer price inflation (2003-2008)

	2003	2004	2005	2006	2007	2008F
GDP (USD billion)	19.8	21.5	21.6	22.8	24.6	28.0
Real GDP growth rate (%)	4.1	7.5	1.1	0.0	4.0	6.0
Consumer price inflation (average) (%)	1.3	1.7	-0.7	5.6	4.1	11.0

Source: International Monetary Fund, 2008

1 Lebanon Opportunities, November 2008.
2 Lebanon Opportunities, November 2008.

3 The World Bank Group quarterly update, 2003.
4 Economist Intelligence Unit (EIU), 2006.

Although the country's GDP had been continuously growing throughout the period 2003-2008, growth rates had witnessed significant fluctuations. The following chart draws a comparison between real GDP growth rates and average consumer price inflation for the period 2003-2008:

Figure-3-1: Real GDP growth rate vs. consumer price index in Lebanon (2003-2008F)

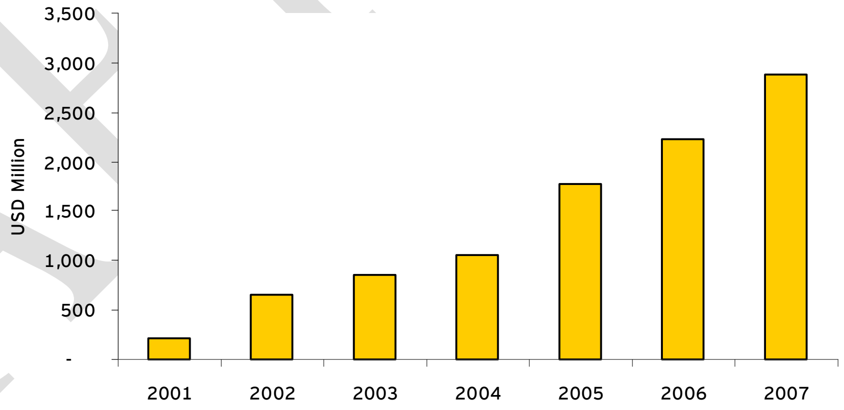
Source: Economist Intelligence Unit, 2007

3.2.2 Foreign direct investment

Arab investment in Lebanon amounted to USD 2.25 billion in 2006, recording an increasing trend for the last five years.[5] In the first half of 2006, exceptional Foreign Direct Investment (FDI) and mostly Arab arose in the Lebanese real estate, services and other sectors of activity, making Lebanon the recipient of the leading share of inter Arab investments in the region. Despite the Israeli attack and political turmoil, Arab FDI to Lebanon recorded an increase in 2006 over 2005, a good sign for the long-term growth of the Lebanese economy.

The following diagram presents Arab FDI to Lebanon between 2001 and 2007:

Figure 3-2: Arab foreign direct investment in Lebanon (2001-2007)



Source: IAIGC annual report

3.3 Economic Outlook

The political situation in Lebanon is expected to remain uncertain during 2008, which will lead to further delays of planned economic and political reforms.[6] However, a long delay could result in Lebanon not

[5] Inter-Arab Investment Guarantee Corporation (IAIGC).

[6] Economist Intelligence Unit (EIU).

obtaining all the financial assistance and soft loans from Paris III Conference, since part of this aid was conditional on a comprehensive plan for economic reform.

In fact, modest growth has been set back due to the May 2008 conflict. However, following the Doha agreement and the subsequent political decisions, tourists, especially from the Gulf Arab countries, returned to the country.

With respect to inflation, it increased to almost 4 percent by the end of the year 2007 and is expected to rise sharply in 2008, as per the Economic Intelligence Unit as imported inflationary pressures are expected to affect prices.

Going forward, Lebanon's performance will be inevitably affected on the one hand by the uncovering recessionary impacts of the financial crisis, if any and on the other by the parliamentary elections scheduled for 2009 and the associated political uncertainty. In fact, the political instability in Lebanon has significant negative consequences on the county's macroeconomic indicators as well as major sectors, notably tourism and real estate.

