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Executive

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RESOLUTIONS FOR 2016

The magazine proposes a few resolutions for 2016. And we're starting the year by practicing them. First, we call on the best and brightest Lebanese minds to seize the potentially lucrative opportunities that the Paris Agreement on climate change will afford. This is why we've put climate change on our cover.

Our second, and most important, resolution is that 2016 will be our year of business ethics. There's no better place to start than with the worst disaster this country has seen in recent memory: the (mis)handling of waste management. We take an in-depth look at a local company given far more opportunity than international best practice suggests it should have had. We're setting the stage for a year in which we will take a very hard look at business ethics in this law-ignoring country.

Milton Friedman wrote that a company's top brass — be they a board of directors or a small number of executives — has only one objective: make more profit year-on-year for the benefit of the company's most important stakeholder, its shareholders. Of course, the company must obey the law, conduct business in a responsible manner and treat its employees respectfully and well. As we publish our months-long investigation into Averda, parent company of waste managers Sukleen and Sukomi, what we've found is plenty of government malpractice. Yet for every rumor we chased, we could not substantiate illegal behavior on the company's part. Even the notion that the company only received contracts because of its founder's religion or alleged ties to the late Rafik Hariri is undermined by the fact that each time Sukleen or Sukomi were given a no-bid contract, the entire cabinet approved. The conspiracy to divide the pie is one all of our politicians are in on.

Our system is so broken and the laws and regulations we have on the books are so poorly enforced that it looks perfectly legal for a company to be given not only a monopoly on waste management, but years and years of taxpayer-financed work without having bid on a contract in more than 20 years. In fact, the Shura Council in 2001 gave Averda's contracting in Lebanon a legal seal of approval. It's bewildering. No-bid contracts might be legal in Lebanon, but they are neither reflective of international best practice nor of the Lebanon we want to see.

The summer of 2015 saw protests we hoped would achieve more. We published a manifesto to help inform this country's citizens because we've spent nearly 20 years pointing out what's wrong in Lebanon and what needs to be done to right it. In 2016, you can expect us to name and shame both corporates and government officials. And we won't be using Lebanese standards. Like the manifesto, our coverage this year is meant to help activists and pressure groups know who is doing wrong and how and what can be done better. We want an inclusive economic system, and the most effective way to get there is by promoting best in class corporate behavior. We're on a mission, so keep reading.

Yasser Akkaoui
Editor-in-chief

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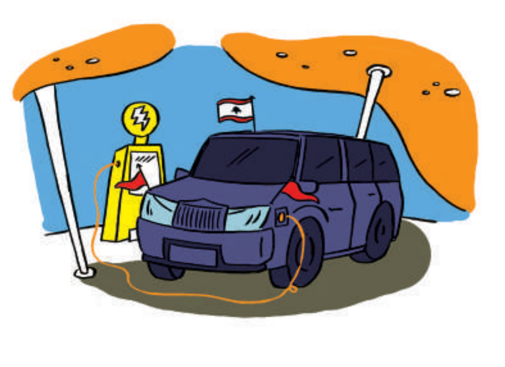

Climate change talks in Paris have broken new ground and nations are now taking on responsibility at the local level. Opportunites in Lebanon look promising, but they require political will.

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> ***A new study*** released by the World Bank and Lebanon's Central Administration of Statistics ***shows that one in four Lebanese live in poverty***, despite the country being classified as an "upper middle income" economy. With a population of around 4 million, this means that 1 million Lebanese are living on insufficient income to cover the basic costs of rent, food and health care. According to the study, the threshold determining poverty is an income of $266 per month. The ***results of the study do not include the vast majority of Syrian and Palestinian refugees*** living in Lebanon, since the data was collected between 2011 and 2012 when only 100,000 Syrian refugees were registered in Lebanon, and no data was collected from the UNRWA-administered Palestinian refugee camps. The study found that 36 to 38 percent of residents in North Lebanon and the Bekaa Valley live in poverty, more than double the figure for Beirut residents, which stands at 16 percent. Overall, 27 percent of Lebanese live below the poverty line.

> On December 10 and 11, ***Banque Du Liban*** (BDL), Lebanon's central bank, ***organized an international startup conference*** which attracted speakers and attendees from all over the world. Regional and global interest in Lebanon's entrepreneurial ecosystem has been growing since the launch of BDL's Circular 331 in 2013. The event highlighted the key steps Lebanon needs to take in order to maintain strong foundations for a sustainable ecosystem.

> Lebanese Prime Minister Tammam Salam, the United Nations Special Coordinator for Lebanon Sigrid Kaag and Deputy UN Special Coordinator Philippe Lazzarini launched ***a plan*** at the Grand Serail ***to ask the international community for $2.1 billion to help finance Lebanon's Crisis Response Plan*** (LCRP) for 2016. The plan has been put forward to help assist the 1.5 million Syrian refugees living in Lebanon. According to Salam, the funding provided to Lebanon has fallen short of that provided to Turkey and Jordan, the two other largest host nations in the region for Syrian refugees. Funding is key if Lebanon is to provide refugees with basic services such as housing, education and health care, since the country's own resources are already strained. As with the LCRP's 2015 mission, the government's 2016 plan intends to use the funding ***to invest in repairing basic services and stimulate employment in Lebanon's poorest areas***, thus aiding both refugees and local residents, who have themselves suffered from the refugee crisis, and encouraging cohesion between the two populations. The plan will provide funding assistance to 300,000 of Lebanon's most vulnerable citizens.

Lebanese Prime Minister Tammam Salam

> On December 20 an ***Israeli aerial strike killed Hezbollah leader Samir Kuntar*** in a Damascus suburb from where he was allegedly involved in planning strikes against the occupied Golan Heights. Kuntar was the longest serving Lebanese prisoner in Israeli jails. He was released in a negotiated prisoner swap with Hezbollah in 2008 alongside four other Lebanese prisoners. Kuntar spent 29 years imprisoned in Israel after being accused of involvement in attacks on Israel in 1979. Hezbollah's official media branch announced that Kuntar would be buried in a Shiite cemetery in Beirut's southern suburbs. Syrian Information Minister Omran al Zoubi confirmed ***Syrian authorities were investigating the attack*** and accused Israel of gaining from Kuntar's assassination, falling short of outright blaming it. Official Syrian media, on the other hand, claimed the aerial strike was carried out by Israel, while Israeli ministers refused to comment on the matter. Hezbollah fired four retaliatory rockets from southern Lebanon into Israel.

> On December 21, ***new rounds of cross-party talks*** began in Lebanon to discuss the implementation of government functions, as well as the establishment of a new electoral law. The meeting, initiated by former Prime Minister Saad Hariri, took place at Speaker Nabih Berri's residence in Ayn Al Tineh and included heads of major parliamentary blocs who ***set out to find a solution to the country's 19-month presidential impasse***. The need to fill the presidency is becoming all the more important since the vacuum has largely prevented Parliament and the government from continuing work as usual. Hariri's initiative to nominate Marada Movement leader Suleiman Frangieh has not been affected by these fresh talks, with the Maronite leader officially announcing his candidacy during a television interview in mid-December, despite opposition to his nomination from other political leaders.

> ***Military Prosecutor Judge Saqr Saqr*** on December 21 ***charged Bilal Baqqar with belonging to ISIS*** and engaging in terrorist activity. Baqqar is the main suspect in the November 12 twin bombing that killed more than 40 people in Beirut's Bourj Al

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QUOTE OF THE MONTH

"WE HAVE OVERCOME A HUGE BURDEN THAT WAS PRESSURING LEBANON AND THE LEBANESE."

TAMMAM SALAM, Lebanese prime minister, on the decision to export Lebanon's trash

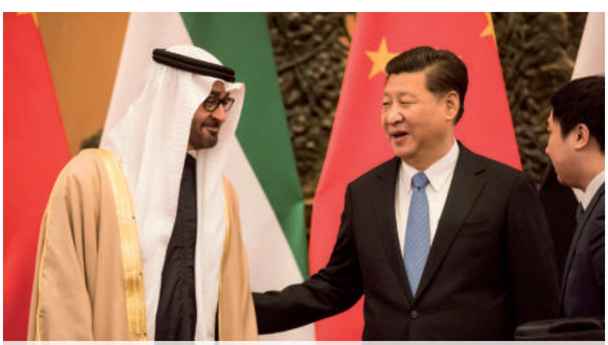
Barajneh neighborhood. He was arrested earlier in December by Internal Security Forces before being referred immediately to a military investigative judge. The suspect faces the death penalty if found guilty.

> Following months of stalled talks, Lebanese ministers on December 21 came to an official ***solution to the waste management crisis*** that has been engulfing the country's capital and surrounding areas since July 17, 2015. The six-hour cabinet meeting, the first in three months to discuss the crisis, ended with the approval of ***a decree to export most of Beirut and Mount Lebanon's waste*** over the next 18 months. The next step will be for the Council for Development and Reconstruction to draw up contracts with British and Dutch firms which will be charged with handling export operations. However, it will take weeks for the contracts and treaties to be drawn up in line with international law, since waste exports are controlled by the United Nations Basel Convention. The Independent Municipal Fund will cover the ***$200 million needed*** to provide the export costs, Agriculture Minister Akram Chehayeb said after the meeting.

> ***The United Arab Emirates*** joined forces with ***China*** to create a ***$10 billion co-investment fund*** in efforts to pursue stronger ties with one of the world's largest players in international trading and its second-biggest trade partner after India. The UAE-China Joint Investment Cooperation Fund, agreed upon and signed during a visit to China by the crown prince of Abu Dhabi, Sheikh Mohammad bin Zayed al-Nahyan, will seek investments ***in energy, infrastructure, technology and advanced manufacturing***, among other areas. The fund is equally funded by both countries and will be managed by Abu Dhabi's Mubadala Development Co., China Development Bank Capital and China's State Administration of Foreign Exchange, according to the UAE's state-run WAM news agency.

> As the price of oil ended the second week of December at a seven-year low, ***GCC stocks*** retreated to 12-month lows. Qatar's QE Index dropped by 3.7 percent on December 13 and closed below 10,000 for the first time since November 2013; Saudi Arabia's Tadawul All Share Index sank its lowest since 2012. The ADX General Index in Abu Dhabi fell by 2.1 percent. Whereas GCC indices recovered some ground in the second half of the month, ***oil prices*** stayed subdued and ***were close to 11-year lows*** on December 30.

> Iranian Industry Minister Mohammad Reza Nematzadeh said on December 17 that ***Iran is preparing to negotiate accession to the World Trade Organization*** (WTO). The country is the largest economy outside the organization. Following the success of nuclear talks, Tehran is ready to restore international economic links after years of sanctions by major world powers. In a meeting in Nairobi held every two years, Nematzadeh addressed the 162 members of the WTO, telling them that after "years of intensive negotiations have finally cleared all the misunderstandings about Iran's nuclear activities, we are taking the next step toward integrating more deeply into the global economy."



Sheikh Mohammed bin Zayed al-Nahyan (L), crown prince of Abu Dhabi, meets Chinese President Xi Jinping during a signing ceremony in Beijing on December 14, 2015.

> As part of preparations for a Syrian peace negotiation scheduled for January in Vienna, ***transfers of wounded fighters and civilians*** from two flashpoint regions in Syria were carried out with support by Lebanon, Turkey and Iran on December 28. A convoy of more than 120 combatants and civilians passed from Zabadani into Lebanon via the Masnaa border crossing and were later transferred by air to Turkey and from there to opposition-held areas in Syria. In parallel, 335 people were evacuated from villages in northern Syria and taken through Turkey and Lebanon to government-controlled areas in Syria. ***The humanitarian action was brokered by the United Nations.***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WEALTH MANAGEMENT

> **Climate change**

A 5,000-year opportunity

Paris Agreement signals great chances for Lebanon

"This Agreement... aims to strengthen the global response to the threat of climate change, in the context of sustainable development and efforts to eradicate poverty, including by:

(a) Holding the increase in the global average temperature to well below 2 °C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5 °C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change;

(b) Increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production;

(c) Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.

This Agreement will be implemented to reflect equity and the principle of common but differentiated responsibilities and respective capabilities, in the light of different national circumstances."

Article 2, Paris Agreement

When it comes to managing our planet, the human race has finally succeeded in learning a few things. One lesson is that climate is something that we do influence but cannot control. *Au contraire*, the climate controls us in spite of all our technology. A second lesson is that we have to adapt in order to survive in the third millennium just as Paleolithic humans needed to adapt as groups to survive environmental changes during the Pleistocene era. For modern man, this adaptation is, however, a collective challenge to achieve culture change on a planetary level.

The third insight to ponder is that it is much better to affirm a chance than to obsess on downside risks. Dealing wisely with what we cannot control but are able to influence positively as very large collectives — i.e. humanity, the community of nations, single nations and business enterprises — represents a humongous opportunity with millennial consequences. Not trying to capitalize on the chance to curb climate change would mean to simultaneously fall into an intellectual ice age and invoke a slow meltdown of the global economic core.

The trigger event for this historic chance is the global agreement on reduction of global warming reached at the United Nations Climate Change Conference in December 2015, the so-called COP21 Paris event. In the best case it will be a tipping point in dealing with the human impacts on our climate, including a very achievable Lebanese contribution to reducing our carbon emissions (see explainer on page 18).

From a species perspective, the breakthrough of Paris lies in the declaration of a humanity-wide shared goal and collective affirmation to pursue this goal. One will be hard pressed to find any precedent for such in-principle consensus at historic events of the 20th century — from peace conferences to the founding assemblies of organizations like the League of Nations and the United Nations. The closest examples for similar formulations of a shared global will are probably the UN's Millennium Development Goals of 2000 and their successor targets, the Sustainable Development Goals.

For implementing the Paris Agreement, national determinations are key. The agreement establishes a positive framework for national contributions. However, realizing and expanding these contributions will be a task for the sovereign institutions of the 195 states that have committed to the Paris Agreement and are expected to ratify it. The process will be complex and arduous but it comes with hope that passions and energies which were in the past wasted on debates over the reality of human climate impacts will now be invested into agreeable and achievable measures.

Bringing the climate chance [intended] process down to national levels, every country is asked to fulfill its responsibility. For countries in the Middle East, climate change-related responsibilities include not only implementation of emission goals but also needed measures for managing scarce and vital natural resources, water being at the top of the list (see comment on page 20).

For Lebanon, the call for action entails two main aspects: private and public. The country will need to continue incentive programs — primarily financed through central bank stimulus — to implement emission reduction measures. To maximize the impact of those measures, Lebanon will need to tap into external financing from donors and international institutions. This is doable (see cover story on page 14) but requires fiscal diligence and something totally new: political self-denial. This means that the next Lebanese government — yes, Executive still insists that we need a full government asap — will have to pass a number of laws, achieve real cooperation between ministries instead of allowing fragmented fiefdoms, and demonstrate to international funders that their money is well and efficiently invested, with the maximum outcome in emissions reductions, when provided to Lebanon.

On the private sector, our call to action is to be smart, decisive and proactive. Known for their adaptability and quickness in engineering practical solutions, various Lebanese entrepreneurs have demonstrated in recent years that they can devise alternative energy answers to problems in markets that face inherent restraints (such as, ahem, frequent interruptions of governmental power supply). As observed and documented by Executive, solar, creative energy storage, and very feasible power management solutions have been innovated by Lebanese companies. With certainty, these can be developed further and put to ecologically responsible profit generation in the growing and decentralizing markets of emerging and frontier economies in decades to come. The shift out of fossil fuels and into alternative energies is a chance for Lebanese entrepreneurs to do good, work economically, create jobs, and reduce our output gap. Unmissable.

Returning to the global perspective, the climate change chance is a once-for-a-species opportunity that, if missed, may not recur in the next 5,000 years. This quantification is of course totally over the top and completely arbitrary but there is truth in it — and doesn't it sound impressive?

> Waste management

Recycling history

Lebanon set to repeat past mistakes

We are being governed incompetently. 2015 proved that. Not only did the government's handling of waste management allow one of the country's worst environmental disasters to unfold, but it is replicating bad decisions it made nearly 20 years ago. In 1997, the cabinet gave one local company a monopoly on most of the nation's waste without a competitive tender. As 2015 came to a close, the cabinet was set to simply split that monopoly between two international firms, again without a competitive tender. But for double the price. Worse, the alleged will to let municipalities handle their own garbage announced in September 2015 has yet to translate into action, meaning that if this temporary solution is truly temporary, rotting trash on the streets will be back in fashion for summer 2017.

It's important to remember that the great "trash crisis" of 2015 actually started with a government decision in early 2014 to close the nation's largest sanitary landfill. While there was nothing wrong with the decision to shutter the landfill, the blunders soon began piling up like so many uncollected bags of garbage. First and foremost, a ministerial committee tasked in early 2014 with finding a replacement for the Naameh landfill failed spectacularly. The plan this committee eventually settled on consisted of dividing the country into six service zones and tendering waste management in those zones to private companies. Bidding did not open until late in the first quarter of 2015, meaning that even if the tenders were successful, winning companies could not have had replacements for Naameh constructed before the landfill closed. Further, the plan once again would have given one contractor (admittedly a consortia of local and international companies) in each zone full control of waste management, which is not standard international practice and arguably the main grievance against Averda, parent company of waste managers Sukleen and Sukomi.

On top of that, the tender conditions were outrageous. The contracts were slated to last seven years, yet winners were expected to: 1) secure land on which to build waste management facilities; 2) build and operate those facilities; and 3) decrease landfilling from around 80 percent of the total waste stream to 40 percent in the first three years and to 25 percent thereafter. Land in Lebanon is expensive. Capital expenditure on technologies needed to decrease landfilling can cost millions, and resident opposition to waste management facilities "in my backyard" is high. Every private sector player Executive spoke to about the tenders — including those who ultimately submitted offers — said the tenders seemed designed to fail. Executive has not been able to discern exactly how the tender conditions were formulated, but Parliament should do its job and question all involved in an open, televised session. The legislature has this authority, as evidenced by an October committee hearing the press was asked to leave when MPs nearly came to blows.

When the tender winners were finally announced in August — over one month after Naameh closed and trash piles and open burning were common — the contracts were immediately cancelled because of supposedly high costs. As Executive noted at the time, proper waste management is not cheap, and several local politicians are well aware of that. The fall-back plan, formulated in a matter of days and approved by the cabinet in September, had two components: sanitary landfilling for 18 months and devolution of waste management responsibilities to the municipalities. The second part was the more important, as it was envisioned to be long-term and sustainable. Flawed as the reasoning may have been, the idea called for cities and villages to work together, establishing their own service zones and choosing local sites for waste treatment and disposal. While the public generally seems to have no problem littering or despoiling this nation's natural beauty with festering open trash heaps, the Lebanese have traditionally opposed modern waste management facilities being built anywhere near their homes. The government was supposed to create a committee to build capacities among municipal leaders, getting them ready to handle their own trash — with or without private sector participation. By March 2017, the entirety of Lebanon should have had plans approved, contracts signed and all needed waste management facilities built and ready for operation to accommodate the full devolution of responsibility for this most basic service. While the temporary landfilling component of the plan hit the expected brick wall of public opposition, authorities have done absolutely nothing to prepare for full municipal takeover of waste management. If even one minister who approved the plan took it seriously, he or she should have loudly and frequently called for action on the long-term component. Instead, time has been much better spent bickering over temporary sanitary landfill sites.

THE STATE SIMPLY GAVE THE WORK TO AVERDA INSTEAD OF GOING TO TENDER. THIS IS A BAD PATTERN.

The most confusing part of this saga, however, is the seemingly final chapter. At time of writing, the government says it wants to export the nation's waste for 18 months at a cost of $212 per ton. Given an average waste generation rate of 3,000 tons per day in the areas that incumbents Sukleen and Sukomi have been servicing, the total bill will be nearly $350 million — more than double the estimated $165 million for 18 months of waste management services the government would have paid Averda, Sukleen and Sukomi's parent company. And awarding these new contracts without public discussion or competitive bidding is simply a repeat of the worst sin the government committed in dealing with Averda these past two decades.

Executive believes in private enterprise and responsibly earned profit, so we've been paying special attention to the so-called "waste file" and have dug deep into allegations of corruption levied against the private company that has been cleaning up after most of us since 1994. We were able to completely debunk some of the accusations against Averda (namely that politicians hold shares in the company and that its prices are extravagant). We could not disprove some of the other allegations against the company (namely that Averda paid bribes to get work, shared profits with the political elite and/or earned profit margins in excess of 30 percent). What is absolutely clear, however, is that Averda's workload, and thus its revenues, expanded repeatedly without competitive bidding. The tendering process, however, is the government's responsibility, not the contractor's.

In dealing with Averda, successive governments seem to have viewed it as the path of least resistance. For example, in 1997 when the government faced a self-imposed deadline to close the open dump in Bourj Hammoud, the cabinet approved an ambitious emergency plan that envisioned the construction of waste sorting and composting facilities as well as a sanitary landfill in around 18 months. The state simply gave the work to Averda instead of going to tender. This is a bad pattern. We should be ashamed of it, not repeating it.

