

# Executive

www.executive-magazine.com

## 12 | The struggle for a moral budget

A potentially important step toward a new social contract

## 48 | Living on less

Managing austerity in Lebanon

## 58 | Great expectations

Five star hoteliers preparing for forecasted boost in tourism from Saudi Arabia

## BREAKING POINT

*Can they still fix their mess?*



Think Lebanon when you shop,  
The prices are fair and the returns from  
every purchase stay in Lebanon.



#فكر بلبنان



ASSOCIATION DES COMMERÇANTS DE BEYROUTH  
BEIRUT TRADERS ASSOCIATION



LEBANESE  
ECONOMIC  
ORGANIZATIONS



# EDITORIAL

#236

## Best case scenario?

**After missing self-imposed deadline after deadline, our cabinet has finally agreed on the terms of the reformist budget, passed to Parliament on May 30 for more bickering.**

Never mind that it is now June, and we still have no budget set for 2019. Nor that projected rate of reduction of the budget deficit seems more like a slight of hand, at best.

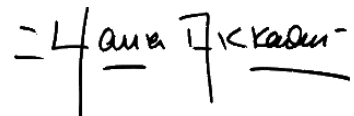
Our political class were careful in who they targeted to pay the price for these new austerity measures. Not their followers, whose support is maintained by way of unwarranted transactions and the granting of jobs without legal definitions. No, those bearing the brunt are those without a vote—such as our proud military pensioners. This reformist budget will also require more from us, the citizens, via direct and indirect taxation.

If Lebanon was a corporation, its management would need to be fired and fired fast. A company's budget ought to be accurate and be pegged to the strategic objectives of the firm. As we see it now, Lebanon has no vision, no common mission, no productive and strategic objectives that will allow the country to compete in the region and an increasingly globalized world.

This budget, which fails to strategize the country's resources, is not sufficient to appraise the performance of our government. How do we tell if a government is doing its job well? We judge this by checking if it has managed to lower unemployment, if its policies have resulted in a vibrant and purposeful private sector, if it has managed to improve the balance of payments and trade—all this while minimizing any damage to the environment and society. Management cannot call in the CFO and just order him to cook the books with a sole aim of getting additional debt. The CEO has to create the conditions upon which the CFO can balance the books. In an economy, this means it is the government's responsibility to present to its citizens a strategy that aims to increase productivity, boost agriculture and industry, and improve services and trade in a cost-efficient way.

When success is measured by counting numbers, you only end up with a self-devouring behavior. That is what explains the attack on our banking industry. Whether you like it or not, the banking sector is the only industry in Lebanon that is fully compliant with international standards—it has to be or it risks being shut off from the world. It contributes the most in taxes, and is the most transparent about its economic activity. And what do we do? Shove the banks and citizen's deposits into the middle of the conflict and inflame anxiety, rather than shielding them from the immature manipulation of politicians.

There is a vindictive propaganda targeting banks in Lebanon. One that claims that banks feed off the government—the opposite is true. In the last 20 years the banks have massively reduced their exposure to the government; they have sought to pull away from the state's mess yet get sucked back in time and time again. What lies ahead is, in the best case scenario, reforms and temporary scarcity. Such will be the circumstances under which blaming the banks will not achieve anything bar allowing some people to vent their frustrations and others to sow discontent and spread dangerous lies. Whom will this serve? No one but those who benefit from a weaker Lebanon.



Yasser Akkaoui  
Editor-in-chief

# CONTENTS

#236

## LAST MONTH

- 6 May's essential headlines

## LEADERS

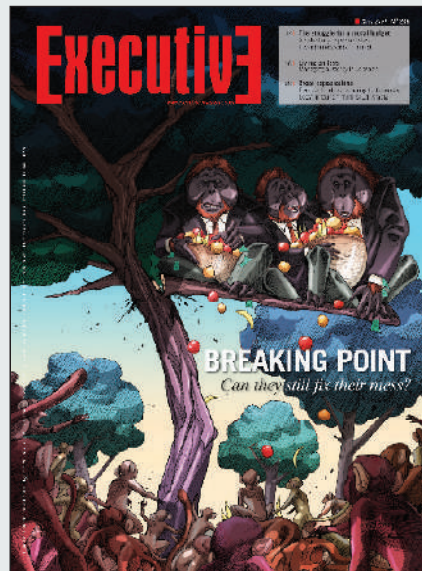
- 10 **National priority banking**  
Banks have done a lot for Lebanon, they deserve our trust
- 12 **The struggle for a moral budget**  
A potentially important step toward a new social contract