4 Project Brief

The following section presents a brief overview of the Cedar Island project in terms of the proposed locations, structure and components.

4.1 Location

Several factors, including under water topography and depth, are currently under review in order to select the most appropriate geographical spot on the Lebanese coast.

The two locations that the Client is currently contemplating for the Cedar Island's are marked in the following figure:

Figure 4-1: Suggested Island location on the Lebanese coast

4.2 Project Master plan

The Project, with an estimated footprint of 10 million square meters (sqm), is expected to be composed of six principal zones as outlined in the figure below. These will include residential buildings, villas and palaces, office buildings, retail spaces as well as public and/or recreational facilities (e.g. gulf course in Zone F, malls in zone A and parks in Zones B, C, D and/or E). The Project is also expected to include schools, day care facilities and health care clinics.

The following figure presents the shape of the Cedar Island along with its suggested zones:

Figure 4-2: Cedar Island's master plan

Source: Capital Plus management

The Island, as presented in the figures above seems to be directly connected to the Lebanese coast. However, for strategic reasons, the Client has tentatively decided not to link the Cedar Island directly to the coast but rather via bridges.

The table below outlines the Project's breakdown in terms of lot numbers and total area by zone and usage:

Table 4-1: Island's breakdown per zone and type[7]

Zone	Type	Number of lots	Total area (sqm)	Percentage
A	Commercial	36	546,715	35.8%
	Recreational	46	1,417,892	
B	Residential	682	280,025	5.1%
C	Residential	539	780,280	14.2%
D	Residential	551	778,970	14.2%
E	Residential (VIP)	336	971,950	17.7%
F	Residential	229	165,765	13.0%
	Recreational	1	545,963	
Total		**2420**	**5,487,560**	**100.0%**

Source: Capital Plus management

The Project is expected to be divided into three main phases:

- Land reclamation: It is anticipated that the trunk of the tree be built through land reclamation whereas the remainder pasts or branches will use a floatation technique;
- Infrastructure: The infrastructure phase will include the development of the principal systems of the Island (e.g. roads, sewages) along with the units' parcellation and public green areas. The latter will constitute around 25 percent of the Island's total area; and
- Clusters' sales: The units will then be sold to interested parties who will construct the residential, recreational and commercial components based on set guidelines specified by the Client in order to insure the homogeneity of the development.

[7] It is noted that since the Project is still under study, the above figures are subject to change.

4.2.1 Residential component

It is the Client's vision that the residential zones (i.e. zones B to F), will be isolated from the public component of the Island in order to ensure the privacy and security of its residents.

These high end residential units are in turn divided into different zones distinguished by the architecture of the corresponding units whereby zones B, C and F are composed of low floors buildings, zone D primarily including villas and zone E reserved for luxurious palaces. In sum, the units' degree of luxury increases as we move closer to the end of the tree.

4.2.2 Commercial component

The commercial component is expected to be principally used for the development of hotels, retail outlets, malls and office buildings. These are located in zone A near the Island's entrance.

4.2.3 Recreational component

The recreational component spans two zones, namely zones A and F whereby the former will be targeted at the public and the latter at the Island's residents.

The recreational component in zone F is expected to be dedicated to a Gulf course. Other ideas currently under review include a marina, a movie theater and an underwater park.

5 Economic benefits: methodology and results

This section outlines the methodology and results of the economic value analysis of the Cedar Island project whereby our approach was based on the following three steps:

- Decision on the nature of the economic outputs to be estimated given the Project's characteristics;
- Identification of the assumption set to be used in the calculation of the selected economic outputs; and
- Output estimation and analysis documentation.

5.1 Economic outputs

Based on a review of the Project's available information, and taking into consideration the following characteristics of the Cedar Island:

- Creation of a new geographical location;
- Absence of any comparable projects in the country;
- Considerable area covered by the Island; and
- Diverse components and corresponding usages,

We have identified the following outputs to be estimated for the purpose of our analysis:

- Number of people expected to live on the Cedar Island;
- Expenditure generated through demand of the Project's residents;
- Number of temporary Full Time Equivalent (FTE) jobs expected to be created by the Project
- Number of temporary FTE jobs expected to be created by the Project; and
- Gross Value Added (GVA).