And, while it is uncommon for one company to be offering the full spread of waste management services, what the state pays Averda is not higher than in other countries with Lebanon's income level for the same range of services. Doubling that cost with no guaranteed long-term benefit, however, is ludicrous and proof our leaders are happy to make incompetent decisions. Everyone loves to hate Averda, but the company did not create the situation in which it works. It should not be demonized for doing its job. That said, more transparency in waste management — as well as all state financed contracts — is long overdue.

Parliament needs to assert itself. If the government awards no-bid contracts, lawmakers should demand answers. In public. The legislature is supposedly the cabinet's watchdog, and the "waste file" demands immediate action for the greater public good.

And years of accusations against Averda should teach us a few things. Parliament should also develop listing requirements for any company that wins state work of a significant value or duration. The exact requirements are open to debate, but the bottom line is that when public money gets spent, those ultimately footing the bill have the right to a basic level of knowledge and access to information.

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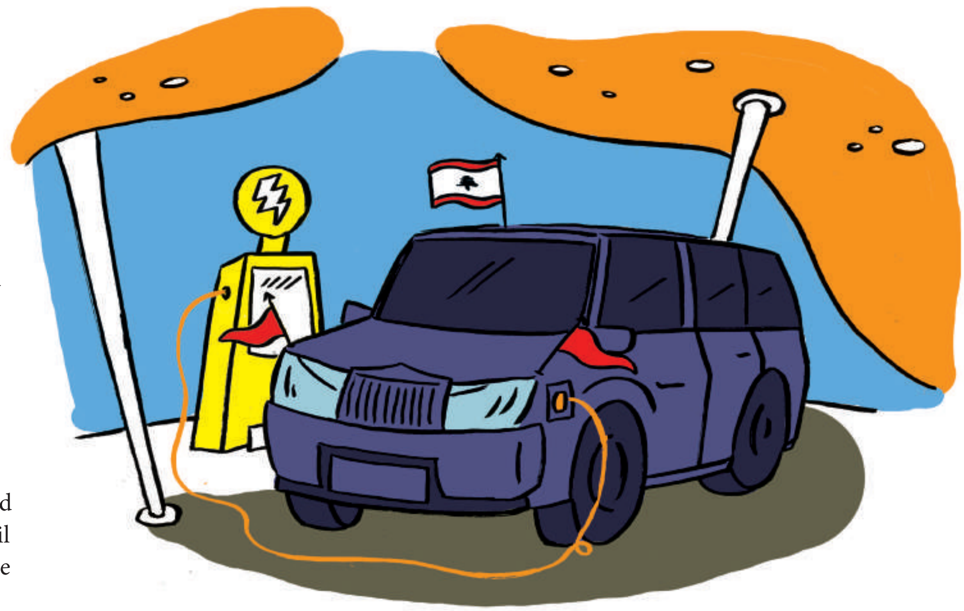
A chance for Lebanon

Implementing the Paris Agreement will require political will *By Jeremy Arbid*



Last month Lebanon, alongside 194 other countries, was represented in Paris for what was expected to be another conference promising to mitigate pollution but delivering little in way of curbing the pace of climate change. After high profile conferences in Kyoto in 1997 and Copenhagen in 2009 failed to obligate countries to reduce pollution, the mood leading up to the Paris conference was for more good intentions and empty promises. Yet, surprisingly, after two weeks of talks the 195 countries agreed to reduce carbon emissions — it's being dubbed the beginning of the end for the fossil fuel era — a move that could alter the economic landscape for fuel importing countries, like Lebanon.

But to reach the goals of the Paris accord, officially referred to as the Paris Agreement, and limit a rise in global temperature levels, political will is required. France's foreign minister and chair of the Paris conference, Laurent Fabius, called the agreement a "historical turning point". Other global leaders — United Nations officials and heads of state, even the Pope — have echoed this sentiment. The highest levels of international politics might, hopefully, drive momentum downward to the domestic level. Lebanon is already working to reduce its emissions largely through renewable energy projects, but the country will need various measures of legislation to continue forward. Can political will at the international level trickle down to Lebanon, or will the status quo of local policy making remain?

INTERNATIONAL FINANCING

Where the Kyoto and Copenhagen conferences failed, Paris succeeded. The overarching result of the accord is an agreement to avert catastrophic climate change by limiting a rise in global temperature levels to no more than 2 degrees Celsius (with wording in the agreement urging the temperature increase to be limited to 1.5 degrees Celsius if possible) by the end of the century. To do so, countries agreed to transparent reporting of their emission reductions, to meet every five years to assess and modify their pledges so that the 2 degree (or 1.5 degree) goal stays within reach, and put forth a notion of collective responsibility — no more is there a stark distinction between rich and poorer nations (see Paris accord explainer page 18).

WEALTHY ECONOMIES HAVE PLEDGED TO CHANNEL AT LEAST $100 BILLION ANNUALLY TO FINANCE GREEN PROJECTS

For the most part, this will require massive investment in renewable energy and energy efficiency projects that, simultaneously, would phase out fossil fuel use and reduce carbon emission. Wealthy economies, like the United States and European Union, have pledged to channel at least $100 billion annually to help poorer economies finance green projects.

Lebanon has already benefited from international financing and more help is expected as the likely momentum established with the Paris accord snowballs moving forward. The European Union granted 11.9 million euros ($13 million) to subsidize interest rates and increase payment periods for projects that fall under Lebanon's National Energy Efficiency and Renewable Energy Action (NEEREA) plan — a financing mechanism for green energy projects initiated by the central bank. The World Bank channeled a $15 million loan through the International Bank for Reconstruction and Development to help manufacturers reduce emissions. Parliament met for a rare meeting in November 2015 to approve two loans that were set to expire — one from the European Investment Bank and the other from the French Development Agency. The loans account for some $40 million that will be invested in renewable and energy efficiency projects in 2016.

Vahakn Kabakian, climate change project manager at the Ministry of Environment and part of Lebanon's delegation to the Paris conference, and Pierre el Khoury, director of the Lebanese Center for Energy Conservation at the Ministry of Energy and Water, both agree that international financing will be very important for Lebanon to reach its emission reduction contribution. They say that the availability of international financing will increase, not immediately but moving toward 2020 as momentum picks up. Naming a few donors as examples Khoury says, "We will be moving towards real money — Abu Dhabi Fund for Development, the European Investment Bank, the Asian Development Bank, the Sustainable Energy for All initiatives of the United Nations — will all have money to support and give loans. So, starting from the Paris accord and onward there will be money to be invested."

STIMULUS MONEY

The bottom-up approach agreed upon in Paris to mitigate climate change places countries in the driver's seat to implement renewable and energy efficiency projects. Kabakian points out that international money will help Lebanon move faster toward installing renewables and energy efficiency projects, but the primary chunk of financing is coming domestically. Available financing via Banque du Liban (BDL), Lebanon's central bank, both Kabakian and Khoury agree, has made Lebanon a role model in the Middle East. Through several circulars dating back to 2010 and its subsequent stimulus plans the central bank provides, in theory, a $1 billion credit line annually to be invested in green projects through near interest-free loans.

Since 2011, Khoury says, direct investment in renewables, energy efficiency and green buildings stood at $450 million. In early December 2015 BDL Governor Riad Salameh told a conference audience that the bank's initiative had created 10,000 jobs and 270 companies, with the credit line financing some 325 projects. While the available credit has not been fully utilized, it is expected in 2016 that another $300–400 million will be injected, says Khoury.

BDL has, essentially, created a niche sustainable energy market. Businesses and factories, for example, have taken advantage of the financing mechanism to install rooftop photovoltaic systems. Some of Lebanon's biggest banks are already involved in financing sustainable energy projects, Khoury says, and the hope is that more will join. "We still have [several] banks that are not involved yet but they will be in the near future. The culture is there," he says, adding that "without the Paris accord it would have been tougher [but] now it will be easier for private investors to work with Lebanese banks – whenever they need money to invest in a renewable energy project they will have [more] choices, banks and financial institutions will have the money."

MARKET SEGMENT

The Paris accord piqued the interest of many an investor at top banks and funds in the world's financial capitals. The presence of top executives from financial institutions at the climate conference did not go unnoticed and the early indication is investment portfolios will shift toward the growing renewable energy industry. Goldman Sachs, an American multinational investment banking firm, recently said the global market size for renewables plus hybrid and electric vehicles was worth $600 billion last year.

There are both structural and legislative challenges that Lebanon must address to develop renewables and energy efficiency as a market segment. As part of the goal to reduce emissions by installing renewables and limiting dependency on imported fossil fuel, Lebanon will need to restructure its electricity sector. Redirecting the $2 billion that Electricite du Liban (EDL) receives annually to help cover the cost of generation — it pays only $25 per barrel with the treasury covering the difference — is a measure that director general of the Ministry of Finance, Alain Bifani, calls for. In a December interview with Executive, he said the subsidy needs to end because Lebanon can no longer afford it, even with the breathing room that current low oil prices provide.

The view from the Ministry of Environment's Kabakian differs — removing EDL's subsidy will make renewables much more cost effective if not cheaper. "We can make [renewables] cheaper and that's what most developed countries do. If you really want to expand it, you need to make sure that it's going to cost less." The goal is to satisfy 12 percent of the country's electricity needs by 2020 and 15 percent by 2030 through renewable sources — percentages based on Lebanon's current 2,500 megawatts of EDL production plus private generator production. Khoury says that, so far, Lebanon has installed 21 megawatts of solar energy and expects another 50 megawatts to be installed in 2016. A large measure of Lebanon's reduction in emissions will come not only from installing the type of megawatts Khoury mentions but also from decentralizing renewable energy production, and installing energy efficiency solutions, at offices and homes. For this, business engagement is key.

Developing a robust market segment will help Lebanon hold up its end of the climate change agreement, but the central bank initiatives are not enough. "[The market] will definitely plateau if the system doesn't change. It's a market and you can only sell a certain amount of [photovoltaic cells] that only a certain [number] of people think is beneficial. Some will look at a higher rate of return of income, for example, or less payback period. If you don't provide that it won't grow anymore," Kabakian says. The central bank financing has incentivized the private sector with companies seeing the dollar signs align in their favor when looking at potential returns on investment over the long term. But renewable energy projects, from small to large, do have investment barriers that, even with subsidized loans, can carry an uncomfortable level of risk that might stunt market growth if left unchecked.

"With [the measures] we have currently [the market] will grow a bit — my analysis will be that it will plateau in a couple of years and that will be it. Either you need to have big investments taking place and then help the decentralized systems to grow at the household level, or this is it," Kabakian says. Installing solar panels on rooftops of buildings is incentivized financially by the central bank but Lebanon needs to legislate a net metering scheme — a billing mechanism crediting renewable energy providers for feeding electricity into the public grid — to scale installation and decentralize small-scale renewable electricity production. Passing net metering legislation, Kabakian says, would exponentially increase the pace of decentralizing renewable energy.

Derisking decentralization is also an issue at the utility level because EDL does not generate enough electricity to provide 24 hours to the public grid. "Even if you have net metering installed, you don't have electricity on your grid [so] you won't be able to evacuate electricity to the grid. So not having 24 hours [of supply] hinders your net metering process but that's also hindering us [from] getting to the 24 hours. This is part of derisking practically," Kabakian says.

For large-scale renewable energy projects — wind and solar farms, hydroelectric — investors will need reassurance that EDL can uptake the produced electricity. So as long as there is no assurance, investors will calculate a level of risk pushing up the cost for renewables in Lebanon. Lowering the cost of installation and operation is key to attracting financing from foreign investors. It is even more important, says Kabakian, for donors channeling money as per the Paris accord. As Kabakian puts it, "[donors] want to get the most reduction per dollar invested. Reducing a ton of CO2 is cheaper in China than it is in Lebanon [so they will] go to China. [Whether] carbon is reduced in Lebanon or in China, the impact will be the same globally."

On the side of energy efficiency, reducing Lebanon's carbon emissions will be accomplished in the construction sector by requiring geo-thermal thresholds for new buildings — encouraged by the central bank initiative — but this necessitates legislation to force builders to meet standards. The environment ministry also has a plan to encourage, by financial incentive, individuals to swap their old gas guzzler for a new fuel efficient vehicle. This too would require legislation, both to regulate vehicle emissions and because the scheme would alter sources of revenue to the public coffer like Customs import and registration fees.

A SPOKE IN THE WHEEL

Meeting Lebanon's contribution to emission reduction will require the government to approve the technical roadmap that has been prepared and agreed upon in Paris. Lebanon will also need smaller legislative bills to regulate vehicle emissions and require builders to meet green standards in new construction projects. The small incremental legislative changes do not seem to be much of a hurdle moving forward.

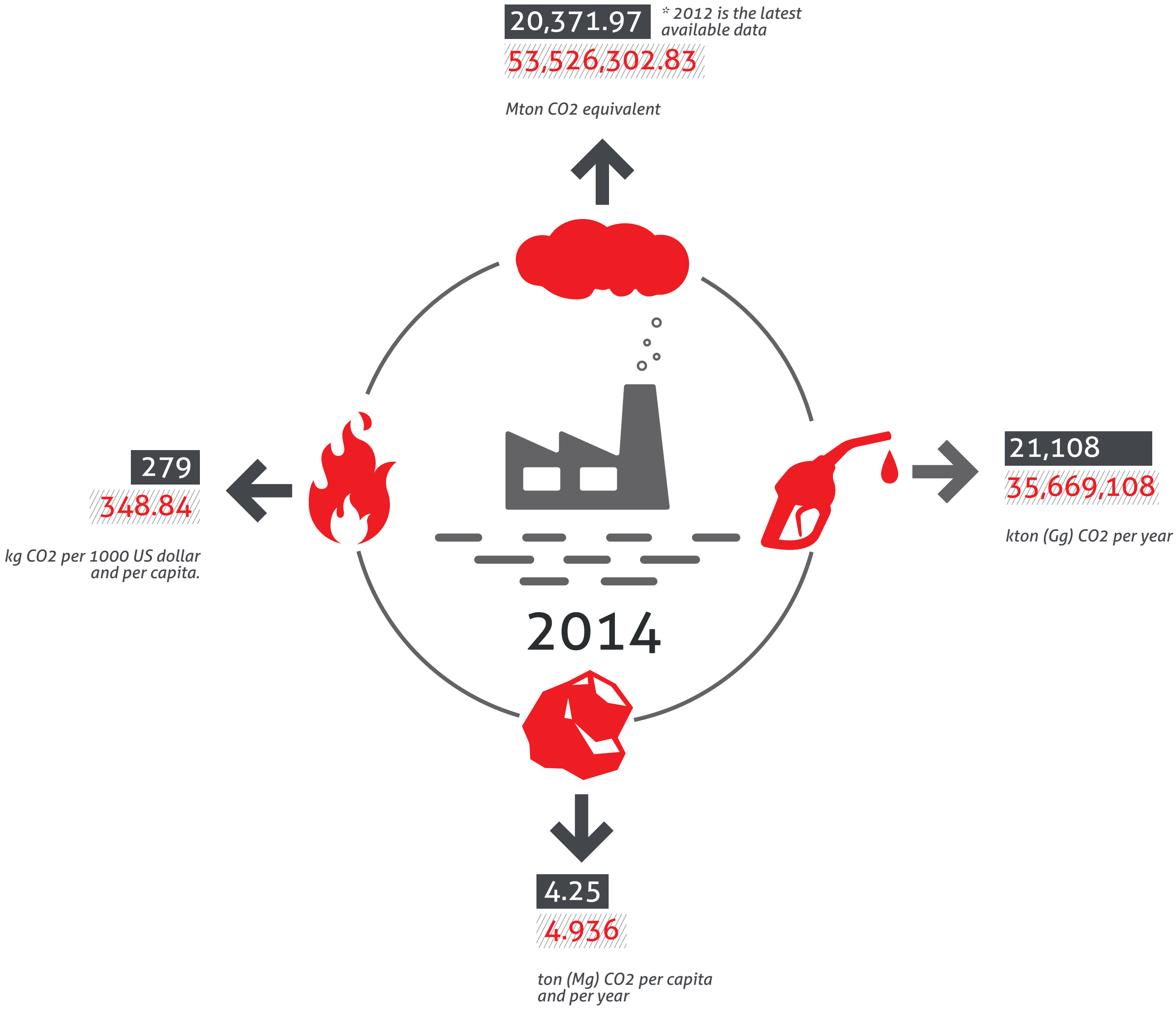
But structural changes will be. Years of deferring waste management solutions came to a head in 2015 when the government decided to close the Naameh sanitary landfill with no alternative in place — garbage has since piled up on city streets with the only options to toss it in open air dumps or burn it where it lay. Electricity production, too, is a decades old problem. For years, electricity infrastructure and EDL have been allowed to decay — the country does not generate enough electricity to satisfy demand so businesses and households must turn to private generators that belch toxic fumes into the air.

"[WHETHER] CARBON IS REDUCED IN LEBANON OR IN CHINA, THE IMPACT WILL BE THE SAME GLOBALLY."

While these issues do not spell doom for Lebanon's plan to reduce its emissions, they do demonstrate the country's leaders' complete neglect for the environment and disinterest in ventures that do not line their pockets. There is no political will to implement the structural changes needed for clean, sustainable solutions for waste management and electricity production because the financial motivations to do so do not currently align with the interests of Lebanon's political class.

Lebanon has put the technical preparations to reduce emissions in place, Kabakian says, and when the political will is there, the plan will be implemented. Hopefully the momentum built in Paris will work its way down to the local level, so that Lebanon's politicians prioritize the environment and ratify the climate change plan into law.

CO2 EMISSIONS



CO2 EMISSIONS FROM FOSSIL FUEL USE AND CEMENT PRODUCTION PER 1000 DOLLAR GDP
US dollar is adjusted to the Purchasing Power Parity of 2012.

GREENHOUSE GAS EMISSIONS (CO2, CH4, N2O, F-GASES)

CO2 EMISSION TOTALS OF FOSSIL FUEL USE AND INDUSTRIAL PROCESSES

PER CAPITA CO2 EMISSIONS FROM FOSSIL FUEL USE AND CEMENT PRODUCTION

LEBANON

WORLD

Source Emission Database for Global Atmospheric Research

L'accord de Paris

Executive explains the agreement to reduce global warming *By Jeremy Arbid*

The recent Paris Agreement is a departure in form and substance from previous climate change accords; it calls for a bottom-up approach to limit greenhouse gas emissions. Unlike the 1997 Kyoto Protocol — a bifurcated approach that legally bound developed countries to reduce their emissions — the Paris accord removes the distinction between developed and developing countries, allocating responsibility, for the most part, to the local level.

At Kyoto developed countries were allotted a target to reduce their emissions, but developing countries like China or Mexico (Lebanon too) were given no target and allowed to let their emissions increase at will. Developed countries with emission reduction targets were meant to ratify the Kyoto Protocol into law, but the United States — then the world's largest emitter — declined to do so. For much of the 2000s, the agreement was suspended and climate change negotiations ground to a halt.

Then came the 2009 Copenhagen Accord that saw developed countries and the largest developing countries agree to reduce emissions, but not in a legally binding agreement. What had carried over from Kyoto to Copenhagen was a clean development mechanism for carbon trading. The carbon market aimed for cost effectiveness — a reduction of carbon emission per dollar invested. At Copenhagen the failure to fully articulate a legally binding treaty pushed the price of carbon into a global downspin, putting a halt to carbon trading as a mechanism to reduce emissions.

Not all was lost after Copenhagen. Part of what was agreed upon at the 2009 conference made its way into the Paris accord — financing. In Copenhagen there was limited transparency on the issue of funding developing countries; rich countries agreed to provide $100 billion annually starting in 2020 to help poorer countries invest in green technologies to reduce emissions. But in the years since Copenhagen, developed countries have largely held true to their promise: in October 2015 the Organization for Economic Co-operation and Development issued a report showing that close to two-thirds of the required financing was already being supplied.

TARGETS FOR LEBANON

The Paris accord stepped away from requiring emission reductions to be legally binding, instead placing responsibility at the local level for reducing emissions through discretionary contributions. This effectively means that countries, such as Lebanon, will voluntarily phase out fossil fuel use.

> LEBANON, AS A LOW EMITTER OF GREENHOUSE GASES, SET AN ECONOMY-WIDE TARGET [FOR 2030]

Lebanon's contribution to the Paris accord is laid out in its Intended Nationally Determined Contribution (INDC). The INDC sets forth two targets: an unconditional target that Lebanon will contribute to reduce emissions, and a conditional target if Lebanon were to receive international support — mainly financing from the $100 billion yearly fund, but also technical knowhow and technology transfer.

Under a business-as-usual scenario — with no measures taken to reduce greenhouse gases — Lebanon's emissions would rise to nearly 44,000 million tons CO2 equivalent by 2030. Lebanon, as a low emitter of greenhouse gases, set an economy-wide target because it does not specify which sector of the economy emission reduction must come from, thereby offering greater flexibility. The country will target a 15 percent reduction by 2030 — limiting a rise in greenhouse gases to 37,400 million tons CO2 equivalent — as unconditional, meaning that emissions can be reduced in the economy wherever it is easiest. Lebanon will also produce 15 percent of its power needs through renewables and will aim for a 3 percent reduction in power demand through energy efficiency measures.