## EXECUTIVE LIFE

- 48 **Living on less**  
Managing austerity in Lebanon

## ECONOMICS & POLICY

- 52 **The need for a grand vision**  
Lebanon's long-awaited 2019 budget



## BANKING & FINANCE

- 18 | A house of many futures
- 22 | Trails of smarter lending
- 28 | Stepping forward
- 32 | Loans and provisions
- 36 | Exceptional extortion
- 38 | Shooting ourselves in the foot
- 40 | Profiting from diversity

## ENTREPRENEURSHIP

- 54 **New fintech hub open at BDD**  
StartechEUS to provide funds and mentorship

## HOSPITALITY & TOURISM

- 58 **Great expectations**  
Five star hoteliers preparing for forecasted boost in tourism from Saudi Arabia

## BUSINESS ESSENTIALS

- 64 Company bulletin
- 68 Conferences & exhibitions

## LAST WORD

- 72 **A fight on many sides**  
Press freedom in Lebanon today



# When Growth is Built on Safety

As you move forward in life, building your future, you look for means to protect it. You seek strong partners that you can rely on and grow with to guarantee your financial security.

**For the fourth year in a row, Global Finance magazine has named Bank Audi the Safest Bank in Lebanon.**

[bankaudi.com.lb](http://bankaudi.com.lb)



**Bank Audi**





# Executive

**Responsible director** Antoine Chidiac  
**Managing director & editor-in-chief** Yasser Akkaoui

**Editor-at-large** Thomas Schellen  
**Managing editor** Susan Wilson  
**Deputy editor** Sarah Shaar  
**Hospitality & tourism editor** Nabila Rahhal  
**Executive Life editor** Olga Habre  
**Photojournalist** Greg Demarque  
(Additional photos from Getty, AFP, Reuters)  
**Illustration** Ivan Debs  
**Visualization & Infographics** Magali Hardan  
**Art direction** Tanya Salem  
**Contributors** Dany Baz, Samer Elhajjar, Sami Halabi, Zenia Zeidan  
Maalouly, Fadi A. Karaa, Lauren Holtmeier, Paul Morcos  
**Operations manager** Lucy Moussa  
**Web development manager** Magali Hardan  
**Marketing representative** Karine Ayoub Mattar  
**Print & online advertising** Michele Hobeika  
**Public relations manager** Maguy Ghorayeb  
**Subscriptions manager** Roula Emanuel  
**Subscriptions** Gladys Najjar  
**Distribution manager** Katia Massoud  
**Accountant** Fadi Bechara

---

## **Published by NewsMedia sal**

Sehnaoui Center, 7th floor, Ashrafieh, Beirut  
Tel/fax: 01/611-696  
editorial@executive.com.lb

**Contact us** – We need your input.  
Please contact us with any suggestions or comments at:  
www.executive-magazine.com or  
editorial@executive.com.lb

**For subscriptions** – subscribers@executive.com.lb

© 2019 All rights reserved. Copying for purposes other than personal or internal reference use without express written permission from NewsMedia sal is prohibited.





بنك بيروت  
Bank of Beirut  
Banking Beyond Borders

# \$12,000

بالشهر  
على 6 سنين  
سنتين هدية

# \$248



**FREE**  
**LEBNEN AL BEL**  
**CREDIT CARD**

**APR=15.95%**  
**INTEREST RATE =13%**  
تختلف وفقاً للفئة والقطاع

www.bankofbeirut.com  
٧/٢٤ خدمة الزبائن  
١٢٦٢ | +٩٦١ ٥ ٩٠٠ ٢٦٢

لبنان | أستراليا | المملكة المتحدة | ألمانيا | سلطنة عمان | قبرص | الإمارات العربية المتحدة | نيجيريا | غانا



# LAST MONTH

## ZOOM IN



*Lebanese Maronite monks carry the coffin of late Maronite Patriarch Cardinal Nasrallah Sfeir on May 16.*

### Former Maronite Patriarch Cardinal Sfeir dies at 98

Former Maronite Patriarch Cardinal Mar Nasrallah Boutros Sfeir died on May 12, days before his 99th birthday. Sfeir was laid to rest in Bkirki on May 16, with thousands of mourners in attendance, including the Lebanese president, the speaker, and the prime minister. Appointed patriarch on April 19, 1986, during the Lebanese Civil War, Sfeir was made cardinal by Pope John Paul II in 1994. He was succeeded by the current patriarch, Beshara Rai, in 2011. Born May 15, 1920, in Rayfoun, a village in the Keserwan district, Sfeir was the 76th patriarch of the Maronite Church in Lebanon and was known to hold strong political views. Despite opposition, he endorsed the Christian community's agreement to the Taif Accord in 1989 that ended the civil war. Sfeir was an ardent opponent of the Syrian presence in Lebanon throughout his tenure as patriarch; he helped create anti-Syrian movements that included the Qornet Shehwan Gathering in 2001 and lobbied in the US for Syria's withdrawal from Lebanon.