5.2 Assumptions

The section below presents a list and description of the main assumptions used in our analysis.

5.2.1 Housing impact on population

The following table presents the breakdown of average household size in Lebanon for the year 2004:

Table 5-1: Breakdown of household size by governorate

Governorate	Average household size
Beirut	3.84
Mount Lebanon	4.04
North Lebanon	4.74
Bekaa	4.58
South Lebanon	4.49
Nabatieh	4.24
Lebanon	**4.27**

Source: The National Survey of Households Living Conditions, 2004

For the purpose of the analysis, the average household size of Beirut, or 3.84 individuals per household was used. The use of the Beirut average rather than the country's average can be explained by the fact that the Client expects the Project's residential mix to be most compatible with the capital's population.

5.2.2 Disposable income

As per ESCWA statistics, the Lebanese disposable income per individual per month is equivalent to USD 5,457 for the year 2005. The following table presents disposable income per individual per month for the period 2002-2005:

Table 5-2: Disposable income[8]

	2001	2002	2003	2004	2005
Yearly disposable income per individual	5,087	5,457	6,107	6,394	6,924
Monthly disposable income	424	455	509	533	577
Growth		*7%*	*12%*	*5%*	*8%*
Average growth					**8%**

Source: ESCWA

Disposable income figure used for the purpose of the analysis corresponds to the projection of the 2005 figures based on the average growth rate of 8 percent.

Consequently, the calculation of outputs will use the 2008 estimate of disposable income, or USD 8,722 per individual per year.

5.2.3 Construction costs and Project duration

Assumptions for development costs were derived from the Client's estimates. In fact, as per the Client, total development cost is assumed in the range of USD 1.8 billion.

With regards to the Project's development duration, the development of the plot, along with land reclamation, is assumed by the client to be completed within a period of five years.

[8] The calculation of disposable income per individual is based on a population figure of 3.75 million as per the National Survey of Households Living Conditions, 2004.

It is noted, however, that the above costs and timeframe relate only to the development of the land; which, as per the Client, will be later sold to third parties who will be in charge of the construction of the different components.

Construction costs for the other components are assumed to be in the range of USD 2,000 per sqm.

5.2.4 Permanent jobs

The following assumptions are used for the estimation of new jobs created by the Cedar Island project:

- It is assumed that 0.1 jobs will be created for each new housing unit built. This figure is based on a study based on the UK market as no similar statistics are available for Lebanon or the region. It is noted, however, that this figure may be understated for a development located in the Middle-East; and
- It is assumed that the commercial and recreational spaces will relate to general office space and amusement and entertainment centres. Also based on UK statistics, it is estimated that 1 job is created for every 19 sqm of general office space built and that 1 job is created for every 40 sqm of amusement and entertainment centre.

There are also temporary jobs to consider during the development and construction phases. For the purpose of this analysis, an estimate from a recent development in Abu Dhabi was used as no other statistics are available. As such, it is assumed that 1 job is created for every USD 200,000 spent on construction and/or development.

5.2.5 Gross Value Added

Gross value added (GVA) is defined as "the difference between output and intermediate consumption". The GVA figure per worker in Lebanon used for the purpose of the analysis is estimated at USD 12,740. This figure, based on the United Nations Development Programme (UNDP), was reached by dividing total GVA in 2004 by the number of workers in that same year as these are the latest publically available information.

5.3 Results

This section presents the quantification of the selected outputs discussed above.

5.3.1 Island's population

As a result of the residential units built on the Island, the permanent residents on the Island will total 8,974.

5.3.2 Jobs created

Construction jobs

Temporary Full Time Equivalent (FTE) construction jobs created over the Project's development phase are estimated in the order of 1,800 employees per year or the equivalent of 9,000 FTEs throughout the Project's life.