Lebanon will set more aggressive targets if it receives financing from the international community. By 2030 the country will aim for a 30 percent reduction in greenhouse gas emissions; renewables will also produce 20 percent of total power demand, while energy efficiency measures will aim to cut power demand by 10 percent. Targeting a 30 percent reduction would see Lebanon limiting the rise of its greenhouse gas emissions to just more than 30,800 million tons CO2 equivalent by 2030.

In 2010, Lebanon's greenhouse gas emissions totaled 19,139.27 million tons CO2 equivalent, 0.04 percent of global emissions. By 2014, that proportion had risen to 0.07 percent of the global share. With countries voluntarily pledging to reduce the emissions they produce, it is not yet clear how Lebanon's emissions might rank vis-a-vis other countries moving forward.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WEALTH MANAGEMENT

> Water and climate change

One drop at a time

Jordan tackles growing water problems

The shrinking of the Dead Sea has environmental and economic repercussions

Growing populations, rising demand on resources and mounting environmental pressures are putting an increasing global strain on water resources. In the Middle East in particular, stressed river basins shared by countries are increasingly experiencing problems, and global climate change will only exacerbate this.

December's landmark Paris Agreement on climate change was not primarily about water-related issues, but a strong connection exists: climatic change continues to have an impact on many things, including water. Yet how seriously are governments and institutions taking this imminent threat? Some answers have come in a new book, "Transboundary Water Management and the Climate Change Debate", by a group of international scholars covering global examples as well as ones from the Middle East. The book's premise is that actors within transboundary water management institutions respond to the climate change debate in three ways: adapting to predicted impacts; resisting them (by ignoring the issues); or subversion (using the climate change debate to fulfill their own agendas). The authors then apply this framework to cases with global repercussions, such as the Jordan River basin.

Further elaborating these themes through an article entitled "Adaptation, Resistance, or Subversion: How Will Water Politics Be Affected by Climate Change?" in the New Security Beat blog of the respected Wilson Center's Environmental Change and Security Program, three of the book's co-authors make the interesting point that the hydraulic impacts of climatic changes are quite often deemed to be of such a magnitude that responses are unreasonably crafted in the context of national security. They call this 'securitization', and in all of the cases analyzed for "Transboundary Water Management and the Climate Change Debate", there is evidence of responses to climatic debates becoming subject to such a threat, whereby "impacts are deemed to be of such a magnitude that responses should be crafted in the context of national security", emphasizing that "this is important because it creates an incentive to close off deliberation to outsiders and makes it less likely decisions will be made in an open, transparent way with multiple stakeholders represented."

In the case of Jordan and much of the region, problems of securitization are evident in water diplomacy. This entwining of water and national security requires confidentiality, which is a common need in diplomatic or political discussions. However, subjecting vital negotiations on water issues to blanket blackouts for reasons of security is not a good idea. As an antidote to this state of affairs, the authors note that "ultimately, renewed political commitment to open institutional structures will be needed to mitigate these risks." The key of course is openness: "We need to find ways to bring the fears, hopes and aspirations which basin actors may harbor about climate change into open discussion within joint institutions." By doing so, these frameworks become more legitimate and resilient, making securitization less likely as they become better at dealing with changing conditions, including climate change, and demands from various parties.

Examples of this problem can be seen in Jordan and its neighbors to the west, who are together trying to implement elaborate water schemes in the Jordan Valley, also extending through the Dead Sea basin to the Gulf of Aqaba. It should be mentioned that water is very scarce in Jordan, where about 9 percent of the land is desert. The kingdom, home to a growing local population as well as a large influx of refugees from Syria, is one of the most water-stressed countries in the world.

RED–DEAD SEA PROJECT

Like other water-short countries in the Middle East and elsewhere, Jordan seeks to preserve domestic hydraulic resources through importing water "virtually" through commodities with a relatively high volume of water used for production, such as agricultural products, while exporting those that are less water-intensive. As such, Jordan imports about 7 billion cubic meters (m^3) of virtual water annually compared to 1 billion m^3 withdrawn from domestic water sources per year.

However, such dependence of Jordan and other water-scarce states on external supplies of water can be exploited politically. In that respect, amid regional disputes and diplomatic tension that increasingly prevail in the

Middle East, the pursuit of solutions to hydraulic problems within a classic basin framework may offer the false argument that neighbors sharing the same geo-hydraulics have an interest in cooperating while "setting politics aside". An example of this came in December 2013 when Israel, Jordan and the Palestinian Authority signed an agreement involving the Jordan River–Wadi Araba area, aimed at constructing in the south of Jordan a plant with a capacity of about 80 million m^3 per year to desalinate water from the Red Sea, 30 million m^3 of which will be retained by Jordan. The facility will supply the southern Israeli city of Eilat with 50 million m^3 of desalinated water at cost value, and Israel will deliver the same amount to central Jordan for JOD 0.27 ($0.38) per m^3, to be pumped from the Sea of Galilee in northern Israel, from where Palestine will also receive 30 million m^3 of freshwater. In addition, a pipeline will dump brine from desalination into the Dead Sea to mitigate its current annual decline, estimated at one meter.

However, the deal is seen as continuing to ignore riparian rights of Palestinians, meaning their rights to use water that flows through their territories, on the Dead Sea. Additionally, environmental groups have warned that the project could undermine the fragile ecosystem of the Dead Sea, which they fear could be contaminated by Red Sea brine. (The agreement was signed in Washington DC and brokered by the United States under a shroud of secrecy in the name of securitization, a factor that is felt to have contributed to the scheme's weaknesses and reservations about it.)

Similar issues have arisen in connection with the Red Sea–Dead Sea Conveyance Project, another — albeit much larger — Israeli-Jordanian-Palestinian initiative in the same area seeking to meet increasing water needs while stemming the shrinking of the Dead Sea. For that, Jordan signed an agreement with Israel last February on the first phase of the project's implementation to build a pipeline linking the Red Sea to the Dead Sea. In December, Jordan issued a call for tenders for the project's first construction phase. This first phase — at an estimated cost of up to $900 million — involves a transfer of 300 million m^3 of seawater each year from the Red Sea to the Dead Sea. In the following phases, the project entails transferring up to 2 billion m^3 annually. Jordan has invited private companies to submit prequalification documents for the development and execution of the project's first phase by the end of March 2016.

However, one of the project's further shortcomings may be that it does not sufficiently answer to — possibly yet unknown — global climate change factors. Such factors could upset project calculations through, for example, much higher or lower rainfall in the Jordan Valley.

JORDAN IMPORTS ABOUT 7 BILLION CUBIC METERS OF VIRTUAL WATER ANNUALLY

THE POLITICS IN HYDRAULICS

Both of these accords are a continuation of Israel's policy of "economic peace" which simply means collaboration on various projects without restoring Palestinian and other Arab rights. These basin agreements that the cash-strapped governments of Jordan and Palestine might be pushed to accept would end up undermining rights and, in the longer run, stunt sustainable development. At the same time, secrecy and the culture of securitization in general help to ram such accords through, flouting public and expert opinion.

Israeli governments have taken this approach since the 1993 Israeli-Palestinian Oslo agreement and the 1994 Israel-Jordan Peace Treaty, both of which include water provisions and call for joint hydraulic projects. However, these ideas and plans should contribute towards a just, lasting and comprehensive peace between Israel and the Arab countries, and not as a substitute for it. Meanwhile, regional and global hydraulics have changed dramatically over the past two decades, partly due to climatic changes. In such a context, a narrow basin-based approach can, unwittingly or not, result in false solutions to water problems.

Unless drastic measures are taken, climate change (and the whole issue of a two-degree celsius rise in temperature as debated in Paris at the COP21 conference) will continue to affect our region negatively, particularly when it comes to water scarcity and desertification. Extreme versions of hot, dry summers with record high temperatures in some parts of the region at two degrees celsius or more above previous maxima have become more prevalent in the Middle East. The large temperature spikes that have been seen in the past few decades in Jordan and throughout the Middle East, combined with inadequate systems of land and hydraulic management, are leading to a profound spread of deserts and water shortages.

In this kind of situation, more open debate and transparency are needed, not less. Sadly, the political cultures of Jordan and Palestine largely accept restrictions on public discussion imposed by securitization — restrictions Israel and America largely frown upon at home, despite practicing them abroad. At the same time, as hapless leaders and populaces from Ramallah to Amman look on, Israeli decision-makers can ignore water-related climatic issues to push through regional political agendas based on unsustainable and unjust normalization of relations.

RIAD AL KHOURI is Middle East director of GeoEconomica GmbH

Dissecting a waste empire

How Lebanese governments created a trash monopoly *By Matt Nash*


Sukleen has been collecting waste in Lebanon since 1994

While everyone in Lebanon — from taxi drivers to elected officials — "knows" the country's largest waste manager is as dirty as the trash it collects, when pressed for proof, they have little to offer. Indeed, even questioning the "fact" that Sukleen — and, by extension, parent company Averda — is corrupt will likely get you dismissed as a know-nothing. Breaking the near absolute silence the company has maintained since it began operations in Lebanon in the early 1990s, Averda Chief Executive Officer Malek Sukkar opens up to EXECUTIVE in a two-hour interview after facilitating tours of the company's operations in Abu Dhabi and Lebanon. Questions about the private, family-founded company remain — most notably concerning their yearly profits — but months of investigation suggest there is more government negligence than corporate wrongdoing to the Averda story.

BRINGING IT BACK HOME

Maysarah Sukkar moved his engineering company, founded in 1968, to Saudi Arabia after the outbreak of civil war in Lebanon. The work Sukkar secured in the kingdom included the operation and maintenance of two slaughterhouse waste incinerators in Mecca. "We had a lot of expertise in that specific technology of incineration," Maysarah's son Malek Sukkar says, recalling the company's entry into the Lebanese market. That experience led the company to bid for a contract in post-war Lebanon to finish building and test-operate a trash incinerator then-located in Amrousiyeh. According to documentation provided by Averda, Sukkar Engineering beat France's INOR (a company whose name has since changed to Inova) in a competitive bid to complete the project which INOR had taken on in the late 1980s. The contract's value, Averda says, was $1.752 million. This was the proverbial foot in the door for Sukkar Engineering, which by 1994 adopted the name Averda and is best known in Lebanon under the brand names Sukleen and Sukomi.

Sukkar Engineering later bid to rehabilitate an existing but damaged waste incinerator in the Beirut neighborhood of Karantina. The company lost that contract, but in 1993 won two separate public tenders to operate the Amrousiyeh and Karantina incinerators, contracts valued at $1.35 million and $1.3 million per year, respectively. Operation, however, was short-lived. Angry residents of Amrousiyeh who did not want an incinerator in their "backyard" burned the plant down in 1996, and the Ministry of Environment — under then–Minister Akram Chehayeb — banned waste incineration in 1997. The end of incineration, however, did not mean a halt to publicly financed work for Averda in Lebanon. Sukleen had been collecting waste in the capital and its suburbs since 1994, and the closure of the incinerators brought Averda more business.

THERE IS MORE GOVERNMENT NEGLIGENCE THAN CORPORATE WRONGDOING TO THE AVERDA STORY

INTERNATIONAL SUPERVISION

Lebanon's infrastructure in the 1990s was in shambles. In 1993, the World Bank loaned the country $175 million for what was supposed to be three years of "emergency reconstruction and rehabilitation" work. One of the loan's many targets was developing waste management systems across the country. The solid waste component of the loan was later excised from the main project to become a project of its own with a lifespan extended until 2003. However, one of the only successes of these loans came early on, in 1994, when Sukleen won an international tender for waste collection in Beirut and its immediate suburbs, organized by the Council for Development and Reconstruction (CDR) and overseen by the World Bank. According to company records Executive examined, Sukleen bid $14.99 per ton and was paid $3.6 million for collecting 240,000 tons of waste in the contract's first year. Citing a report by the CDR — a government body that is part of the prime minister's office and Averda's contractual partner — Reinoud Leenders quotes the same figure for Sukleen's first year of operations in his book, "Spoils of Truce: Corruption and State-Building in Postwar Lebanon." An Amsterdam-based researcher who worked for the International Crisis Group while based in Beirut from 2002–2005, Leenders' book touches only briefly on the waste management sector. One detail he missed, however, is that the World Bank — according to project documents — paid the collection bill the first two years, and Sukleen's contract stipulated that CDR provide the company with all equipment needed to do the job. Equipment provision only became the company's responsibility in 1996, according to both Averda and the World Bank.

A World Bank loan helped kick-start waste management after the civil war

CONTRACT AUGMENTATION

Sukleen's original trash collection contract did not include street sweeping, according to Sukkar and Averda's documentation (Executive was unable to independently verify this). The city, Sukkar recalls, looked like a dump especially because the previous trash collector in Beirut had been doing street sweeping. "CDR called us and said the political apparatus is not happy with the level of cleanliness in the city and said they want to cancel your contract. They told us we need to clean the city [...] So we said 'okay' when they told us that they would augment the contract to include street sweeping." Averda says that a government body with a World Bank representative conducted a price study and determined that the price offered by Sukleen was lower than what the city had been previously paying and, ultimately, CDR awarded the company sweeping works without a formal bid on February 20, 1995. The World Bank's project descriptions do not go into this level of detail, and Executive failed to reach the country director for Lebanon at that time.

Awarding new work without a competitive bid, however, became a new modus operandi for the Lebanese government in handling waste management. Averda's presentation of its contract history in Lebanon includes specific dates and government decisions for all the additional work Sukleen and Sukomi were given. Executive was unable to find these decisions in old copies of the "Official Gazette" — Lebanon's mostly non-digital legislative registry. However, one of the most frequent critiques of Averda is that the company frequently received new work without tender. One example is the Sukleen service area. Originally, according to Averda, the service area was less than 100 square kilometers. The company writes, "At the request of the [since re-named] Ministry of Municipal and Rural Affairs, CDR expanded the waste collection operational area from 100 [square kilometers] to 1,380 [square kilometers]." A chart Averda provided Executive with showing the increasing amounts of waste Sukleen was collecting suggests the expansion began in 1995, continued gradually until 1999 and, by 2014, included 266 municipalities generating slightly over 1.1 million tons of trash per year.

EMERGENCY PLAN

During the war years, preserving the environment was not part of the waste management strategy for

No amount of sweeping has cleaned up Averda's reputation in Lebanon

Beirut. The divided city had two open dumps — the Normandy dump in the West and the Bourj Hammoud dump in the East. By the time Sukleen began waste collection in 1994, Sukkar says the company was disposing of most of the trash it picked up in the Bourj Hammoud dump. The government repeatedly promised to close the dump, and in early 1997 finally approved an action plan. The plan included construction of new composting facilities, construction of two sanitary landfills and expansion of incineration and sorting capabilities at Amrousiyeh and Karantina. Excluding the landfill construction, Averda explains that in lieu of an international tender for work at the sites Sukomi was already operating, "CDR proposed to the Council of Ministers to subcontract the works to the existing contractor, Sukomi." Incineration was later banned and the government ultimately only provided land for one composting plant, but Sukomi completed the works. Averda did not disclose the value of the construction contracts, nor did it disclose the value of the contract for building a sanitary landfill in Naameh, work awarded to Sukomi by CDR in 1997, according to Averda documents Executive reviewed.

A 2001 report on the state of the environment in Lebanon offers a hint at the confused decision-making process that led to the construction of the Naameh sanitary landfill. The report says, "CDR commissioned Sukomi to design, build and operate the Naameh landfill (January 1998)," but notes that operation of the facility began in August 1997. Averda says CDR requested Sukomi to begin construction of Naameh in August 1997, with work actually starting in October. Averda adds that a contract for Naameh was not signed with CDR until January

"CDR COMISSIONED SUKOMI TO DESIGN, BUILD AND OPERATE THE NAAMEH LANDFILL [IN JANUARY 1998]"

19, 1998. Averda claims that, despite the lack of a tender, "CDR reviewed Sukomi's technical and commercial offer," adding that an unnamed CDR consultant "ensured that the prices are very well competitive with international norms."

Following the emergency plan, according to Averda, the Council of Ministers combined Sukomi's two waste treatment contracts (covering works done at the Amrousiyeh and Karantina plants — which includes composting done at the nearby Coral facility) into one contract, again without a competitive bid. This all means that by 1998, largely as a result of contracts awarded without competitive tender, Averda was collecting, treating and disposing of a significant portion of Lebanon's waste.

THE QUESTION OF PRICE

Given that Averda handles the full waste cycle (from collection to disposal) for hundreds of municipalities in Lebanon, quoting one, per-ton price is arguably counterproductive. As Sukkar explains, "it is a matrix. There are tens of people involved in calculating the costs." He elaborates, "the issue of pricing is not voodoo. It is very simple. Our profits are generally in line with industry averages." That last statement, of course, is the most disputed and one impossible to verify as the company does not share its profits in Lebanon.

That said, and contrary to Sukkar's in-person answer that prices cannot be divulged due to a non-disclosure agreement that is part of Averda's contracts, the company did share its prices with Executive. As noted earlier, the initial collection bid Sukleen offered was $14.99 per ton. However, Averda notes that the price was revised as per contractual agreement in 1995, reaching $22.66. By 2010, Averda reports that collection prices were $26.17 per ton in Beirut and its suburbs and $36.24 for further flung areas in the service zone. These prices are below the range offered by the World Bank in 2012 for average waste collection costs in a country with Lebanon's gross national income per capita. The bank gives an estimated collection cost between $40 and $90.

According to an Averda spokeswoman, Sukomi was charging between $30 and $35 per ton to receive waste at the Naameh landfill, within the $25 to $65 range the World Bank estimates as average for a middle-income country.

The World Bank did not provide an estimated cost for street sweeping. Averda says Sukleen is only being paid to sweep 1,375 kilometers per day at $21.125 per kilometer while it actually sweeps over 50 percent more, or 2,165 kilometers. Executive learned this after speaking with Sukkar, so was not able to ask why the company is not pushing to be paid in full. One can only assume the margins are loose enough to overlook the discrepancy.

All told, Averda provided Executive with collection, sweeping and disposal prices — excluding the treatment contracts covering Amrousiyeh and Karantina. Based on Executive's calculations, these three components come with a yearly price tag of $59 million. The true bill Averda presents CDR every year is, of course, higher because of the treatment contract, which an official involved in implementing a new waste management plan for Sukleen's service area says totaled $50 million per year, bringing the total to around $109 million. While the local press often cites a single figure (i.e., $140 per ton, $160 per ton or $170 per ton) for what Sukleen "charges" the state, those figures appear to be an attempt to lump all of Sukleen and Sukomi's services together. The figure is "high" simply because it covers the full waste lifecycle — collection, treatment and disposal.

While there are other waste management companies around the world that offer services covering the full waste lifecycle, it is more common for a company to focus on one or two areas — i.e. collection and street sweeping or treatment. Sukkar himself believes the fully integrated approach is not in Averda's future as it looks to continue expansion beyond Lebanon. He wants to take the company public as soon as 2017, which would include bringing in what he calls a "professional CEO." Sukkar says, "When the professional CEO comes in, he will look at [our treatment and disposal operations] and say, 'This is not core.'

Once the dust has settled, what will happen to Lebanon's waste problem?

Because we shouldn't be developing composting systems. We shouldn't be developing sorting systems. […] He might well divest."

END OF AN ERA?

When CDR put out international tenders for new waste management contracts in early 2015, Averda did not bid. Sukkar says that was because the contracts required the winners to find land for treatment facilities and sanitary landfills — long a problem in Lebanon as no one wants to live near a waste center. If and when a new plan is put into place, Sukleen and Sukomi will leave Lebanon. The issue of finding land, however, is integral to Sukomi's early history in this country. The emergency plan from 1997 called for more than what was ultimately delivered as the state never provided land for facilities it said it wanted built. Indeed, Sukkar and Averda's documentation have no shortage of complaints about the client — CDR — either making promises it does not follow through on (such as providing land) or otherwise making life difficult for Sukleen and Sukomi. He denies the company ever paid bribes in exchange for contracts and denies that leading politicians are shareholders (a fact confirmed by documents Executive obtained from the commercial registry). The one question he dodged, however, is why the company continued working in Lebanon despite being at the whims of a fickle and often unresponsive client.

Sukkar also refused to provide the company's financial statements, making it impossible for Executive to verify his claim that Sukleen and Sukomi's profit margins in Lebanon are in line with industry averages. Critics often claim that Averda's Lebanon operations result in profit margins of 35 percent or more. Whether that's true or not, the state is about to see its trash management bill significantly increase should a December 21 cabinet decision to export waste go into effect. Agriculture Minister Akram Chehayeb told the press that exporting the waste will come with a total price tag of $212 per ton — well above the rumored lump sum rates Sukleen and Sukomi are paid. He also mysteriously said that for 18 months of export, the total bill will come to $200 million. However, given that Sukleen's service area generates an average of 3,000 tons of garbage per day, at $212 per ton, the $200 million will be spent in around 10 and a half months. The full 18 months would cost nearly $350 million. And, once again, the government will be awarding the trash contracts without competitive bidding.