### Lebanon and Israel to begin US-mediated talk on southern border

On May 18, the US agreed to Lebanon's request to mediate talks between Lebanon and Israel to demarcate the maritime border. On May 27 Israel agreed to take part in these negotiations. The talks will be headed by US Assistant Secretary of State for Near Eastern Affairs David Satterfield, and will also seek to settle the land border dispute with mediation from the UN. There are nearly 860 square kilometers of disputed waters claimed by each country. The issue has been brought to the fore by Lebanon's pursuit of potential offshore oil and gas. Blocks 8 and 10 designated by the Lebanese government for drilling both fall within disputed waters, while Block 9 also runs through parts of what Israel claims as its Exclusive Economic Zone. This claim is denied by Lebanon, which argues that maritime map it submitted to the UN is within the 1949 armistice agreements. Blocks 8 and 10 opened



# Timeless Machine.

Discover the new 911.



**Porsche Centre Lebanon s.a.l.**  
Telephone 01 573 911  
[porschebeirut.com](http://porschebeirut.com)



**PORSCHE**

# LAST MONTH

## QUOTE OF THE MONTH

“The 2019 budget is not the end. This budget is the beginning of a long road that we decided to take in order to lead the Lebanese economy to safety.”

*Prime Minister Saad Hariri, speaking about the proposed budget for 2019 at an iftar dinner in Beirut, on May 25.*

for bidding in April, and drilling is set to begin in Block 9 in December 2020.

### State wraps up probe on illegal hires

MP Ibrahim Kanaan, chair of Parliament's Finance and Budget Committee announced on May 23 that a probe into illegal state hiring found that 37,000 employees had been hired unlawfully. He said the report showed a “real problem” with politicians violating employment law. Article 21 of Law 46 (2017) had called for a freeze in public-sector hiring to reduce state expenditures; the Finance and Budget Committee has held hearings since February to determine the extent of illegal hiring taken place. The committee discovered that thousands of employees hired in public administrations held positions with no legal description; 37,022 employees were hired in violation of laws and regulations, 5,013 were hired during the freeze, and the other 32,009 were hired before the freeze went into effect. Many of these employees were hired before the 2018 parliamentary elections, fueling allegations that this was done to boost parties' electoral support. With the investigation complete, the matter will now go to the Court of Audit, which has the authority to cease expenditures on all illegally hired employees and hold those responsible for hiring accountable.

### 2019 budget approved by Cabinet

On May 27, Lebanon's state draft budget was approved by the cabinet after weeks of wran-

gling and missed deadlines; it is now subject to parliamentary approval, which Speaker Nabih Berri said may take another month. Roiled by rumored austerity measures to be included in the budget, protesters have taken to the streets over the past month. The latest round of protests took place as cabinet met to approve the budget, with veterans expressing concern over potential cuts to their pensions. The new budget had been touted by Prime Minister Saad Hariri as one of the “most austere in the history of Lebanon,” with politicians scrambling to agree on measures to raise revenues and decrease spending, in the hope of unlocking some of the \$11 billion in funding pledged by international donors at CEDRE that is dependent on serious fiscal reform. The budget deficit, 11.5 percent in 2018, will be reduced to 7.59 percent, per the new draft budget. Also included is a plan to cut \$660 million from the debt servicing bill by issuing treasury bonds at 1 percent interest to the Lebanese banking sector. Other measures include a 2 percent tariff on imported products (with exclusions for electric cars, food, and medicine, and machinery and raw materials used for local production), an increase to a 25 percent income tax on individuals and enterprises earning an annual income of LL225 million or higher, and fees on special license plates, tinted windows, and firearm licenses have been raised. Civil servants on pensions and current and former prime ministers, house speakers, MPs, and presidents will now pay income tax. Three percent will be deducted from retirement salaries for army personnel to fund their healthcare and social assistance benefits. For more see pages 10, 48, and 52.





# OUR LOAN BRINGS YOU HOME NOW.



**"Home Now"** is here to help you own your primary or secondary home!  
The loan is in USD over 10 or 12 years at competitive interest rates  
starting from **4.58%**.