As for FTEs related to construction, these are expected to total 54,876 over the total construction period, currently undetermined.

Permanent jobs

Permanent jobs will be created both as a requirement to service the new housing units and as a result of new retail space created.

Consequently, 234 FTE jobs, 28,774 FTE jobs and 49,096 FTE jobs are expected to be created as a result of new housing, commercial space and recreational spaces respectively, thus resulting in a gross total job creation of 78,105.

For the purposes of this report, displacement and additionality have been ignored and the Island has been treated as a standalone project.

5.3.3 Expenditures generated by residents

Total expenditures generated by the Island's residents in one year, in the form of consumption, capital expenditures and/or savings, is estimated at over USD 78 million, or the product of the Island's population and the disposable income estimate per person for the year 2008.

5.3.4 Gross Value Added

When GVA per worker in Lebanon, presented in the previous section, is multiplied by the gross jobs created then the estimated GVA, resulting from the Project and stemming from the gross number of permanent FTE jobs created, is estimated in excess of USD 995 million.

It is noted that these figures for expenditures generated by residents and gross value added represent yearly results and are expected to be repeated, although not necessarily with the same magnitude, in following years.

Consequently, the medium to long term impact of the Project in terms of expenditures and permanent jobs created is larger than what is presented above.

6 Assessment of social returns

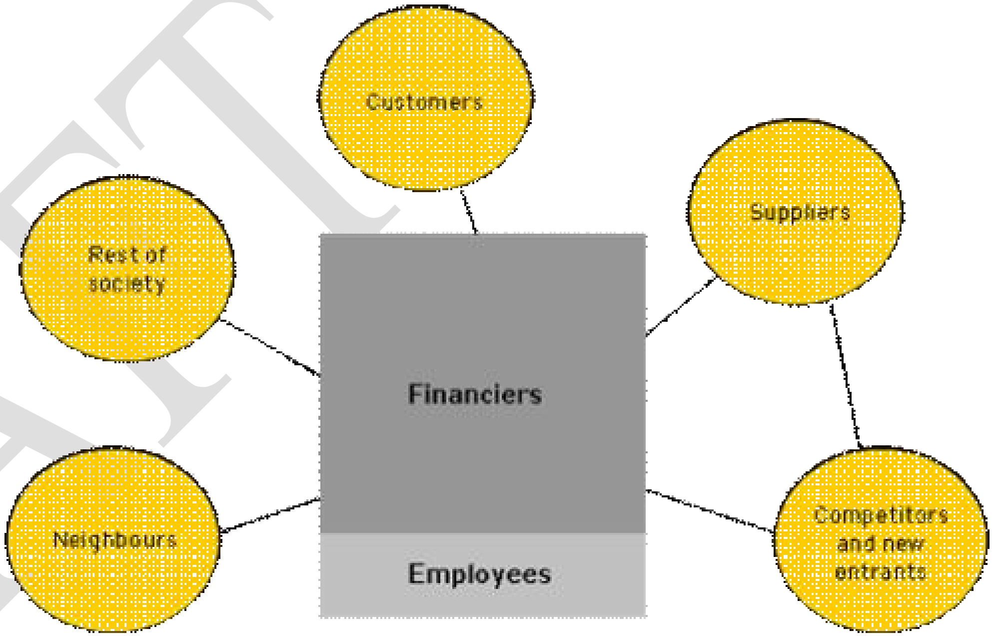
Private returns are defined as the impact of the project on its financiers. It is generally quantified by the Internal Rate of Return or IRR and examines the cash investments versus the cash reimbursement of the project. It is noted that the assessment of private returns is outside the scope of this exercise.

Social returns, on the other hand, assess the impact of a project on all stakeholders in the economy, including the financiers. As such, social returns is a broader measure than private returns and is different from the latter mainly as a result of taxes, tariffs, transaction costs, externalities and imperfect markets.