Globalization of resettlement

Syrian refugees in Lebanon are being relocated to third countries *By Jeremy Arbid*

One might look at the change in number of registered Syrian refugees in Lebanon during 2015 and incorrectly assume Syria's civil war is on the wane. Since the Office of the UN High Commissioner for Refugees (UNHCR) first began recognizing Syrian asylum seekers in Lebanon in 2012, their numbers have grown year-on-year until 2014. In 2015, however, the number of registered Syrian refugees in Lebanon began going down. The slight decrease (approximately 77,000 refugees or 6.7 percent as of November 30, 2015 — according to the most recent data available) is no indication that stability is returning to Syria. Rather, it is the direct result of a Lebanese policy decision to push the number down.

The decline is in part attributed to stringent visa restrictions put in place in January 2015 for Syrians attempting entrance into Lebanon. The country still grants Syrians humanitarian visas, but UNHCR says "very few" cases have since qualified. In tandem with these new visa rules, the government passed a decree in 2015 to deregister refugees, also lowering the number of refugees supported by UNHCR. In an email exchange with Executive, UNHCR explains that, "On April 24 [2015], the Ministry of Social Affairs notified UNHCR that refugees having entered after January 5 and having subsequently registered should be deregistered. UNHCR was duty bound to comply and inactivated individuals who had entered Lebanon after that date." Based on data from UNHCR's website, Executive calculates that at least 37,304 Syrians lost their refugee status as a result of this decision. Under normal circumstances, UNHCR only deregisters refugees if they have died, left the country or stopped showing up for meetings or other interactions with UNHCR. In the first nine months of 2015 — the most recent data available — UNHCR's representative in Lebanon, Mireille Girard, told Executive in a November interview that 149,000 refugees had been deregistered, up from the 125,000 deregistered in 2014.

A [2015] GOVERNMENT POLICY TO DEREGISTER REFUGEES HAS LOWERED THE NUMBER OF REFUGEES SUPPORTED BY UNHCR

REFUGEES RESETTLED

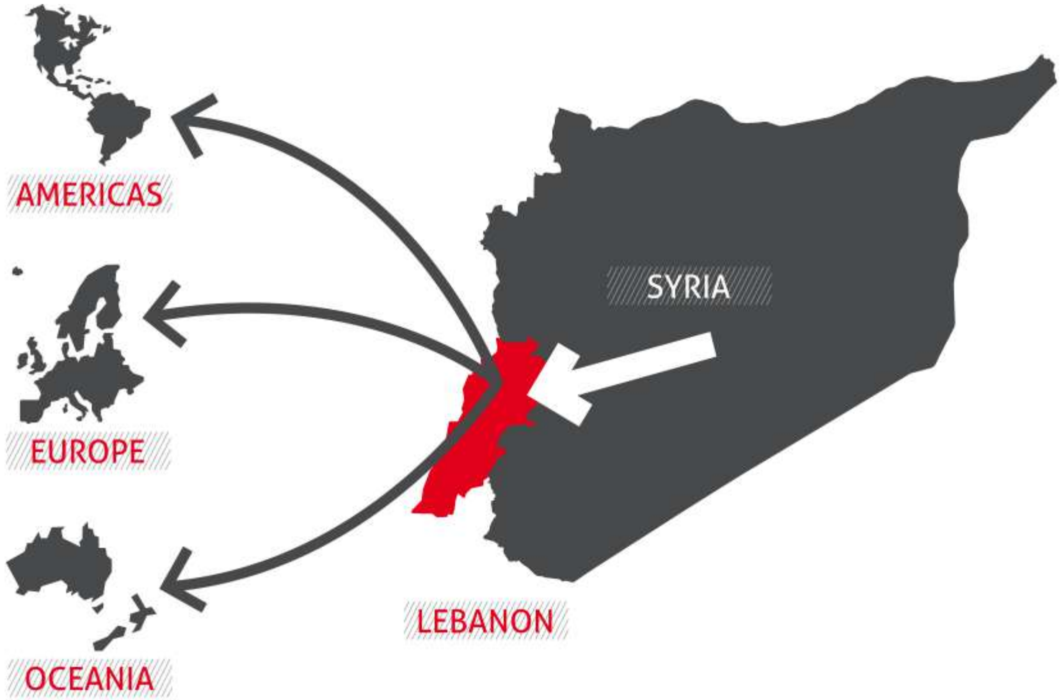
TOTAL NUMBER OF SYRIAN REFUGEES RESETTLED FROM LEBANON TO THIRD COUNTRIES
ONE PERSON REPRESENTS 24

LIFE AFTER LEBANON

For UNHCR, determining where people have gone after deregistration is no easy task. Some, Girard says, have returned to Syria, though she notes that it is not a choice refugees make "unless they have a compelling reason. It is not a decision full of hope that things have gotten better [in Syria]." Some, she adds, have either left Lebanon to live with family elsewhere in the region while others have turned to smugglers, hoping to make their way to Europe. There is a solid number of deregistered refugees who have illegally

"AROUND 40 PERCENT OF PEOPLE SAID THEY EITHER KNEW SOMEONE OR HEARD OF SOMEONE WHO HAS LEFT."

REFUGEE MOVEMENT



*INFLOW OF REFUGEES FROM SYRIA TO LEBANON AS THE COUNTRY OF ASYLUM (1,070,189 *AS OF NOVEMBER 30, 2015 – UNHCR DATA)*

THE OUTFLOW OF REGISTERED SYRIAN REFUGEES FROM LEBANON TO A THIRD COUNTRY FOR RESETTLEMENT TO THREE REGIONS – AMERICAS, EUROPE, OCEANIA (TOTAL NUMBER SINCE 2011 EQUALS 10,155 – UNHCR DATA)

left the country by paying traffickers to smuggle them into Turkey or Europe. "We get information from different sources to try and triangulate the information. We do try to find out if there are indications that people have tried to go to Europe. We conducted a random survey recently and found around 40 percent of people said they either knew someone or heard of someone who has left," Girard says. Lebanon's Internal Security Forces have prevented illegal departures. According to United Nations' estimates, about half of the International Organization for Migration's figure of 332,000 asylum seekers through August 2015 that tried to reach Europe from the Mediterranean Sea were Syrian.

Executive was only able to obtain conclusive data on the number of formal resettlements to third countries. Since 2013, countries have agreed to resettlement pledges for some 162,000 Syrian refugees from countries across the Middle East. For 2015, the number of pledges allocated for refugees in Lebanon is 16,600. Through October 2015, some 4,228 Syrian refugees had left Lebanon to third countries through resettlement programs. The aim, UNHCR's Girard told Executive, is to sooner-rather-than-later resettle 10 percent of Lebanon's Syrian refugee population. "With 1 million refugees in Lebanon, our target is 100,000. That would be noticed by everybody and would have an impact," she said.

In the near term, that target for Lebanon will be slow to reach. The process of resettlement takes time, with refugees sometimes departing more than a year after their application is submitted. Since 2011, only 10,155 Syrian refugees in Lebanon have been resettled — primarily to countries in the Americas, Europe and Oceania. UNHCR says they cannot give a specific country-by-country breakdown of where refugees were resettled.

For 2016, UNHCR is still waiting to hear what resettlement quotas will be allocated for Lebanon. With seemingly no end to the war alongside deteriorating living conditions, Syrian refugees in Lebanon no doubt question their future. Only a few, however, will receive a permanent answer.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> **Oil & Gas**

Renewed dynamism

2016 looks good for the offshore oil and gas sector in the Eastern Mediterranean

Italian energy company Eni was involved in the discovery of large gas reserves off the Egyptian coast.

After a year riddled with difficult market conditions, dry wells and regulatory hurdles, the offshore oil and gas sector in the Eastern Mediterranean finally has good reasons to look forward to 2016.

In Egypt, the August 2015 discovery of the so-called "supergiant" Zohr offshore natural gas field could not have come at a better time. While the exact size of the field will only be clear after appraisal drilling, Zohr is hoped to bring Egypt some balance between supply and demand, and extricate the country from its energy crisis. That said, and based on what we currently know, more gas is needed to restart exports. All the more reason to ensure a favorable climate for investors, and encourage exploration and production. Although tempting, it would be unwise for Egypt to halt reforms at this stage. Pricing reforms, plans to phase out subsidies and paying down debt owed to international companies (now standing at $3 billion, down from $6.5 billion) have all contributed to restoring confidence in the sector. There is still more to be done, yet policymakers are already backpedalling on earlier promises. On December 14, Prime Minister Sherif Ismail cancelled the previous government's decision to fully eliminate subsidies within five years; now we are talking about a much less ambitious 30 percent reduction.

ZOHR [OFFSHORE NATURAL GAS FIELD] IS HOPED TO EXTRICATE [EGYPT] FROM ITS ENERGY CRISIS

PROGRESS IN 2015

Cyprus, too, received a boost from Zohr after several disappointments in the first half of 2015. France's Total relinquished its rights to one piece of the country's offshore acreage (Block 10) in February 2015, one month prior to Italy's Eni having drilled a second well that failed to find exploitable hydrocarbons. After Zohr, however, Total looks set to extend its soon-to-expire license in Block 11 for another two years. The company, as well as others, has also recently been inquiring about areas along the Cypriot–Egyptian maritime border. This renewed interest has prompted some to consider the possibility of organizing a new licensing round. The end of 2015 brought more good news for Cyprus: On November 23, the UK's BG announced it was acquiring a 35 percent stake in Block 12, where the Aphrodite gas field is located. This is a major development, which will see the entry of another big player in the Cypriot gas sector (BG is about to complete a merger with Shell). But its main advantage could well be the stake that BG holds in the Idku export facility in Egypt, improving the prospects of sending Aphrodite gas (from Block 12) to Egypt, although some difficulties could persist. A breakthrough in the negotiations between Greek and Turkish Cypriots, resumed in May 2015, could lead to gas cooperation with Turkey and the laying of a pipeline carrying Cypriot (and possibly Israeli) gas to Turkey and European markets, if conditions are right.

In Israel, Prime Minister Benjamin Netanyahu, acting in his capacity as Minister of Economy, approved a gas framework deal on December 17, after invoking national security. A year earlier, the antitrust commissioner David Gilo had revoked a previous agreement that allowed US based Noble Energy and Israeli company Delek to retain ownership of Israel's biggest offshore field, Leviathan, in return for giving up two small fields, Tanin and Karish. The decision brought the Israeli gas sector to a halt and both delayed and complicated development of Leviathan, the country's largest offshore gas field. The gas deal outlined by the government was approved by the Knesset in September, but to bypass the Antitrust Authority, the Minister of Economy — at the time Aryeh Deri — would have had to activate clause 52 by invoking national security. Deri refused. However, he resigned from his post on November 1 and was replaced by Benjamin Netanyahu who proceeded with the gas framework deal soon after. A petition was filed at the High Court of Justice against some of the clauses in the deal, and the Court will examine the case in early 2016. Once the process is complete, it is hoped to bring some stability to the regulatory framework. The authorities are building on that to resume offshore exploration, and are hoping to organize bid rounds in 2016 or 2017.

LEBANON STANDS EXACTLY WHERE IT WAS A YEAR AGO, WITH ONLY NEGLIGIBLE PROGRESS

DIPLOMATIC HURDLES

Also, on December 17, a major breakthrough in the negotiations between Israel and Turkey was announced. A normalization of relations between the two countries would pave the way for gas cooperation. The frequently discussed laying of a gas pipeline between the two, however, will have to go through the Cypriot Exclusive Economic Zone, a considerable obstacle for now, unless progress is indeed made between Greek and Turkish Cypriots.

Meanwhile, the vulnerability of offshore installations is still a matter of concern for Israeli authorities. Israel is reportedly planning to install the Iron Dome missile defense system on navy vessels, a temporary measure until German offshore patrol vehicles are delivered in 2019.

For its part, Lebanon stands exactly where it was a year ago, with only negligible progress, including data interpretations and reinterpretations. The offshore tender, launched in the absence of basic documents to actually close the bid round, is still on hold. Delays in the sector are largely a part of the overall political deadlock, although a possible breakthrough in electing a new president could have positive ramifications elsewhere, potentially even unlocking the oil and gas file. However, the opportunity cost of procrastination was entirely neglected. International interest, currently at its lowest, would have to be revived. In current market conditions, this is easier said than done.

Finally, while the war is still raging in Syria, post-war reconstruction and opportunities, including in the energy sector, are on everyone's mind. Identifying offshore prospects is a process that can take place before the arms are silenced. The opportunities, on the other hand, depend on the outcome of the war. In December 2013, Russia's state-controlled Soyuzneftegaz was awarded an exploration and production license in Syria's block 2. In September 2015, its chairman Yuri Shafranik decided not to proceed with the project because of the risks involved at this point, and announced that the project would be passed to another Russian energy company. The current Syrian regime would like Russian involvement in offshore Syria, but does not perceive this involvement as exclusive.

All told, 2016 looks like a promising year for offshore oil and gas in the Eastern Mediterranean.

MONA SUKKARIEH is the cofounder of Middle East Strategic Perspectives, a Beirut-based political risk consultancy.

WHAT HAS BEEN IS WHAT WILL BE, AND WHAT HAS BEEN DONE IS WHAT WILL BE DONE; THERE IS NOTHING NEW UNDER THE SUN.

Book of Kohelet (Ecclesiastes)

Spinning content from every virtual angle

JWT and Cleartag join hands for riding the digital wave ***By Thomas Schellen***

Nothing is essentially new, neither under the sun nor in the virtual world of digital marketing and social networking. The insight is not new either but — in the context of examining a digital acquisition in Lebanon — notable for having been voiced in a recent iteration by a key brain in the marketing communications empire of WPP, the world's top-grossing conglomerate in the realm. "Our industry seems to move in cycles, with the same topics resurrected and rebooted every few years. In fact, one could argue that there is really nothing new, just old ideas and issues recharged with new technology, new names and new passion," wrote Norm Johnston, top global strategist and chief digital officer of WPP unit Mindshare in an outlook on digital for 2016.

The context that warrants local attention to this view on digital marketing is the communications industry news of the acquisition of Cleartag, a digital marketing agency based in the Beirut Digital District, by J. Walter Thompson (JWT), a big brand agency in the WPP Group. While the assimilation of Lebanese advertising agencies into any of the four first-tier (WPP, Omnicom, Publicis and Interpublic) and half a dozen second-tier international marketing communications conglomerates is a long-standing practice, the pairing of JWT and Cleartag could be breaking new ground for Lebanese advertising talent from the perspective of the rise of digital in this industry.

The strongest affirmation on the future of Cleartag covers its operational continuity. His company will not be turned into an internal supplier of digital services for JWT in the Middle East and North Africa (MENA), insists Tarek Dajani, Cleartag's chief executive. "Cleartag is not being acquired to be annexed as part of the digital capability of JWT. To the contrary, JWT might and will probably be continuing its natural buildup, whereas we will find synergies where we find them and we will build on capabilities where we have to, but there will be some orchestration," he emphasizes.

Dajani will stay on as the company's CEO with no plans to step away from the enterprise that he founded in 2000 together with three teammates. According to him, the JWT deal was met with hearty enthusiasm by Cleartag employees to the point of the team being "ecstatic" about how he afforded them the opportunity to "make a difference in the world". While he would not offer an outlook on how many new jobs the digital agency might aim to create at its Beirut head office in 2016 or in terms of other near-term expansion options, Dajani affirms that Cleartag will seek to branch out into additional offices and grow its reach first within the MENA region. He says, "We [have been operating] from Beirut and Dubai, serving a big chunk of the region; we definitely intend to continue doing so and hopefully have presence beyond Beirut and Dubai, to serve our clients locally. The idea is that there is no limit [to where we can grow internationally] but that there is plenty to do [within the region]."

Roy Haddad, chairman of JWT in MENA, is equally adamant that Cleartag will not be assimilated into the larger brand agency. The value which a company like Cleartag adds to the group resides in the areas of creative technology and analysis of customer interactions for delivering new solutions to clients, he explains. "Today a solution is not only a creative solution but it is more an end-to-end solution for how you engage the customer, build loyalty with the customer and enhance his experiences. This is where the forte of the digital comes in. It is a complementary offer; they are not either-or kind of offers," Haddad tells EXECUTIVE in an interview organized jointly with Dajani.

Even if the relationship was to see diverging opinions on the ecosystem and creative differences, this would be integral to the deal, Dajani chimes in. "If I give you another spin on the rationale it is simply because the beauty of the step is that we will be able to attack a market from so many different perspectives and facets. Unlike trends where agencies build capabilities in-house or acquire them through annexing a department, a key part of this partnership is an understanding that we all have a role to play and the decision is that the partnership is creating complementarity, scale, speed and agility," he says.

RISE OF THE DIGITAL SOPHISTS

If what Haddad and Dajani say sounds like marketing speak, one can safely assume that it comes naturally to them. The art of producing a rationale for a transaction and narrating it convincingly is what the marketing communications business has been about since the dawn of argumentation. Aristotle, presumably influenced by Plato in his rejection of the trade of sophists, wrote disparagingly that "the art of the sophist is the semblance of wisdom without the reality, and the sophist is one who makes money from an apparent but unreal wisdom."

This involves singing the praises of win-win scenarios for sellers and buyers as much as intoning chants of business culture preservation, employee satisfaction and new job creations, whether such statements are true or uttered because they sound good. But sophistry, by all historic evidence, is part of what people want in their communications. It thus cannot surprise that Lebanese marketing communications talents do not want to be left out as today's global academies of sophistry, the worldwide marketing communications conglomerates, are taking their trade increasingly into the digital realm where they can sell their skills dearly as creators of virtual dialogues with the consumer.

As a matter of fact, the global popular hunger to be imbued with marketing narratives seems to be so insatiable that current predictions describe digital as the future cash cow of communications. A recent paper by the Boston Consulting Group cites industry predictions that global spending on digital advertising will reach $178 billion in 2016, or almost 30 percent of total ad spending. Skill gaps in the digital realm are therefore huge concerns for chief marketing officers, BCG says, and advises that "Marketing organizations need to evaluate their current capabilities and build those needed for the next generation of marketing. After taking stock of their current organization structure, they need to design their structure for increased efficiency and effectiveness."

A gap in digital capacity between other markets and the MENA region also peeks out from behind the numbers for WPP acquisitions in the digital realm and from the geographic presences of Mirum, the WPP holding for digital agencies that Cleartag will, according to Haddad, be a part of. Mirum, with its head office in Hong Kong, says on its website that it has presence in 20 countries and 46 offices. Not only does neither count yet include Lebanon and Beirut at time of checking in late December but, more tellingly, the only Middle East presence of a Mirum company until the end of 2015 was the Dubai office of UK-based HeathWallace, a digital specialist which WPP acquired in 2008 and which expanded into the United Arab Emirates in 2013.

In the overall picture of its investments into companies in emerging economies, WPP, according to its financial news releases, seems particularly hungry for digital market share in places such as China, India, Brazil and South Africa. Combined with acquisitions of digital and data capabilities in mature markets, WPP creates an impression of overall digital expansionism in which the Cleartag story looks like but one, and not very large, stone in the group's communications and marketing mosaic.

SECRECY ON CASH VALUATIONS

This analysis of the rather humble position of Arab markets and Lebanese digital providers in relation to trends in the global advertising industry does not make the Cleartag transaction less interesting, however, and especially does not subtract anything from the partnership's role as an example that other digital agencies in Lebanon might seek to follow.

In this regard, the rationale and the reward of an entrepreneurial company's sale are two issues of primary interest to other members of an entrepreneurship ecosystem. For Dajani and Haddad,

COMING FROM BEHIND, REGIONALLY SPOKEN

The importance of digital has definitely not been lost on WPP. Recent annual assessments of worldwide merger and acquisition (M&A) trends in the communications industry by New York-based investment bank and M&A consultants Coady Diemar cite WPP as one of the most active acquirers in the digital space for more than two years, competing for inorganic growth leadership against ad group rivals Publicis and Dentsu but also against tech contenders such as Google, Facebook and Yahoo!. In their latest published assessment of the industry in the first half of 2015, Coady Diemar says that M&A activity in digital media, information and technology saw a 24 percent year-on-year increase within an overall vibrant global market for acquisitions; it added that strategic acquisitions in the first six months of last year represented more than two thirds of announced transactions with available data. Transactions attributable to private equity investors increased from 21.7 percent in the first half of 2014 to 32.5 percent of announced transaction values in the same period in 2015.

WPP appeared extremely eager to expand its digital footprint, as evidenced in various financial news releases posted in 2015 on the WPP website. News releases from the five last quarters until end 2015 showed close to 20 items on acquisitions or investments into digital agencies and more than 10 items on investments or acquisitions of companies focused on data and CRM analytics. According to those releases, the group has already passed the 30 percent mark of digital contributions to its $19 billion global turnover and aims to increase the share of digital from 36 percent, or $6.9 billion, of its annual revenues in 2014 to 40–45 percent in the next five years.

However, these ratios are still quite far for the advertising industry in MENA. Despite loads of chatter over the alleged catalytic role of digital communications in the Tahrir uprising and other Arab Spring events five years ago, MENA has been a laggard in digital marketing communications when compared with other world regions. This lateness, which has been discussed in many a regional advertising industry gathering of the past five years, has been quantified in estimates of digital advertising at around 10 percent of the MENA ad market in 2014.

answers come easy in response to the question of the rationale for going with a strategic partner instead of a financial investor from the private equity (PE) or venture capital (VC) side. Dajani concedes that VC funding in the current Lebanese scenario is a valid formula for injecting capital into startups but says that Cleartag is a profitable business that was not in need of VCs. "We did not need capital. What we want is value added and synergy, and the big wave to ride. Cleartag was growing and we will grow more but I'd like to see Cleartag grow globally. [To do that], these are the kinds of partnerships or affiliations you want," he explains.

JWT and its parent WPP don't need to shy away from comparison with any PE firm when it comes to introducing new efficiencies to an acquired company, Haddad adds. He says, "The VCs don't have the appreciation of how important it is to attract talent, grow talent and retain talent. WPP over its history has refined the art of creating financial models to the max and from a financial perspective, the added value contribution that we can have on a business like Cleartag is endless. Plus, sharing of back office, of our treasury, [and] giving them access to all that they require financially to be able to only focus on their business is different to a VC where they will be hampered by the financial demand. [With us] all the anxieties about finance are the role of the holding company to assume whereas the [Cleartag] team basically just focuses on how to add value and add revenue."

How much revenue Cleartag might add to the group and how much this potential was worth to JWT in cash compensation under the acquisition agreement is something that Haddad is not willing to discuss. He refuses to provide any number related to the transaction even upon the most emphatic plea for more transparency and only affirms that the transaction was based on a "fair price". Elaborating a bit further, Haddad adds that the valuation of Cleartag was not discounted because it is based in the Middle East and that the transaction happened within parameters for which WPP has refined a model of multiples. "These multiples have to have a bearing on the way the business has been growing, the kind of clients it holds [and] the retention [span] of these clients. All these affect the multiple and the multiples are not unlike any other multiples around the world. Let's be very clear. It is not a discounted multiple; it is a fair multiple based on a global standard. We are not vultures; on the contrary, we like to help people create wealth and that is basically why the deal happened," he emphasizes.

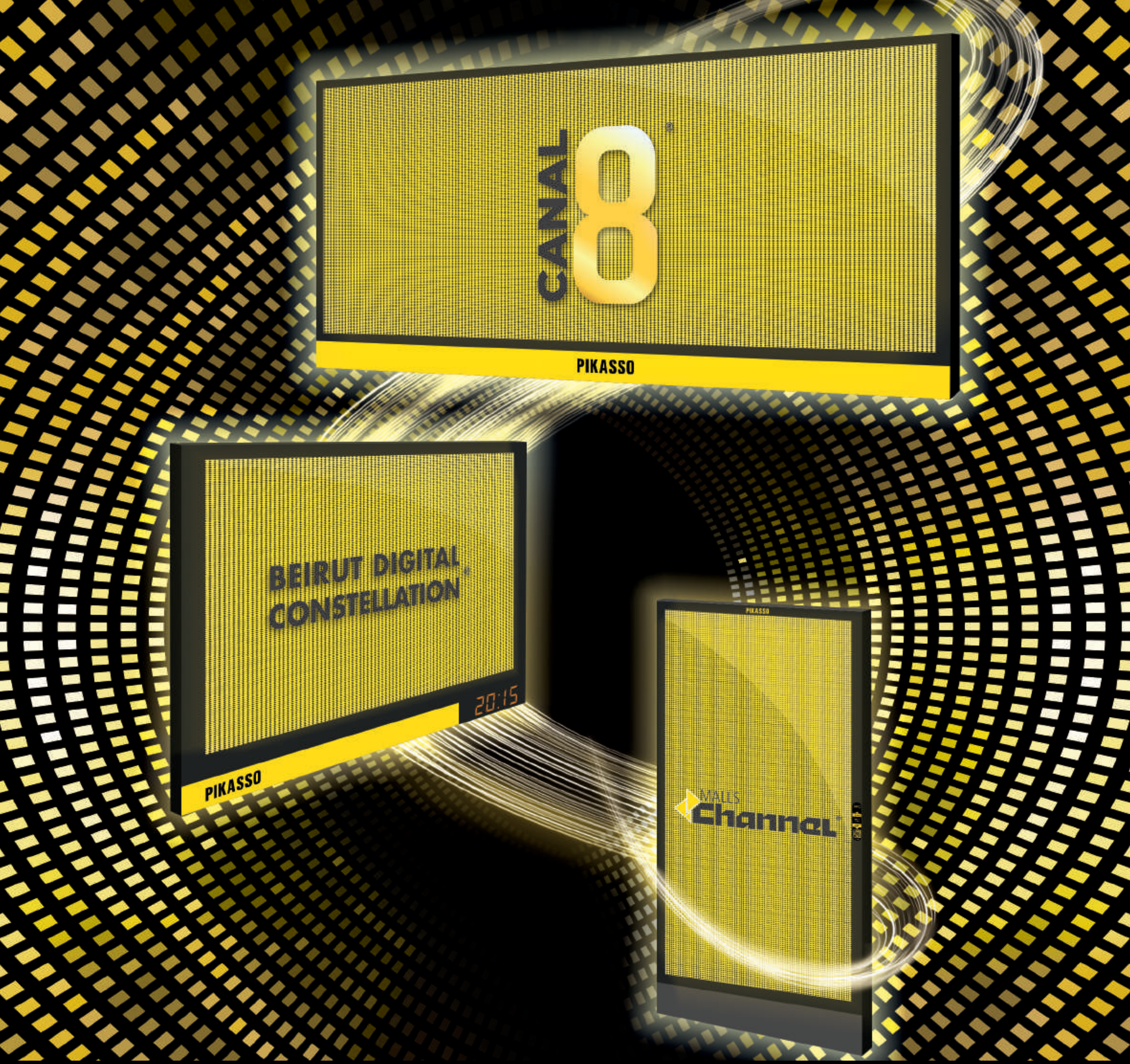
A hint to numbers on which a multiple might be based in the case of Cleartag comes from the WPP financial news release on the transaction. While a parallel JWT release provided only soft information on the deal, WPP said that at year-end 2014 Cleartag's unaudited revenues for the year were $3.6 million with gross assets of approximately $1.5 million.

THE GROWTH RATE IN INTERNET USERS FOR 2000–2015 IN THE MIDDLE EAST WAS THE WORLD'S SECOND HIGHEST

Whatever its size, a good portion of the reward has to have benefited Dajani, who is not only co-founder and CEO of Cleartag but also chairman/shareholder of DNY Ventures which last month still was shown in the Lebanese commercial registry as the majority shareholder of Cleartag Holding, which is the majority shareholder in Cleartag sal. He does not want to discuss the size of his shareholding in Cleartag after entering the partnership with JWT and like Haddad, refuses to say anything about the value of the transaction. But the deal unmistakably has been personally motivating for him. "I will still be the entrepreneur that I am and I will still be taking Cleartag in the direction that I am taking it but I do feel that we have a kind of synergy and chemistry that will have an impact beyond the benefits for the clients and for us, also setting a new model of how you could take locally grown talent pools and create global impact. I think one should not shy away from such trajectories," he enthuses.

Given that valuation multiples these days appear to range in single digit earnings, the Cleartag acquisition should not cause other digital entrepreneurs in Lebanon's tech ecosystem to break out in dreams of billion-dollar fortunes quite yet. But this might actually be helpful since Haddad claims that local companies need to become more realistic and more pragmatic, managing their expectations when it comes to negotiating deals with strategic investors.

Despite cash rewards that may be lower than in a so-called perfect exit in London or New York, a partnership with a global player can be expected to provide fundamental appeal to young companies in the Lebanese communications industry and perhaps act as a virtual elixir of youth in reinvigorating the role of Lebanese talent in the regional advertising game, where prospects for mobile and online marketing are supported by high mobile penetrations and strong growth rates in Internet usage. According to Internet World Stats, Internet users in the Middle East region (excluding North African countries) number 123.2 million, or 52 percent of the regional population in the 14 countries included in the stats. The regional Internet penetration rate as per November 2015 was six percentage points ahead of the global average and the growth rate in Internet users for the 2000–2015 period, at roughly 3,650 percent in the Middle East, was the world's second highest after Africa. When considering the mixture of achieved ground and open potentials that these numbers encapsulate, the Middle East appears to be a rather sweet spot for taking digital marketing communications to new profits in the coming years and the Cleartag transaction does herald potential for Lebanese marketing talent and all local adepts of sophism of the new, digitally enabled, type.



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The blue appeal

EXECUTIVE talks to Air France about shifts in the regional aviation market *By Yasser Akkaoui*


Patrick Alexandre

For many Lebanese travelers, Air France is not just any airline but an institution of memories. When times were tough, flying from Beirut to Paris represented a lifeline connection to personal safety, not to mention savoir vivre and commerce. Today, the links between Lebanon and Europe are numerous and airlines have to win over travelers with more than just their name. But the journey to Paris still has many meanings and commercial values, and EXECUTIVE sat down to discuss these facets with Patrick Alexandre, Air France's executive vice president commercial, sales and alliances.

E Beirut and Paris were joined last November in shared tragedies and there were news reports of flight cancellations and flight diversions because of bomb threats. Given that Beirut and Paris were both victimized by bomb attacks, did the Air France route to Beirut suffer too?

First of all, we never canceled any flights after the events of Paris. We maintained the full network and the full flight schedule everywhere. Secondly, the safety rules changed a bit, of course, in Charles De Gaulle [Airport] but traffic remained fluid and on track at all times. We kept the operations going with the safety measures that we have [always had in place] and with extra measures for airports like Charles De Gaulle and also for Rafic Hariri Airport in Beirut. For the second part of your question, the answer is that, yes indeed, Paris as a destination was hit during the last 15 days of November, but what I can tell you is that as far as we can see for January we have now a positive sense of booking. Is there a special impact on [the route to] Beirut? The answer is no. Beirut traffic to Paris has been affected more or less the same way as others. But to be frank with you, markets are not reacting the same way to those events. The more affected markets were Japan for individuals, groups and business; North America, the USA in particular, and a little bit the Gulf region. We have seen less effects on Africa and South America, and in Europe it depended on the situation.

E Lebanon has been requested to comply with Annex 17 of the Chicago Convention that relates to the security of airports. And while Lebanon has been trying hard to comply with these requirements, we know for a fact that there have been shortcomings in compliance. Given the heightened need for security in the current environment, to what extent does an airline like Air France see it as part of its duty to also put pressure on a government like the Lebanese government to comply with these globally recognized security regulations?

The application of international safety rules is an approach that we and the other airlines have everywhere, and that has a political expression through IATA (International Air Transport Association) and ICAO (International Civil Aviation Organization). Secondly, [adherence to] the rules and regulations for safety is a must for us. So you can imagine that we ask [in every country] for compliance with our safety rules mainly via those organizations and sometimes directly. The minimum that we request is more or less international. On top of those local measures, Air France itself applies some [safety] measures for its aircraft. But as long as we fly [to a destination] it means that we consider we can make [this destination safe]. And we fly [to] Beirut.

E What do you rate as the top challenges for the airline industry today?

I think it's a mix of at least two things, maybe more. Of course there are challenges related to operations, such as what are the aircraft and the most problematic issues, such as safety etc. But then the story is about the combination of product and price. This is why we actually do invest in the best approach with the long-range product presented today, which we have been flying to Beirut for a few [months] now, since the 14th of September. So first of all [the challenge] was investing, and investing a lot. Talking for Air France, we have made an investment of more than 500 million euros only for the long-range as the first part of the investment [into our fleet of Boeing] 777 for all the cabins including La Premiere, Business, Economy Premiere and Economy.

The second important thing is the price. We are addressing [this issue] with this kind of product. It's a mix of two, which makes the customer happy. On the other hand we are also working a lot on our [cost] savings and this is why the famous plans have been launched since a few years. The first plan [for improved efficiency] has been implemented and the second plan is for transforming all the categories of staff. I was making some efforts to be and remain competitive. Being competitive is a mix of cost, which drives the price, [and using] tools we have in review management. [Because of] this we now have a lot of facilities to offer interesting prices, with fares that are so low. Low fare is something we can do and [combine with] the quality of the product we can give to our passengers. [This product quality is present] not only in the cabins, and in the service given by cabin attendants but also [in our] stations. [There is] also the investment we are making in technology, mobile applications etc, and that mix is how we compete.

[Value for money] is a very interesting point, because Lebanon as a market covers all the segments of our business, which is not the case in all the stations and destinations. But in Lebanon we have the 'La Premiere' (first class) segment and the business segment. [People here] travel for business reasons and personal reasons. This makes it very interesting to manage [this market] and it allows us to deploy the whole range of products, at least in-flight products including La Premiere, in Beirut just as we do for instance in New York.

"WE NEVER CANCELED ANY FLIGHTS AFTER THE EVENTS OF PARIS"

E Air France–KLM has seen a weakening of market shares and has been plagued by labor actions, whose only positive element might be that you are not the only big European airline to suffer in this regard. How,

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for you, do European carrier labor challenges, regulatory burdens and competitive pressures in Europe, rate when compared to changes in global traffic patterns, and rising competition from carriers in the Far East and Middle East?

It is true that not only Air France, but all the biggest European carriers are fighting to be competitive. So we have somewhere to benchmark ourselves, in order to have the right cost [of operations]. And what is the right cost to operate? [In other words] what depends on our efforts and what depends also [on the environment], which is labor, taxes and such. We have to address the labor cost through better productivity. It doesn't mean we want to pay less.

Regarding fair competition [with other regions], some friends not far from here in the Gulf are playing games in which all the conditions for competition are [not] the same. So if for instance, a Gulf company is asking for open skies, the condition for it is transparency, reciprocity. I fully recognize that [the aviation industry] has been a tool used by those countries for their economic development, but do you really think that for instance there is traffic between Dubai and Orlando? Do you really think you can make it profitable? Do you really think you can open a daily Dubai–Panama City flight of 17 hours?

I recognize the fact that we have to make some efforts, as Lufthansa is doing. For me the reference is to be as competitive as Lufthansa and British Airways can be. Then there is a question of competition linked to European regulations and [with regard to] Europe and the Gulf carriers. Do we have the same rules? Can they go and take the market in Europe? And if yes, with what conditions? By the way the same [goes] for American companies. For me, it is a question of [how we compete], the rules of competition. That's the main problem. But we will do our job. I really think today airline transport in Europe is bringing and creating value — not only by creating jobs. If one day European airlines are replaced by some Gulf line, there will be a lot of job losses — thousands. So the European airline business is creating value directly and indirectly.

E The Air France–KLM collaboration is now more than 10 years old. In the meantime we are seeing a growing variety of consolidation and collaboration models, from alliances and mergers to equity partnerships such as practiced by Etihad Airways and strategic partnerships such as Emirates–Qantas. From your perspective, what collaboration models make the most sense today for air travelers and for operators?

When we discuss consolidation, our future will first of all see more alliances. You have different steps for alliances and as you know Air France has taken part in collaborations first in Europe. Some [alliances] are big but the value of an airline is not only its number of aircraft. The value of an airline is the market share they have, [and] the grip they have on the market. Knowing this leads [airlines to enter into] joint ventures. We as Air France–KLM have a big joint venture for instance with Delta Airlines. This JV is a virtual company which is larger than British Airways; I'm talking about a $16 billion joint venture on a yearly basis. So this kind of thing will continue to develop and one example for that is that we as Air France–KLM already have a younger JV than the one with Delta, with China. This goes back to my remarks saying that when two airlines discuss [a partnership] they need to have market positions to exchange. If you don't have two market positions to exchange, [the deal] remains a deal with money against market. When you do that I don't think you have improved your industrial positions; [this is] part of my answer in response to the comment you yourself made concerning the Gulf companies. The next steps to this [process of forming alliances] is in reinforcing a JV. You are right to say that this will most likely involve equity moves, as Delta is making today with China [Eastern Airlines] or as Air France has done by investing into [owning] a few percent in Gol in Brazil. So [there is] no future without alliances. Those alliances range from complicated joint ventures to simple ones, where the alliance we have with Middle East [Airlines] is interesting.

> "IF ONE DAY EUROPEAN AIRLINES ARE REPLACED BY SOME GULF LINE, THERE WILL BE A LOT OF JOB LOSSES"

E When you are looking at the Middle East and Africa, do you see any role for Beirut that could be larger than the role it's playing now?

Beirut is a market for us because of Lebanese people and because a lot is happening with the diaspora all over the world. It is, as you say, a larger market than Beirut itself.

E How are your efforts progressing in Abidjan as far as making it a hub for Air France in Western Africa?

I was in Abidjan last Monday, just to give you an example [for how important it is for us]. As you know, we are developing [this hub] with a strong investment.

E Could you envision to have similar plans for Beirut as Air France has for Abidjan, for developing a hub for the Middle East or creating links between the Middle East and hubs in Africa?

That's a good idea, linking Beirut to Abidjan. As Air France is currently investing in Ivory Coast into making the Abidjan hub, I think there is something to be done. Maybe I will take care of this tomorrow with [MEA Chairman] Mr. El Hout.

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Resolutions for better exits *By Thomas Schellen*

Big words at BDL Accelerate 2015, but what will the result be?

It had to be one of Lebanon's top resolutions for 2016 when Banque du Liban Governor Riad Salameh pledged at the BDL Accelerate event in December to see to the establishment of an electronic stock exchange for small and medium enterprises. "Our aim for the year 2016 is to succeed in the launching of an electronic trading platform," Salameh said in his speech to open the event, and told Executive after his speech that the prospectus for the new exchange will be circulated in January.

The creation of the electronic exchange for Small and Medium Enterprises (SMEs) is an important proposition and one that deserves to be monitored religiously, particularly after announcements for realizing the project within 2015 came to a quiet demise – possibly because the BDL governor had vocalized the project idea last year without any regulatory groundwork having been implemented by the Capital Markets Authority. This is probably also due to a margin of severe uncertainty over the ability to institute the SME exchange under the umbrella of the Beirut Stock Exchange (BSE).

Given that the privatization of the BSE is not a likely event in the 2016 timeframe, the prospectus for the SME electronic exchange should provide a private sector path to its creation. A hint in support of that may be Salameh's remark in the December 10 speech that participants in the electronic trading platform will be "banks, financial companies, brokers, family offices [and] professionals". Listings will be supervised by the Capital Markets Authority, he added. The purpose of the new mart is easy enough to divine: as per the governor, it will allow startups to list and provide exit opportunities for successful companies, with creation of liquidity in service of "startups and others" as its true aim.

Another motivating force in the establishment of the electronic exchange must be the limited lifespan of the central bank's funding flow into the startup ecosystem under the famed Circular 331 that incentivizes banks to channel investments into knowledge economy ventures at greatly reduced risk. The system's venture capital players such as the Berytech Fund II, which used the BDL Accelerate event to announce close to $20 million in startup investments, and Middle East Venture Partners (MEVP) need exit opportunities that jibe with the seven-year timespan of Circular 331 funding of up to $400 million; a small cap exchange will open part of that realm at least in principle.

It is beyond dispute that the ratio of market capitalization to gross domestic product in Lebanon is in serious need of improvement. However, an electronic exchange with a market capitalization of a few hundred million dollars would be nowhere near enough to lift the Lebanese market cap to GDP ratio into the 50 to 100 percent range that is often considered indicative of stronger economies when compared with very low ratios associated with poor countries or with countries at less than 50 percent ratio that are considered undervalued. In this regard, the call for creation of greater liquidity in Lebanese financial markets raises the question of what other securities, besides stocks in startups, the new privately-held and privately-run market could trade and if it would be instituted with an intent to challenge the Beirut Stock Exchange.

BETTER MARKET MECHANISMS NEEDED FOR LEBANON

The attention in the BDL Accelerate event's opening session was fully focused on Governor Salameh, documenting the awareness that most of the Lebanese entrepreneurship ecosystem's progress in the past three years is owed to the central bank. But notwithstanding the applause with which the crowd received Salameh's electronic exchange announcement, the main thrust at BDL Accelerate was the quest for capital; a plurality of young entrepreneurs told Executive that they had raised funds, were engaged in fundraising or were seeking to raise money in early 2016 in a variety of funding stages. By contrast, these entrepreneurs' — and also some investment bankers' — comments on the potential and practicality of a Lebanese SME exchange were at best enthusiastic in the vaguely affirmative way of someone who has not given a lot of thought to the matter.

More important for the project of an electronic exchange is that promises and acclamations do not compensate for absence of market fundamentals. Well regulated stock markets are noted for their macroeconomic value as they facilitate price discovery, flows of capital, and efficiency. But markets need to be supported by adequate economic incentives and, as researchers for the Organization for Economic Co-operation and Development argued in 2013, "radically different intrinsic nature[s] of markets for large cap and small cap stocks" mandate that markets for small caps should be designed differently from large cap markets. How the proposition of a small cap market can work in an environment with an anemic large cap market is, from a common sense perspective, a question that needs to be asked when deploying a small cap exchange formula in Lebanon.

Small cap ventures are notorious for their liquidity risk, meaning that investors in SME stocks may not be able to divest of shares at the time and/or price they need. It has to be asked how an electronic exchange in Lebanon could be enabled to attract market participants in sufficient numbers on both sides of the equation, namely in terms of qualified investors and of startups that can qualify as issuers of equity. This question cannot be unreasonable in a financial market that has been defined by lack of liquidity for more than 10 years. So the compounded bigger question is if a country with a fledgling capital markets authority, a history of illiquidity in its stock exchange and no recent experience with any initial public offering or much activity in secondary markets can pull off the launch and invigoration of an electronic exchange that should probably achieve more than just help startups in price discovery.