The following section presents a qualitative evaluation of the overall development impact of the Cedar Island project on the society as the sum of the individual impacts on each of its main stakeholders. Stakeholders are in turn defined as any entity or group that may be affected by the Project, both Lebanese and foreigners, whether directly or indirectly.

The following figure identifies the principal stakeholders in the Cedar Island project:

Figure 6-1: Principal stakeholders in Cedar Island



Source: Adapted from a Harvard Business School publication, 2003

6.1 The Project's financiers

The benefits of the Cedar Island's on its financiers, or private returns defined earlier, are assumed to be positive as these financiers would not engage in such a Project unless proper analysis of returns is conducted and these returns are deemed adequate.

6.2 Employees

Employees of the Cedar Island project include administrative and technical people. These individuals are directly employed by the Project and provide a direct input. The net impact of the project on this category is defined as the increased returns from this Project as opposed to the other alternatives they might have. Since these employees have chosen to work on this Project rather than another, we can assume that the benefit is positive, or at worst, non-negative.

6.3 Customers

The customers to the Cedar Island project are defined as its residents, groups or entities that will develop the recreational and commercial zones, retailers who will lease or purchase commercial areas, etc…

This category will benefit from the novelty and high quality of the Project as well as the visibility that the competitive position of the Project will provide.

6.4 Suppliers

Suppliers to the Cedar Island project are principally composed of the providers of the raw material and services needed for the Project's development including land reclamation, road and sewage system development, and water and electricity installations as well as landscaping material. These suppliers might comprise of concept designers, engineers, contractors, legal and financial advisors, etc. They will enjoy an increased demand for their goods and services as a result of this Project and often higher profits. As such, the fact that these suppliers will be choosing to sell or provide services to the Project, one can assume that the net impact on this category is positive or at worst non-negative.

It is noted that in this case, suppliers can be also considered producers of complementary goods.

6.5 Competitors and new entrants

Competitors generally witness a decrease in demand from the introduction of a new project to the market and are probably the category of society which is the most negatively impacted. However, the Cedar Island project is the first mega project of its kind in Lebanon. As such, no set of comparable projects and therefore direct competitors can be identified. At the commercial and recreational levels, the Project is expected to attract very high end retailers and malls and the currently proposed recreational options are very rare and even unique in the country. Notwithstanding, further analysis of the supply and demand gap for residential units and retail space is required before assessing the impact.

The impact of the Project on competitors and potential new entrants can however be more pronounced at the level of demonstration effect where the Project might demonstrate and therefore encourage the undertaking of similar mega projects in the country.

6.6 Neighbours

This section refers to the impact the Project has on the surrounding community. In the case of the Cedar Island, and since the precise location of the Project is not yet determined, we will limit our analysis to general consequences.

The development phase of the Cedar Island will result in a crowding of the surrounding area in terms of heavy machinery, dusts and noises. The environmental impact of the Project is therefore, at least in the construction phase, negative[9]. Additionally, the surrounding areas, which were used to live in close proximity to the sea, will be denied this luxury as it will be partly replaced by the Island, also, a negative, but long term consequence.

However, from an economic point of view, the uniqueness of the Project is expected to attract a healthy tourism activity in its neighborhood and a significant portion of the Project's residents' generated expenditures (quantified earlier) will be spent in these areas. As such, the Project is expected to have a positive long term impact on the neighboring economies.

6.7 Rest of society

This category includes the effects of income taxes and Value Added Taxes (VAT):

Profit taxes: The profits generated by the Project are roughly estimated by its revenues minus its costs, with a portion of this profit being claimed by the Lebanese government. Regardless of the government's end use of these taxes, the impact of the redistribution of these taxes to the society is quite significant, especially when accounting for the associated multipliers' effects.

Value Added Taxes: The development of the Cedar Island will result in a net increase in VAT collections by the government as most infrastructure and construction works are subject to VAT. These will in turn be redistributed to the society, thus leading to the same result presented earlier.

[9] No formal environmental study was conducted on the Project. As such, other environmental impacts may arise that are not mentioned in the analysis.

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