QUESTING FOR HUB APPEAL

When compared with the marketing talk about Lebanon's role as emerging hub, the number of genuinely international startups that presented themselves in booths provided for free to entrepreneurs at BDL Accelerate was hardly a handful, among them a UK firm that took advantage of the UK–Lebanon Tech Hub avenue to come to the Middle East. And just as BDL Accelerate did not feel like a magnet for international participants outside of some very isolated cases, global eyeballs did not seem drawn to Beirut in any approximation of the great attractiveness that local promoters talk about. In December, for example, a Huffington Post piece on dark horses in the race to attract international startups to rising tech hubs pointed not to Beirut but to Amman as one of three worth taking a closer look at. Ironically, it was posted right at the time of BDL Accelerate. Other cities in MENA that recently found mention in stories on up-and-coming startup hubs worldwide included Tunis, Cairo, Dubai and Tehran besides the familiar international contenders in Asia, Europe and Latin America.

[THE ELECTRONIC EXCHANGE] WILL ALLOW STARTUPS TO LIST AND PROVIDE EXIT OPPORTUNITIES

Of greater indicator value than such — usually partisan and typically somewhat coincidental — rising ecosystem stories or promotional messages about the attractiveness of startup hubs in this or that emerging economy may be the 2015 Global Startup Ecosystem Ranking of San Francisco-based firm Startup Compass Inc. Their report, while falling quite short of evaluating hubs from all parts of the world, made several noteworthy observations on trends in what Compass described as a rapidly emerging and interconnected global startup landscape.

In an observation on the environment for exits, the report expects Silicon Valley to stay in the lead for exit values for several more years but anticipates "ultimate convergence towards an equilibrium that looks a fairly conventional 80/20 power law" in the world's 20 largest startup ecosystems, meaning that Silicon Valley would capture between 30 and 50 percent of the annual exit pie, followed by three ecosystems that combined would also capture 30 to 50 percent, and another 16 startup ecosystems that will draw in the remaining 20 percent of the exits pie.

Just as interesting as the startup exchange for the development prospects of tech ventures is the issue of Beirut's startup-hub appeal beyond the ranks of resident and expatriate Lebanese that comprise the ecosystem's natural stakeholders. The idea of advocating Lebanon as an internationally attractive hub was an important premise of BDL Accelerate. However, while the event constituted a great initiative for showcasing the emerging startup ecosystem, it came dressed up with marketing messages that were far stronger than the event organization. The gaps between advertorial lore of huge local and international participation (presences of "100 speakers, 200 exhibitors and 100 startups from around the world" had been trumpeted all over the media) and the reality of attendances were visible everywhere in the Beirut Forum venue but never more so than on the second day when scheduled discussions went completely off schedule and when main-stage speakers and moderators sparred in front of a thousand empty chairs, while the more vibrant conversations were those of the people queuing for free coffee and a doughnut at the convention's "coffee sponsor".

Bireme ad(ventures)

The lure of migrating to the US *By Thomas Schellen*

Startup ecosystems in the United States continue to be major magnets for young Lebanese companies that want to benefit from valuations that the local market seems unlikely to generate. EXECUTIVE learned of a new fund called Bireme Ventures from Elie Habib, the fund's managing partner. In an interview during the central bank's international startup conference BDL Accelerate 2015, Habib tells us that the fund has a target of $20 million and wants to achieve a first close of $5 to 10 million by the second quarter of 2016 to be deployed in facilitating the sojourns of Lebanese and Gulf-based startups across the Atlantic Ocean.

"We are seeing more and more companies maturing and facing the need to expand into the United States to accelerate their growth and acquire new customers. These companies need capital to reach the place from where they can reach the next level in their performance," Habib tells EXECUTIVE.

Habib, a Lebanese-American who spent most of his career in Silicon Valley and has been involved with funding efforts in the Lebanese startup scene since 2009, says that the move into the US is as challenging as it is necessary for those local startups that have potential to penetrate global markets. He argues that such companies will do best if they take advantage of the US market for raising funds and later on for realizing the fairytale returns that people associate with the American entrepreneurship ecosystem.

According to Habib, entrepreneurial communities of many countries are represented in the US market by funds that enable startups from nations such as India and China to enter the American scene but the Middle East is lacking such representation and this is the gap that Bireme wants to close. "The only region that does not have representation in the US [through] capital from or direct influence on startups coming from that region is the Middle East," he claims.

He warns that it is very difficult for young companies to transplant themselves into the US because of the American market's legal and organizational requirements and that being accepted by American venture capital (VC) and private equity (PE) firms is especially challenging for startups from the MENA region. "Many US VCs are very hesitant to deal with Middle Eastern startups and invest in Middle Eastern companies. The barriers are cultural, legal and perception based, and [about] intellectual property rights. [US VCs] are not going to invest into an intellectual property that is not correctly protected – that is where their assets are," Habib explains.

Bireme aims to build relationships between Arab startups and US VCs in order to present the American funders with Middle Eastern companies that meet their investment criteria. According to Habib, this approach positions the fund outside of the realm covered by BDL Circular 331 by addressing the needs of Lebanese companies that seek international acceleration. Startup profiles that will be a good fit for Bireme will nonetheless include companies that received funding from a Lebanese VC under the 331 framework, or companies that have been nurtured by VCs in the United Arab Emirates.

In this context, Habib points to his ties with Middle East Venture Partners (MEVP), with whom he has been a venture partner for several years already. Within the now burgeoning environment, the possibilities for sailing startups to the US under Bireme's participation are much improved, Habib enthuses. He says that the fund has a pipeline of "around nine companies that are at various stages of development but are generally post-A" in their funding stages and Bireme is ready to source companies from any VC in the region. While MEVP is a strategic partner, "this is not about [working with] any specific [VC] firm but about investing into breakthrough best-in-class Lebanese or Middle Eastern entrepreneurs that have the capacity, potential and product to go global," Habib emphasizes.

Bireme Ventures will have a structure of limited partners (LP) and general partners (GP). The management team comprises three Lebanese-Americans under Habib's leadership. In legal terms, it will be a US-based partnership with a management company in Delaware and a GP-LP fund in the Cayman Islands in order to facilitate participation by international investors. The fund will require no licensing from the Lebanese central bank, Habib says. He expects LP participations to comprise approximately 60 percent in investments from members of the global Lebanese diaspora and about 40 percent from individual and institutional investors in Lebanon.

Planning for a total life span of eight to 10 years, the fund's strategy hinges on bringing in US-based VCs and motivating them to co-invest in the companies in Bireme's portfolio. Beyond the envisioned US money, the fund at a later stage will also grant its LPs the right to co-invest directly into the companies. As Habib notes, the whole enterprise is based on a calculated expectation of high mortality among the invested startups with an aim of developing a group of winners that will provide high returns. He says, "What we are focused on is an [internal rate of return] of 25 percent and a return of 3 to 3.5 times money for the fund. We are going to play the role of the physical platform that is going to impact the three stakeholders (the fund's participants, the startups and the US VCs), but we are ultimately going to look for creating exits — this is not a developmental fund; this is for profit."

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Growth amid the thorns

Executive talks to LG about their growth and coping strategies in the difficult Lebanese market

By Thomas Schellen and Nabila Rahhal

Tae Hun Ryu, LG Levant general manager

Retailers in Lebanon have been faced with challenging circumstances for the past four years. Regional turmoil that began with the war in Syria has been pushing tourist numbers down, and the remaining clientele – those residing in Lebanon – have decreased purchasing power compared to the visitors who were so common a few years ago.

The Fransabank- Beirut Traders Association retail index shows that although the Consumer Price Index is on a continuous decrease (for the fourth quarter in row), some sectors of the retail market did not pick up as one would expect in a deflationary environment. In fact, the Lebanese retail market generally remained stagnant in 2015.

Given such a scenario, it is no wonder that many retailers were reluctant to share their woes with the media. Not so LG, the Korean consumer goods and electronics manufacturer. Executive sat down with Tae Hun Ryu, the general manager of LG Electronics in the Levant, to discuss the company's performance in Lebanon and the challenges it faces in this market.

E Are you specifically segmenting your target markets in the Middle East for the household and electronics products that LG manufactures?

Yes. There are so many suppliers and brands and each supplier and brand has their own target audience. The market now is seeing many Chinese low-cost products. The names of their manufacturers are not known, and they are targeting the low- to middle-income demand segments. We have passed through such stages a long time ago as we are in this market for more than 30 years, first under the Goldstar brand and then as LG. We have continuously upgraded our position, and today we no longer position our brands as affordable for earners of middle- or low-incomes. People who want low-cost products have to look for other brands. We are targeting the upper 35 percent of customers to be our loyal customers.

E In your home market of Korea, LG is number 2 in brand value after Samsung. Have you measured your brand awareness in Lebanon and how much it has grown in the past four years?

I can say that the LG presence in the Middle East is much higher than it is on average in global markets. Lebanon and Jordan are among the few markets where LG enjoys extremely high brand awareness as top consumer choice. Above 82 percent of consumers in Jordan and Lebanon name LG as number one or number two when asked for their favorite brands in televisions and washing machines.

E What markets do you cover from your Amman regional head office?

My coverage area is Iraq, Syria, Lebanon, Jordan of course, and Palestine. It is the most conflict-prone area.

E Is it correct that you maintain no LG-owned sales organization in Lebanon?

We have a legally established branch office in Beirut but did not acquire a license to sell directly in Lebanon. We have three distributors in the country.

E When you buy international brand products in Lebanon, you often find stores that sell them, perhaps at discounted prices, but then do not continue to offer these products or any after-market service. On the other hand the local market for major household consumer goods appears to be dominated by a handful of large importers and competition in this segment seems very limited. How are you handling these challenges?

This is a very complicated issue. The consumer has the right to get the lowest possible price for the same products and the market is protecting consumers from monopolies. [But] if you have multiple distributors, they sometimes enter wild competition and blindly cut their price so that at the end of the day everyone in the market is losing.

We have to be very well balanced on how to protect the consumers' interests but also the distributors' interests at the same time. We have to satisfy both, and it is one of our hallmarks that we try to support our distributors with better advertisement or better showrooms like the one we are meeting in.

E Do you finance their showrooms?

No, we don't finance them but we support the distributors with decorations or trainings for their staff on the selling of premium goods. One of our refrigerators here retails for $3,500. This is no small money for anybody and so we have to give the distributors training to sell not by price but by product.

Service requires a lot of systems because you need more than half a million different [spare] parts, and it requires a very well organized system to manage these components. We have a big service depot in Jebel Ali, Dubai, and from there we supply each distributor.

E Lebanese traders are perhaps craftier than others in sourcing products informally from abroad. When it comes to pricing strategies for mobile phones for example, do you face problems from grey imports because your official brand dealers are not as competitive? Do you price mobile products to be competitive against the street market or based on your customer assessment?

What you are describing is a big current headache and very important issue that we face in the mobile [handset] market. This is what happens in Lebanon and in the whole Levant, even worse in Syria and Iraq, and also in Jordan. It is difficult to solve. Even if LG provides the products at the same price to the over 200 markets that exist around the world, these products do not necessarily sell for the same price because of differing margins that are added. We are businessmen and have to make our business flow despite such situations where two factors are conflicting. We cannot dictate to anyone what price they put but we can say that anyone who adds the official premium will have support from us and can provide a differentiated service offer to their customers.

E Where do mobile handsets rank within your different products, in terms of unit sales and in terms of value added to the LG company in the Levant?

LG is number two for television both in value and quantity [of sales]. For refrigerators and air conditioning units we are number one. In mobile we are number three in some markets and number four in others. We want to be number one or two someday but

WE ARE TARGETING THE UPPER 35 PERCENT TO BE OUR LOYAL CUSTOMERS

to be frank with you, this will not be easy to achieve in the coming two to three years.

E Did you then allocate a particularly healthy marketing budget to expand you position in Lebanon and what are your market share targets for 2016?

I discussed this the other day with our Lebanon manager, Mr. Lee. [In 2015], we expect to have about 10 percent market share in Lebanon and we are hoping to increase our market share to 15 percent [in 2016]. To achieve 15 percent means [that we need to have] 50 percent growth; this is a very aggressive target. Hence, to grow from 10 to 15 [percent market share] you have to calculate what this means in terms of input needs in terms of your investments, your channels, your in-store [promotions and activities] or your communications. All these must be changed accordingly, including your logistics.

E Was there any specific difficulty or special opportunity that you encountered in Lebanon in 2015?

As you already mentioned, the difficulties for the mobile business in Lebanon are very specific and the parallel market was the biggest difficulty for us. If there had not been the parallel importers, we could have gained even more market share.

E Did the economic difficulties that we saw in 2015 have a negative impact on your sales?

Absolutely. Our region is very heavily impacted by two factors. One are the regional conflicts; these wars affect not only the whole region but also Lebanon. The other factor is the fall by half in the petroleum price which reduced the budget of every government and every individual in all surrounding markets and this indirectly affected Lebanon; according to the statistics, this market suffered more than 10 or even 15 percent of minus growth in demand cumulative for 2015 until end of September. We made a very slight positive growth in this period and I am very pleased with this, because it is no small achievement under the circumstances.

E Is it then correct to say that an amount of positive growth that was in the single digits in absolute terms, allowed you to increase your market share to 10 percent, because competitors did not grow?

That is what happened.

E What is your strategy for this year from this angle?

Overall I do not expect any meaningful growth in prosperity in both the Levant area and Lebanon for [2016]. How I predict it, [2016] will be another year like 2015. However, that does not necessarily mean that your business will shrink. We have a strategy how to deal with this kind of situation and we are ready to take on those challenges. The market, if it is good, may suffer a decrease of about five percent or in the worst case even see minus growth of about 10 percent, but for the LG operations in Lebanon we are expecting growth of something like five percent also in 2016.

"LEBANON IS VERY IMPORTANT FOR US IN TERMS OF OUR PREMIUM MARKETING"

E Are you advising your distributors to increase their workforce or strengthen their networks this year?

Our distributors' channel power is one of the most important factors for us to spend on, and we have already started doing so. We will expand our channels, and I already talked to most of our distributors and they are ready to do so. Each crisis, recession or difficult time brings an opportunity for us to expand our influence. That is how we view it.

E How much does Syria usually contribute to demand for LG products in the Levant region?

Syria traditionally gave us 30 percent of our business; this has now decreased to less than 15 percent. That is still a good pie for us, given the situation in the country.

E Is Jordan number one for you in terms of the contribution to LG's regional sales?

Iraq is number one. It accounts for over 50 percent of my business; Jordan and Lebanon combined contribute about 30 percent to our business, at almost equal proportions. We sell less quantity here than in Jordan but we sometimes have more value generated than in Jordan. This means Lebanon is a premium market and it is very much worth it for us to maintain a good market share here.

E But you do not intend to move into direct sales in Lebanon?

We do not have such a plan because in order to establish a direct sales presence, the business volume must be quite huge, something like $200 million in annual sales. This is not predictable for Lebanon.

E Out of LG's total product portfolio, how much is available in the Lebanese market?

As I said, this is a test bed for us, and we carry in Lebanon almost every product which we offer in other markets. I would like to add that I have come to realize that Lebanon is very important for us in terms of our premium marketing. Lebanese customers have given us a very good opportunity [to test] how we can interact with all consumers in the Middle East. I very much appreciate the continuous support and affection that Lebanese customers have given us.


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BEIRUT CHANTS

UNITING LEBANON THROUGH CULTURE

Words by ***Olga Habre***

The holidays are always fertile ground for thought. Family and friends come together under what is collectively called the Christmas spirit. But what exactly does this common phrase mean? However it manifests itself, this spirit is one of unity, love and peace. Over the past eight years Lebanon has united throughout the month of December for the Beirut Chants concerts in that very spirit, using culture and music to spread a message of hope for the nation.

The free concerts draw thousands of people to various churches around downtown Beirut every night from December 1–23 for one hour of music — some classical, some religious and some pleasantly unexpected. This year Beirut Chants opened with the outstanding Messa di Gloria featuring Lebanese and Italian talent, and ended with an angelic opera aria assortment by soprano Cinzia Forte. But Beirut Chants is not just about bringing culture to the masses for free and bonding over beautiful music, it's also about voicing a powerful message.

Two of the most notable concerts this season featured music from the Quran. "I don't like to speak about coexistence but I feel we are one nation and Beirut Chants has proven it. The people giving standing ovations [at those concerts] understood the message of love and tolerance and the big hope that the differences in our society are our strengths," says founder Micheline Abou Samra, adding, "We should work on more projects that make us all one nation."

Beirut Chants began when Abou Samra wanted to make use of the beautiful renovated churches in downtown Beirut and thought to bring life to those spaces to "feel that the community is participating and living the Christmas spirit in a beautiful way." Three years ago Beirut Chants was accredited by the European Festival Association, meeting international festival standards. "We are a festival that is appreciated not only in Lebanon but also internationally," says the rightfully proud Abou Samra. Over the years the concerts have grown in response to an obvious need and have become a marker of Christmas in the city. "Now every December 1st people don't even have to be invited, people are already waiting for us. It has become a ritual," she beams.

Abou Samra says attendees vary from night to night. "The crowds are very diverse depending on the program. Some are religious concerts, like this year with Ghada Shbeir. People that were there were not the same as those at the harp concert by award winning Xavier De Maistre," she explains. What concertgoers do have in common is their love of culture. "Throughout our eight year experience we've seen that the Lebanese people appreciate and encourage us when they see real good will and good music. They are thirsty for high-end results, whatever [they may be], whether a concert or something else. There is a need for this," she says, emphasizing that "culture should be within the reach of everyone."

She credits the sponsors (individuals and companies) with keeping the festival afloat, not only financially but also with their constant support and encouragement. Abou Samra describes their donations as "giving a gift to society" — perhaps one of the nicer Christmas gifts we all received this past year.

NEW INTERIOR

RESTAURANT BAR	CENTRALE
Mar Maroun st. Saifi	

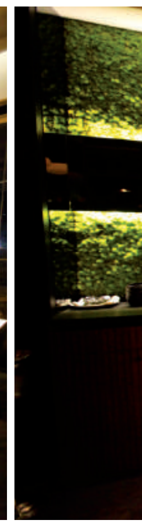
RESERVATIONS: 03 915 925 / 01 57 58 58

Vintage wine cellar

UBAY: ZEN INDEED

AUTHENTIC JAPANESE CUISINE WITH A VIEW IN JOUNIEH

Words by ***Olga Habre***



Is Jap worth the drive? If you’re already in Jounieh (or further north), the question is irrelevant. But if you’re an overindulged Beiruti with a plethora of sushi joints at your doorstep you might not be too keen on venturing through a traffic trap of a highway to indulge in some Japanese cuisine. Or would you?

The UBay complex in the old town of Jounieh, which already houses renowned fine dining establishment Table Fine, recently opened another high-end (but not fine dining) restaurant: Jap. Recruited to spearhead the gourmet venture was Chef Masato Okamoto, a star chef with 30 years of culinary experience across six countries and in cities like Los Angeles, Las Vegas and New York. Hailing from Kyoto, Japan, the chef says he wasn’t too enthusiastic about moving to Lebanon at first, but after a Google search he discovered he would be working in a beautiful coastal town and changed his mind.

We’re glad he did. What he has created for Jap gives the Lebanese a new take on Japanese cuisine. Forget Americanized maki – which Jap also has, and for the record are delicious to Westernized taste buds – the authenticity of Jap’s dishes goes beyond the standard sushi selection of other restaurants. In fact the menu created by Chef Masato is remarkably close to genuine Japanese cooking; he promises Jap’s miso soup is exactly what you’d taste in Tokyo, and the black cod, tempura and grill items are almost 100 percent authentic.

“The Japanese foods we call *wa-sho-ku* in Japanese are quite different from the Japanese foods outside of Japan,” he says, explaining that this is not at all a matter of good or bad but rather a natural development that stems from catering to local tastes. He compares it to pizza: the authentic Italian Margherita versus neo-topping combinations like pineapple and barbequed salmon.

As such, a few items were created to suit Lebanese tastes – namely the crunchy spicy shrimp salad, sesame ginger marinated chicken and a few other

modern Japanese foods that he hesitates to label as "fusion". "'Fusion food' is an ambiguous expression. My friends and I usually call it 'confusion food'," he jokes, adding that the term is misleading because it sounds new and cool whereas the idea is nothing new at all because food culture slowly evolves every day. "Today's traditional foods are different from centuries ago. As far as I can see, sushi will become one of the world's staples by the next century," he says. Judging by the flourishing sushi restaurants in Lebanon alone, this seems very likely to be true.

Toufic Khoueiri, owner of the UBay complex, says the dishes at Jap can "put tears in your eyes," and while levels of emotion might vary, your taste buds should be left very content. Not only are the ingredients of the highest quality in Lebanon, the food is as delicious as it is beautiful, plated artfully into an Instagram foodie's dream.

And it's not only the food at Jap – the view alone is worth the drive. Nestled in the Jounieh Bay, the entire UBay complex boasts picturesque views of the Mediterranean. Khoueiri says the panorama "enhances the experience, melding experiential visuals with fresh seafood," calling it "a world of zen." It's zen indeed. Friendly waiters are well informed and the service is punctual. The decor is elegant, the ambiance is laid-back and the tables are spaced far enough apart to be able to have a conversation without accidentally over-sharing with your neighbors.

Conclusion: Jap is definitely worth the drive – and the best time to go is post rush-hour traffic for a beautiful moonlit dinner.

THE CRAFTSMANSHIP OF ROLEX

A&S CHRONORA MAKES TIME FOR WATCH LOVERS

*Words by **Olga Habre***

Some luxury brands are so iconic they become household names, and while this might seem like a good thing, it can also be tricky since one of the markers of luxury is exclusivity. As a name synonymous with high-end timepieces, Rolex must walk a fine line between accessibility and exclusivity. The Rolex commitment to horology is reflected locally through its Lebanese distributor A&S Chronora, who have an even thornier path to trek in a country that is plagued with third world problems as well as strong competition from an enigmatic saturation of luxury goods.

Lebanon has always been an important gateway market to the rest of the region, and even though the country is small, it is an avant-garde hub for luxury as well as a highly influential and well-respected market that serves as a reference for the Gulf nations.

2015 marked the launch of the Rolex Oyster Perpetual Day-Date 40mm with a new-generation movement, the Caliber 3255. A&S Chronora gave the timepiece a warm Lebanese welcome with a one-of-a-kind public exhibition at the brand's downtown Beirut boutique, as well as a series of private workshops for handpicked aficionados. The first in the Middle East and one of only a handful internationally, the exhibition was dedicated to the "president's watch" (as it is also known for its popularity with national leaders) and showcased beautiful photos, archival material and interactive panels, all in a bid to highlight the true essence of Rolex. Though it is unsual for an exclusive brand like Rolex to hold such a public event, A&S Chronora wanted to share something they are very proud of with the public.

At the workshops, which were held in collabora-

tion with Executive, guests heard about and inspected the inner workings of a Rolex and even attempted to build a watch movement themselves. They also visited the after-sales service atelier to observe certified Rolex watchmakers at work. This was the first time the public was allowed to see how things are done behind the scenes and observe how delicate and intricate the process is. The workshops were an opportunity for A&S Chronora to interact with watch lovers on a new level and their efforts were clearly appreciated. Many attendees had more questions than time permitted and others, many of whom were already wearing Rolexes of their own, voiced their newfound respect for the product as well as all the craftsmen who create it.

One Rolex watch takes a whole year to make (sometimes more), and that's not counting years of research and development. Every piece inside a Rolex is created in-house, and the brand even makes its own tools — a Rolex watch is made using only Rolex instruments. There are hundreds of skilled workers who toil over each of the tiny parts of the movements. So what separates the average Joe who recognizes a classic Rolex model and knows it's "expensive" from a genuine enthusiast is the understanding of the materials' value and the extent of the workmanship that goes into each timepiece.

While the brand is already very well respected, not many people get to see just how much attention, time and effort is poured into every single watch. Those visiting the Rolex exhibition were able to enjoy a wealth of information not normally available to the public, and privileged guests at the workshops got a truly exceptional peek into the world of Rolex craftsmanship — a perfect example of how the brand manages to smoothly blend luxury and mass appeal, while navigating the Lebanese market.

SILVER SCREEN'S GOLDEN AGE

NEW BOOK AND EXHIBITION SHED LIGHT ON LEBANESE CINEMA

Words by ***Olga Habre***

Strolling amid vintage cinema posters at the Le Yacht Club gallery in Zaitunay Bay was a glamorous walk through the Golden Era of Arab film, albeit a brief and ultimately sad one. A colorful patchwork of smiling and theatrically glaring famous faces — Fayrouz, Sabah, Chouchou and others — these posters are themselves works of art, a lost art in fact. Lebanon's once great cinema industry began with the silent film "The Adventures of Elias Mabruk" in 1929, and though the industry hasn't stopped producing since, it took a tumble during the Lebanese Civil War and is today struggling under numerous challenges.

This distant memory of an industry received a tribute in December in the form of a new book, "Tonight – Cinema in Lebanon 1929–1979" by Abboudi Abou Jaoude, and an exhibition dedicated to its release. Abou Jaoude has been collecting cinema posters as a hobby for decades, searching throughout Lebanon and other Arab countries like Egypt, Syria, Morocco, Tunisia, Iraq and more to find the cinematic treasures. He decided to produce the book when he realized Lebanon's Ministry of Culture had no complete index of national films. His book tells the story of Lebanese cinema over 50 years, illustrated with hundreds of photos and posters, as well as press books, articles, advertisements and more.

The public exhibition of Abou Jaoude's private poster collection was held in association with Fondation Liban Cinema (FLC), who adopted the project because they are fighting for the same cause — Lebanese cinema. "Abboudi is so passionate about old movies and posters, and what he's doing is exactly what we are doing. We have the same goal," says Pamela Nabhan from FLC, adding that the organization is working toward developing Lebanese cinema.

While the film industry boomed during the era depicted in Abou Jaoude's book, today, a tiny remnant of the past is held together by a few very passionate individuals and entities including the FLC. Even with all the local talent today, there isn't much

hope the industry can return to its former glory. Referring to the book, Nabhan says, "This was the golden age of cinema, and not only cinema. The Arab World had peace. We still have many productions every year, very good productions, but now even the stories themselves are mostly about conflict." She lists a host of challenges ranging from regional wars that affect the general situation, to censorship, all of which offset the visual stories Lebanon could have to offer.

Nabhan acknowledges 2015 was not the best year for the local film industry in terms of features, with one exception being "Film Kteer Kbeer" which has been very well received in various festivals from Toronto to Morocco. But there are high hopes for 2016; a handful of filmmakers are currently shooting, with release dates planned for later this year.

The FLC is doing its part to support the industry as best as it can. This year they have scheduled a script-writing workshop for professionals with experts from France, as filmmakers often have trouble with weak scripts and Lebanese university programs lag in this particular aspect of cinema. Nabhan quips that the biggest problem facing the industry today is funding, and to address this and other big questions, the FLC is holding roundtable discussions in the coming month, including one to discuss the industry from a very economic perspective. Perhaps with a hearty helping of capital the industry can blossom again, but until then we can relish in our glory days through "Tonight – Cinema in Lebanon 1929–1979."

Marking its official launch in the Lebanese market, **LG Electronics** unveiled its latest TurboDry washer/dryer, the Titan 2.0, in an exclusive brunch which brought together representatives of the media and press as well as technology enthusiasts on November 19, 2015.

Adding a festive glow to the heart of Beirut, **Patchi**, the chocolate gift store, showcased its exquisite Christmas window display and iconic front façade lighting at its flagship boutique in downtown Beirut on November 26, 2015.

On November 26, Alice Eddé launched her new fragrance, **Eddé Hills**, at **éCafé Sursock**. The buzzing reception was an exciting opportunity to discover this home fragrance collection created in collaboration with some of France's top *parfumeurs*.

The Cheesecake Factory® made its much-anticipated debut in Lebanon on November 30, 2015. The brand's first restaurant location is at V Verdun in Beirut.

Ritz Banc Group, a private equity and alternative asset management firm, announced on November 30 the acquisition of Sterling Forest Apartments, a 178-unit multifamily asset located in Raleigh, North Carolina, USA.

LG Electronics showcased its newest Variable Refrigerant Flow commercial air conditioning system, the Multi V4, at the **Lebanon Mechanical Week** exhibition from November 30, 2015 to December 2, 2015.

The **Lebanese Association for Hemophilia** and global research and treatment field leader **Novo Nordisk** have teamed up to provide career orientation to children and youth living with the rare and predominantly genetic bleeding disorder.

Beirut Chants Festival inaugurated its eighth edition on December 1, 2015, at Saint George Maronite Cathedral in downtown Beirut. The opening concert was organized in collaboration with the **Italian Cultural Institute in Beirut** and was conducted by the festival's artistic director, Father Toufik Maatouk.

The eleventh **H&M** store in Lebanon, which opened in Verdun on December 1, 2015, is its first flagship store in the Middle East. The two-story flagship features H&M's latest fashion for ladies and men.

On December 4, in cooperation with **Amchit** municipality, **IPT** inaugurated and lit up the 2015 Green Christmas Tree and decorations at the entrance of its hometown Amchit, along the Beirut–Tripoli highway. The event was attended by Amchit municipality members, IPT Chairman Mr. Michel Issa, IPT board members, employees and families.

Scuderia Lebanon sal, the official Ferrari importer in Lebanon, organized a test-drive experience for its diverse models from the Ferrari Approved Pre-owned line-up on December 6, 2015.

CMA CGM, the world's third largest container shipping firm, announced on December 7 a pre-conditional voluntary general cash offer for **Neptune Orient Lines** (NOL), Southeast Asia's largest container shipping company, subject to the satisfaction of the pre-conditions specified in such announcement.

More than 120 of Lebanon's travel industry leaders gathered at an industry awards ceremony on December 8 hosted by **Travelport**, a leading travel commerce platform providing distribution, technology, payment and other solutions for the $8 trillion global travel and tourism industry and **Middle East Airlines**, the national flag-carrier of Lebanon.

Galler Chocolatier, a producer of Belgian chocolate, organized a tasting event at its Zalka boutique from December 8 to 11, for media representatives and socialites.

Total Liban inaugurated a French language laboratory at the **Military Academy** in Hazmieh on December 9, 2015. The ceremony was attended by representatives from the Defense and Cooperation Mission of the **French Embassy in Lebanon**, Lebanese military figures and a delegation from Total Liban.

On December 9, **Viviane Debbas** unveiled her latest creations at her Downtown boutique, where clients and friends joined for the occasion.

Bassma, an award-winning non-governmental organization working on empowering destitute families, hosted its 13th annual gala dinner under the theme of 'Talking Windows' on December 9 at the Pavillon Royal in BIEL.

Infiniti, one of the region's fastest growing premium automotive brands, held the regional final of **'Infiniti Speed Pitching'** at the **Dubai Autodrome** on December 9. Out of more than 100 applicants, three finalists were chosen to go to Hong Kong for the chance to win $40,000 of seed funding.

On December 10, Dubai-based **flydubai** signed an agreement with **Visit Russia**, a Russian federal state unitary enterprise, to promote Russian destinations in the Middle East. This coincided with the opening of the Visit Russia office in Dubai.

In his welcoming address at **BDL Accelerate 2015** on December 10, central bank Governor **Riad Salameh** announced a major project for 2016: the launch of an **Electronic Trading Platform** that will list startups and create liquidity.

CosmoCity, an entertainment center

built and operated by gamers for gamers, celebrated their official opening in **Beirut Souks** on December 10, 2015, under the patronage of **Minister of Tourism** Michel Pharaon.

In partnership with **Banque Libano Francaise**, **BeitMisk's** Santa's Factory Express – an initiative to bring holiday cheer to less fortunate children – travelled to four of the **Lebanese Association of SOS Children's Villages** on December 10, 11, 12 and 13. In addition to presents, donations provided heaters, fridges and other basic appliances to the villages.

The second edition of **Christmas at the Villa** — the charity Christmas event organized by **Gata Events & Promotions** — kicked off on December 11, 2015 in the presence of Lama Tammam Salam, the wife of the Lebanese prime minister, and the media at the iconic **Villa Linda Sursock** in Ashrafieh. The event's opening ceremony coincided with the fundraising reception of local NGO **himaya**.

As part of the company's core values to create, enhance and maintain strong relations with clients and media partners, **TRACCS**, one of the largest public relations networks in the Middle East & North Africa, organized a lunch on Friday, December 11, at Le Telegraphe de Belle-Vue in Bhamdoun to celebrate the year with its partners.

Under the patronage of Princess Haya Bint Al Hussein, wife of Sheikh Mohammed Bin Rashid Al Maktoum, vice-president and prime minister of the UAE and ruler of Dubai, the eleventh edition of the prestigious **Cartier International Dubai Polo Challenge 2015** concluded on December 12, 2015, with an 8–4 win for Desert Palm, featuring Tariq Albwardy and Rashid Al Habtoor.

Samsung Electronics Co., Ltd. announced the launch of the **Samsung Gear S2** smartwatch in Lebanon, on Saturday December 12, during an open event at Mike Sport Jal el Dib, hosted by **Radio One Lebanon's** Clint Maximus and Stephanie.

Memac Ogilvy PR cemented its dominance as the most awarded agency in the Middle East following a perfect ten at the Middle East Public Relations Association (MEPRA) Awards held in Dubai on December 14.

Sapa, a new Peruvian restaurant and high-end cocktail bar, opened its doors on December 15 in Beirut's Sodeco area, where Zinc used to be located. This is the second Peruvian-inspired venture by sisters **Yasmina** and **Elissa Yared**, and their partner **Rony Jabbour**, following their cocktail bar **Cinco Lounge**.

On December 15, **L'Atelier Nawbar** and **Label Queen** celebrated the festive season and their new collections of jewelry and designer wear, respectively, in a collaborative event held at Saifi Village.

On Wednesday December 16, **Luxury Limited Edition** organized an event at **O1NE Beirut** to celebrate the launching of **Fashion & Stars**, a new publication featuring articles about celebrities and their relation to the most up-to-date fashion and luxury products.

The **Design it!** contest award ceremony took place on December 16, 2015, at the Badguèr Center in Bourj Hammoud. The contest, organized jointly by **PRIME project** and **Badguèr Center for Artisans and Creators**, aims at showcasing the talents of young Lebanese creators in jewelry design and promoting this sector in general.

The **National Commission for Lebanese Women** in cooperation with the **United Nations Population Fund** released their legal study related to the refugees in Lebanon on December 17.

On December 17, **Liza Restaurant** in Ashrafieh held a casual afternoon tea for food lovers where press and bloggers gathered to celebrate the end of the year.

LG Electronics was honored with the title of Brand of the Year by the prestigious **Red Dot Award**, one of the top design award competitions in the world, bestowed on LG for its 13 wins in the Red Dot Award: Communication Design category over the course of 2015.

The international partners of the **EU** funded project, **MED-SOLAR**, are building three pilot photovoltaic plants in Lebanon within the framework of this initiative, whose main objective is the promotion and implementation of innovative technologies.

The Ruby collection by **Mouawad** was released this winter season ahead of the festivities. The range of earrings, rings and pendants puts the glowing red rubies at the center of an 18k white or yellow gold setting, with various pieces also surrounded by diamonds.

The fifth **Arab Aviation and Media Summit** concluded in early December 2015 with speakers in broad agreement about the positive outlook for the Middle East's aviation and tourism industry, despite the potential impact from a number of existing and emerging challenges.

The **International Diabetes Federation** has announced new figures showing that the number of people living with diabetes in Lebanon is 12.2 percent of adults between 20 and 79 years old, translating into 464,200 individuals in this age bracket, and up to 41.2 percent of them remain undiagnosed.

Horologist **Officine Panerai** has released a new model for its Radiomir 1940 collection: the Radiomir 1940 3 Days Automatic, which features a white dial. Panerai has also published a new book entitled **Orologeria Svizzera** delineating the history, technique and design of its watches.

In the framework of its search for a development project of greenhouse gases and carbon management policy which was launched in 2013, **Boecker®**, the leading provider of a holistic range of public health services in the region, invited its staff to attend an evaluation session of the project and announce annual results.

Under the auspices of the **Minister of Telecommunications** Boutros Harb, and as part of its "Alfa-4-Life" CSR program to empower women, **Alfa** organized an exhibition of artwork, decorative crafts and embroidery made by the women and mothers of the **SOS Children's Villages Association**.

The Swiss watchmaking company **Longines** reissued a model inspired by military requirements. For the Longines Heritage Military COSD, the brand adopted the sober and characteristic design of a watch created for British paratroopers in the 1940s.

Obegi Chemicals announced the launch of innovative and revolutionary **WETSUIT®** system across the Middle East during an event that gathered architects, consultants, contractors and high profile potential clients.

Elie Saab and **Four Seasons Hotel Beirut** collaborated to deliver a unique Christmas masterpiece in the heart of the hotel lobby.

Zomato celebrated its one year anniversary in one of the largest bar lounges in Beirut, **Indie**, which also happened to be celebrating its anniversary.

Land Rover ambassador and polar explorer, Ben Saunders, swapped his snowshoes for winter tires to put the **Range Rover Sport SVR** through its paces at a unique yet familiar test track near the Arctic Circle.

Ford is investing an additional $4.5 billion in electrified vehicle solutions by 2020 as well as changing how the company develops vehicle experiences for customers.

According to a recent 'The Role of HR in the Middle East and North Africa Workplace' poll conducted by **Bayt.com**, human resources practices in MENA are flourishing with 73.4 percent of polled professionals saying that there is a strong alignment between their company's overall business vision and that of their HR department.

Cadbury Adams Middle East sal, a subsidiary of **Mondelez International**, kicked off its winter holiday celebrations with **Côte D'Or** chocolates, creating memories that families and friends cherish the most.

The **Wild Discovery** travel network, affiliated to **Johnny R. Saadé Holdings**, celebrated the country of Jordan in December 2015 in collaboration with the **Jordan Tourism Board** allowing every traveler to benefit from exceptional offers and last minute deals.

Owners of **LG Electronics'** G4 smartphone were the first in the world to receive the Android 6.0 Marshmallow OS. LG G4 owners in Poland began receiving their M upgrade in early December with other markets in Europe, Asia and the Americas following.

GAIA-Heritage sal launched a two-week-long exhibition titled "Weaving the Sea", at **Villa Audi** (Ashrafieh), under the patronage of **Minister of Culture** Raymond Araygi, as part of the EU-funded **MEDNETA Project,** to reinforce creativity and the regeneration of Mediterranean neighborhoods.

Owned by **Siam Motors Group, Mövenpick Siam Hotel Pattaya** is poised to usher in a new era of upscale hospitality experiences on the pristine Na Jomtien Beach with elite beachfront accommodation, gourmet cuisine and superb destination experiences such as yachting and island exploration.

Nahla Khaddage Bou Diab, chief operating officer at **Al-Mawarid Bank sal**, was named among the **Leading Arab Women** influencers in Economy and Banking Industry in 2015.

Land Rover has unveiled the world's first luxury compact SUV convertible. The **Range Rover Evoque Convertible** combines the bold design and refinement of Evoque with comprehensive specification and a sophisticated folding roof to create a no compromise, all-season convertible.

UAE-based **Air Arabia** has won the prestigious World Travel Market 2015 "World Travel Leaders Award" in recognition of its leadership of the low-cost aviation sector in the Middle East. The award was presented to Air Arabia during a ceremony in London.

Nivea, the number one face cleansing brand, introduces the **Nivea** Face Care Double Effect Eye Make-Up Remover that eliminates even the most resilient waterproof mascara with a gentle swipe while protecting the eye-area.

At the company's headquarters, **Alfa** CEO and Chairman Marwan Hayek received **Al Riyadi Club** President Hisham Jaroudi and the club's women's basketball team. Jaroudi presented to Hayek the "17th Arab Clubs Championship for Women" and the "International Hisham Jaroudi Championship" trophies as a token of appreciation for sponsoring the team during these championships.

Rizkgroup, which includes advertising agencies, a PR firm, a media buying unit as well as offices in five countries, celebrates its 50th anniversary at **Babel Dbayeh**.

International communications group **Publicis Worldwide** has announced a partnership with the fast casual diner **Zaatar W Zeit** after a successful pitch involving another international agency. Since 1999, Zaatar W Zeit has established itself as an eatery that promotes a sense of togetherness with a dedicated fan base that allowed them to spread over five countries in the Middle East.

Alfa, managed by Orascom Telecom, celebrated the festive season with a choir of 80 children from the **SOS Children's Villages Lebanon**, in a program that has been running for nine consecutive years.

The **House of Aziz & Walid Mouzannar** hosted an all-day event to showcase the 2016 Collection among the brand's loyal clients. The event also marked the launch of the exclusive Hayet Albi Collection whose proceeds benefited the **Brave Heart Fund** in Lebanon.

Chedid Re, a multi-awarded leading regional reinsurance broker, announced the opening of a new office in **Casablanca Finance City**, as part of an expansion strategy enhancing the company's presence in North and West Africa.

In response to the current garbage crisis, **Almaza**, in collaboration with **Green Glass Recycling Initiative Lebanon**, decided to tackle the problem by collecting used green Almaza bottles and sending them to **Khalife Brothers** in Sarafand, one of the last glassblowers in Lebanon, to be crushed and recycled into re-usable beer glasses.

Classic Burger Joint signed its first Lebanon single unit franchise agreement with **Food Pack sarl** and a location is already under construction in Zouk. Classic Burger Joint is embarking on a global strategic expansion plan and has recently set an aggressive goal of growing to 100 stores by 2020.

Bassoul-Heneine sal, the official BMW Group importer in Lebanon, has announced the arrival of the 6th generation **BMW 7 Series,** the latest edition of the sophisticated sedan that comes with a number of new technologies and design features. It also welcomed the new **BMW X1** to its showrooms during Q4 of 2015.

Samsung Electronics Co., Ltd. announced that its five newest business monitors – the SE200, SE450, SE650, UE850 and UD970 models – have earned New Generation TCO Certified status from **TCO Development**, an international third-party sustainability certification provider.

MINI fans across the Middle East can now design the car of their dreams as the car manufacturer has launched the **MINI Configurator** on their regional website.

Bassoul-Heneine sal, the official importer for BMW Group in Lebanon, has reported a 50 percent year-on-year increase in sales for the first 10 months of 2015, driven by the BMW 4 Series and the BMW X model family.

To help festive shoppers narrow down what to choose, **British Airways** recently conducted a survey of Lebanese residents to find out their ideal gift from the airport. Of those asked, 49 percent of women preferred perfume and just over one in three men (34 percent) listed an electronic gift.

Bassoul Heneine sal announced its partnership with **Jouzour Loubnan** at the start of 2016 with the aim of contributing to the reforestation of Lebanon. The Lebanese company has committed to planting a tree for every car or motorbike sold from the BMW, MINI, Renault, Dacia, Rolls Royce, and BMW Motorrad ranges.

Credit Libanais reaffirms its commitment to the service of the Lebanese and region's economies with its new 32-story headquarters in Beirut.

The all-new **Ford Figo** has an interior usually associated with higher trim specification models and central to that is **MyFord Dock**, a dashboard casing that allows users to safely store, mount and charge their smartphones in the car.

To celebrate the release of the Oyster Perpetual Day-Date 40, **Chronora Rolex Boutique** in downtown Beirut hosted its first international Rolex exhibition paying tribute to the "presidents' watch".

CONFERENCES

DATE	NAME	ORGANIZERS	CONTACT / E-MAIL	WEBSITE
LEBANON				
8-9 Mar	Risk Based Approach for Money on Value Transfer Services	Union of Arab Banks	+961 1 377800; uab@uabonline.org	www.uabonline.org
7-8 Apr	MENA Games Conference	IFP	+961 5 959 111 ; info@ifpexpo.com	www.ifpexpo.com
13 Apr	The New Arab Woman Forum	Al Iktissad Wal Aamal Group	+961 1 780 200; forums@iktissad.com	www.iktissadevents.com
DUBAI				
19-20 Jan	Sixth Annual Middle East and Africa Insurance Summit	Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleminggulf.com
24-27 Jan	Drones for Government, Energy and Utilities	IQPC	+971 4 364 2975; enquiry@iqpc.ae	www.iqpc.com
25-28 Jan	Eleventh Annual Healthcare Insurance Forum	Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
27-28 Jan	GCC Corporate Business Intelligence Summit	Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
2-3 Feb	Fifteenth GCC Smart Government and City Customer Care Excellence Conference	Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
16-18 Feb	Fifth GCC Construction and Infrastructure Summit	Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
23 Feb	Destination Dubai 2020	Meed Events	+971 4818 0200; events@meed.com	www.meed.com
1-3 Mar	Third Annual Iran Oil, Gas and Energy Week		+44 20 7111 1615; info@irn-international.com	www.irn-international.com
7-8 Mar	GCC Universities Summit	Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
7-9 Mar	Nineteenth Global Women Leaders Conference	Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
9-10 Mar	Outreach 2016 - The Digital marketing Summit	Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleminggulf.com
14-15 Mar	Second Annual Outdoor Lighting Projects UAE	Advanced Conferences and Meetings	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
16-Mar	GCC Corporates Legal Strategy Summit	Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
22-Mar	GCC International Water Day Summit	Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
21-22 Mar	The Middle East and North Africa Project Finance Forum	Euromoney Conferences	+44 20779 8452; freddy.cobbold@euromoneyplc.com	www.euromoneyconferences.com
28-29 Mar	Hotel 360 - The Hotel Business Conference	IQPC	+971 4 364 2975; enquiry@iqpc.ae	www.iqpc.com
6-7 Apr	Sixth GCC Government Future Leaders Conference	Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
10-13 Apr	Fifth Annual Customer Experience Management in Telecoms Middle East	IQPC	+971 4 364 2975; enquiry@iqpc.ae	www.iqpc.com
17-19 Apr	The FAHR International Conference	Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
20-21 Apr	Islamic Banking Forum	Union of Arab Banks	+961 1 377800; uab@uabonline.org	www.uabonline.org
23-24 Apr	The Arab Region Internal Security Conclave	Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleminggulf.com
ABU DHABI				
18-21 Jan	World Future Energy Summit	Reed Expo	+971 4 3642813; Wellah.Ellis@reedexpo.ae	www.reedexpo.com
8-9 Feb	Future Landscape and Public Realm Abu Dhabi	Advanced Conferences and Meetings	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
6-9 Mar	Asset Integrity Management in Abu Dhabi	IQPC	+971 4 364 2975; enquiry@iqpc.ae	www.iqpc.com
15-17 Mar	Emergency Response and Disaster Prevention	Reed Expo	+971 4 3642813; Wellah.Ellis@reedexpo.ae	www.reedexpo.com
21-22 Mar	Data and Information Management Utilities	IQPC	+971 4 364 2975; enquiry@iqpc.ae	www.iqpc.com
21-22 Mar	ITS & Road Safety Forum	IQPC	+971 4 364 2975; enquiry@iqpc.ae	www.iqpc.com
QATAR				
25-27 Jan	MENA Rail Operational Readiness Summit	IQPC	+971 4 364 2975; enquiry@iqpc.ae	www.iqpc.com
21-23 Feb	Eighth Annual Façade Design and Engineering Middle East Summit	IQPC	+971 4 364 2975; enquiry@iqpc.ae	www.iqpc.com
15-16 Mar	Qatar Projects	Meed Events	+971 4818 0200; events@meed.com	www.meed.com
16-17 Mar	The Gulf Banking Forum	Union of Arab Banks	+961 1 377800; uab@uabonline.org	www.uabonline.org
18-19 Apr	Smart Parking Qatar	Advanced Conferences and Meetings	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
KSA				
22-23 Feb	Cyber Defense Summit	Naseba	+971 4 367 1376; prachid@naseba.com	www.naseba.com
20-21 Mar	Hotel Technology Summit	Naseba	+971 4 367 1376; prachid@naseba.com	www.naseba.com
11-12 Apr	Academia Arabia	Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleminggulf.com

DATE	NAME	ORGANIZERS	CONTACT / E-MAIL	WEBSITE
OMAN				
24-27 Jan	Second Annual Oman Contractors Forum	IQPC	+971 4 364 2975; enquiry@iqpc.ae	www.iqpc.com
6-9 Mar	Eleventh Annual Asset Integrity Management Summit	IQPC	+971 4 364 2975; enquiry@iqpc.ae	www.iqpc.com
21-23 Mar	International Oil and Gas Exhibition and Conference	Oman Expo	+968 2466 0124; info@omanexpo.com	www.omanexpo.com
23-24 Mar	Oman Economic Forum	Al Iktissad Wal Aamal Group	+961 1 780 200; forums@iktissad.com	www.iktissadevents.com
28-31 Mar	The Big Show	Oman Expo	+968 2466 0124; info@omanexpo.com	www.omanexpo.com
EGYPT				
24-26 Jan	Global Oil and Gas	BME Global	+44 207 511 9582; info@bme-global.com	www.bme-global.com
28-30 Jan	Financing and Investment for Enhancing Stability Forum	Union of Arab Banks	+961 1 377800; uab@uabonline.org	www.uabonline.org
14-17 Mar	HR Leaders Egypt	Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
28-29 Mar	Power Generation Projects Egypt	Advanced Conferences and Meetings	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
JORDAN				
25-26 Jan	Solar and Wind Projects Jordan	Advanced Conferences and Meetings	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
10-11 Feb	Mechanisms for Drying up the Sources of Financing Terrorism Forum	Union of Arab Banks	+961 1 377800; uab@uabonline.org	www.uabonline.org
KUWAIT				
7-10 Feb	Maintenance Kuwait Summit	IQPC	+971 4 364 2975; enquiry@iqpc.ae	www.iqpc.com
16-17 Feb	Process Safety	Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleminggulf.com
30-31 Mar	The Arab Banking Conference for 2016: Arab Banking Integration	Union of Arab Banks	+961 1 377800; uab@uabonline.org	www.uabonline.org

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EXHIBITIONS

DATE	NAME	ORGANIZERS	CONTACT / E-MAIL	WEBSITE
LEBANON				
1-3 Mar	ARABNET	International Business	+961 1 751 180; ibag@ibagrp.com	www.arabnet.com
5-8 Apr	HORECA	Hospitality Services	+961 1 480081; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb
29 Ap - 1 May	5th annual conference on Digital Information and Communication Technology and its applications	Lebanese University	+1 732 562 3878; icm2013@ul.edu.lb	www.sdiwc.net/conferences/
DUBAI				
10-12 Jan	Sign and Graphic Imaging Middle East	International Expo Consults	+971 4 343 7744; saban@iecdubai.com	www.iecdubai.com
17-19 Jan	Intersec	Epoc Messe Frankfurt	+971 4 338 0102; info@epocmessefrankfurt.com	www.epocmessefrankfurt.com
19-20 Jan	Sixth Annual Middle East and Africa Insurance Summit	Fleming Gulf	+971 4 390 2764; events@jacobfleming.com	www.fleminggulf.com
9-11 Feb	Access Abilities Expo	Reed Expo	+971 4 3642813; Wellah.Ellis@reedexpo.ae	www.reedexpo.com
15-16 Feb	Marine Data infrastructure GCC	Advanced Conferences and Meetings	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
1-3 Mar	PaperWorld Middle East	EPOC Messe Frankfurt	+971 4 389 4500; info@epocmessefrankfurt.com	www.epocmessefrankfurt.com
8-9 Mar	Middle East Rail 2016	Terrapinn Middle East	+971 14440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
14-15 Mar	Outdoor Lighting Projects UAE	Advanced Conferences and Meetings	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
13-15 Apr	Gulf education and Training Exhibition	International Conferences and Exhibitions	+971 4 3355001; info@icedxb.com	www.icedxb.com
ABU DHABI				
18-21 Jan	World Future Energy Summit	Reed Exhibitions	+971 4 3642813; Wellah.Ellis@reedexpo.ae	www.reedexpo.com
8-9 Feb	Future Landscape and Public Realm Abu Dhabi	Advanced Conferences and Meetings	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
10-11 Feb	Future Drainage and Stormwater Networks UAE	Advanced Conferences and Meetings	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
1-3 Feb	Tawdheef	Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
15-17 Mar	Emergency Response and Disaster Prevention	Reed Exhibitions	+971 4 3642813; Wellah.Ellis@reedexpo.ae	www.reedexpo.com
12-14 Apr	Cityscape Abu Dhabi	Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
KSA				
18-21 Jan	Saudi Plastics and Petrochem	IFP	+961 5 959 111 ; info@ifpexpo.com	www.ifpexpo.com
26-28 Jan	AutoMechanica	ACE Exhibitions	+966 12654 6384; ace@acexpos.com	www.aceexpos.com
9-12 Feb	PROPAC Arabia	ACE Exhibitions	+966 12654 6384; ace@acexpos.com	www.aceexpos.com
22-24 Feb	Petro Environment	ITE Group	+44 (0) 203 328 9589; stella@bme-global.com	bme-global.com
27 Feb - 1 Mar	Machinex	ACE Exhibitions	+966 12654 6384; ace@acexpos.com	www.aceexpos.com
11-14 Apr	Saudi Building and Interiors Exhibition	ACE Expos	+966 12 654 6384; ace@acexpos.com	www.acexpos.com
14-15 Apr	WEPower	ITE Group	+44 (0) 203 328 9589; stella@bme-global.com	bme-global.com
BAHRAIN				
9-11 Feb	Gulf Industry Fair	Hilal Conferences and Exhibitions	+973 17 299123; info@hilalce.com	www.hilalce.com
26-28 Apr	GulfBID	Hilal Conferences and Exhibitions	+973 17 299123; info@hilalce.com	www.hilalce.com
EGYPT				
14-17 Jan	Plastex 2016	ACG - ITF	+202 27538401; info@acg-itf.com	www.acg-itf.com
27-29 Jan	Global Oil and Gas	ITE Group	+44 (0) 203 328 9589; stella@bme-global.com	bme-global.com
11-14 Feb	Project Egypt	IFP	+961 5 959 111 ; info@ifpexpo.com	www.ifpexpo.com
QATAR				
9-11 Apr	Edutec Qatar	IFP	+961 5 959 111 ; info@ifpexpo.com	www.ifpexpo.com
26-28 Apr	Cityscape Qatar	Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
KUWAIT				
18-20 Jan	HORECA Kuwait	Hospitality Services	+961 1 480081 ; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb
OMAN				
8-10 Feb	Oman Packaging and Material Handling Exhibition	Oman International Trade & Exhibitions OITE	+968 9934 1687; tarek@oite.com	www.oite.com
21-23 Mar	Oil and Gas West Asia	Oman Expo	+968 2466 0124; info@omanexpo.com	www.omanexpo.com
28-31 Mar	The BIG Show Oman	Oman Expo	+968 2466 0124; info@omanexpo.com	www.omanexpo.com
12-16 Apr	COMEX		+968 9934 1687; tarek@oite.com	www.comex.com
19-21 Apr	Global Higher Education Exhibition	Oman International Trade & Exhibitions OITE	+968 9934 1687; tarek@oite.com	www.ghedex.com
JORDAN				
22-26 Jan	Solar and Wind Projects Jordan	IFP	+961 5 959 111 ; info@ifpexpo.com	www.ifpexpo.com
TURKEY				
24-26 Mar	Cityscape	Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com

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> Consumer spending

A problem of domestication

Projected increase in consumer spending is ambiguous message for 2016

Lebanese consumers, living in an oil-importing country, are expected to benefit in the coming months from some benevolent factors in their financial environment, but retailers should not celebrate too soon as the past few years suggest stronger purchasing power does not translate into significant spending boosts across retail segments. In its November 2015 reading, the Consumer Price Index (CPI) stood at 96.6 points, representing a monthly drop of 0.25 percent according to the Central Administration for Statistics (CAS). Index charts by the Consultation and Research Institute showed CPI inflation to be practically zero when comparing November 2015 to November 2014 and the 12-month moving average was in negative territory at -0.5 percent, down from 0.6 percent inflation a year earlier.

Additionally, projections issued by international online data platform Trading Economics at the end of December 2015 expect the CPI to hover around 97 points in the first three quarters of 2016. At the same time, Trading Economics' charts for consumer spending in Lebanon project gradual increases in the first three quarters of 2016. The stage setter for the CPI in 2015 and for estimates on CPI and consumer spending going forward is the oversupply of oil coupled with its worldwide decrease in demand, partly due to the weakening of many international currencies against the US dollar, which has been translated into lower oil prices. This suggests that a global increase in disposable income would follow, hence strengthening consumers' purchasing power and boosting their spending levels. However, while generally perceived as positive, this upward trend might be alarming in countries where it occurs simultaneously with domestic economic problems.

This combination of upward consumer spending and domestic economic troubles is the scenario that most likely applies to Lebanon, as expressed in remarks by central bank Governor Riad Salameh who, according to media reports, told participants in an investor summit on December 22 that gross domestic product increased at best by 2.5 percent in 2014 and is estimated to see zero percent growth in 2015.

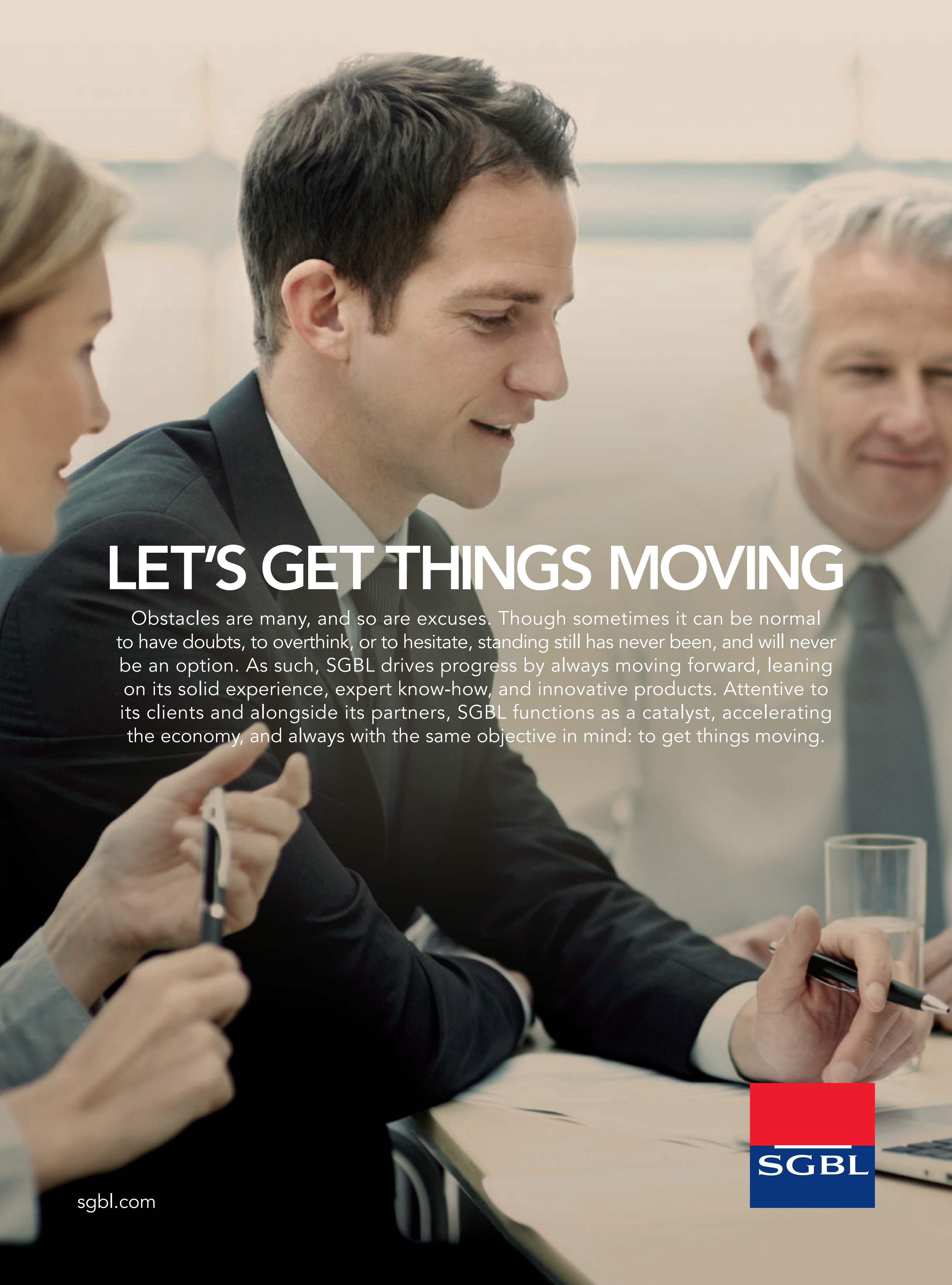
MORE TO SPEND

Available evidence suggests Lebanese consumers should have more disposable income, but retailers are largely not reporting benefits from this extra spending power. Lower global oil prices have had a direct impact on what drivers in this car-loving country pay at the pump. Assuming 1,600L of gasoline is needed for 20,000km, which is the average yearly distance traveled per citizen, $15 per 20L at December 2015 compared to $17 at December 2014 means an important yearly saving of around $3,200 per citizen. More considerably, compared to the $22 per 20L at December 2013, the two-year saving is estimated at $10,000. Oil prices also likely contributed to the deflationary environment Lebanon has been witnessing recently. CPI figures released by the CAS show that the leading contributors to a 3.9 percent year-on-year decline in November 2015 were drops in the categories of: water, electricity, gas and other fuels (-18 percent), transportation (-10.7 percent) and health (-6.8 percent).

Data on consumer spending, however, show two years of decline for most retail segments. The Lebanese Franchise Association provided Executive with a booklet showing the results of retailer surveys conducted every six months beginning in 2012. At time of writing, the most recent data covered H1 2015. The surveys cover six categories of consumer goods (clothing, food & beverages, cosmetics, household goods, luxury items and sports & hobbies) as well as four categories of retail services (hospitality, tourism, medical services and education).Compared to the first half of 2013, the sale of goods across all categories was up 2.8 percent; however, growth was driven by the food & beverages (+17.6 percent). Clothing and household goods were the big losers in the two-year period, with sales dropping 12.4 percent and 10.4 percent, respectively. In the same time period, retail services also saw growth of 16.8 percent, largely on the back of the 37.7 percent sales jump in the tourism category. While these figures do not suggest a nation with much excess cash to burn, they do reflect a dichotomy between higher spending and economic productivity. An extended analysis of the past 30 months highlights domestic economic problems, whereby the retail industry seems unable to achieve a positive rate of growth beyond seasonal surges.

Looking forward to 2016, there may be a ray of hope in the most recent Byblos Bank/American University of Beirut (AUB) Consumer Confidence Index (CCI), which covers the first half of 2015. In conjunction with the CCI, Byblos and AUB ask consumers about both their assessment of the current situation in the country and their expectations for the future. For the first time in years, consumers were consistently positive about the future. "The Byblos Bank/AUB Expectations Index posted higher values than the Present Situation Index in each of the first six months of 2015, constituting the first instance since the first seven months of 2011 where consumers have a more positive view about the future."

JESSICA SAADE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