APR 9.70% (OVER 10 YEARS) - TERMS AND CONDITIONS APPLY

 **1531**  
**BSLBANK.COM**

 @BSLBANK  BSL BANK  BSL BANK

 **BSL BANK**  
**HOME LOAN**

# LEADERS

## BANKING & FINANCE

### National priority banking

Banks have done a lot for Lebanon, they deserve our trust

Banks have offered much to Lebanon. They have financed the country's public and private sector needs for the entirety of the post-conflict years. They stood throughout the 1990s with a people scarred by violence and economic trauma. Through the 2000s, they stayed at the side of a state that was under constant financial pressures. In the 2010s, banks never ceased to respond positively and with vigor to the latest unconventional ideas that were sent their way by the central bank. As if this was not enough pressure, local banks all the while were subjected to the need to comply with ever-tougher international regulations on things like money laundering.

While this happened in this small country of ours, the world stumbled through overheating financial markets and over-risky banking behaviors in almost all economies into the Great Recession and its aftermath of imperfect recovery. Thus, it is well justified to regard it as miraculous that Lebanon, albeit always balancing on the financial edge, never went over this edge into the kind of receivership that exposed some other countries and bigger economies in the past three decades to the dictates of foreign rescues by the likes of the European Union and World Bank.

This does not mean that Lebanese banks are perfect, either as economic agents or as corporate citizens. They are profit-driven, just as banks have been at all times since the first money lenders set up their booths outside religious districts and centers of worship. And if the founders and revered parental figures of historic religions

were cast into the roles of banking CEOs today, their first experiences would probably consist of being confronted with litigation by shareholders who challenge their lending policies for not generating enough returns.

So when asking what banks can do for Lebanon in the context of the reformist—but still fundamentally fuzzy and vulnerable-looking—budget of 2019 and, hopefully more robust, budgets of coming fiscal years, the first order of import is to understand that banks will remain profit-relying financial institutions. Lest they die, they will have to chase profits.

They also are mirrors of this society. In a country where six degrees of separation is about three degrees too many for any person, and where anyone with any decision-making influence is some sort of cousin of all other people in similar positions, it is not productive to decry the intermingling of those in political and banking power. Banks are furthermore tied to often divergent communal interests in fragmented Lebanon, whether they admit to it or pretend otherwise. How else could they exist in a country that in every practical regard is defined by sub-national and self-interested communities?

This essential business nature and Lebanese-ness of local banks are crucial factors to recognize and be aware of, so as to avoid plastering banks with unachievable expectations that no Lebanese citizen or community would accept to place on themselves. Operationally, Lebanese banks are furthermore imperfect human institutions, not superior entities. In this sense, the first thing that the Lebanese society might want to do, is humanize its banks, in a manner of speaking, and see them for the reality of their good and bad, strong and weak.

Making the behaviors in banking more holistically human and nudging lenders away from extreme homo economicus-type self-interest, will in

many ways be coherent with trends in global thinking that, in one example, recently drove leading ESG (Environmental, Social, and Governance) experts at Paris-based consultancy Vigeo-Eiris to observe the essentiality of diversified banks' strong ethical cultures in making them less vulnerable to misconduct. As impregnation with best ESG genes, resilient values and future-proof conduct is a long-term process that has to go viral in a bank's entire organization, it is highly advisable that more banks in Lebanon embark on this path—and it is encouraging to see that several have taken the first or second step on this demanding journey.

As this route is time-consuming, arduous, and historically undertraveled, Lebanese banks in the medium or medium-long term should not be bombarded with demands and expectations for turning themselves into pure benefactors to society—as if bank A, B, or B+ were competing for the title “savior of the month.” They will continue to be banks with behaviors that are productive and profitable for their own interests but are not going to save Lebanon's economy. Banks will also continue to operate, as they must, under restraints of financial interest logics and international regulatory dictates.

However, there is also no reason to expect that banks will do any less for this country and its people than they did in the decades that are behind us. In these past years, even as they made important profits via the easiest routes open to them, banks paid their taxes and expanded their social actions, arguably more so than any other Lebanese economic sector or societal grouping. Let the banks be taxed, certainly, but let them be taxed fairly and in ways that will not drive them into ruin or exodus. EXECUTIVE also calls for banks to improve their ESG and avoid the herd behaviors that can aggregate pressure on the



# SPENDING IS EARNING



## FNB REWARDS PROGRAM

Using your FNB credit card has never been more rewarding!  
Spend with your credit card, earn points and redeem them for cash or valuable prizes and travel packages at [fnb-rewards.com](http://fnb-rewards.com) or through the FNB Mobile App. Points can be earned and redeemed in Lebanon or abroad.

☎ 1244     



**FIRST NATIONAL BANK** s.a.l.

[fnb.com.lb](http://fnb.com.lb)

# LEADERS

people that depend on their good will, whether as household and retail borrowers or as debtors to the commercial and SME units of Lebanese banks.

Times of scarcity and intense economic obligations are not times to

disrupt all that can be disrupted. They are times to trust and earn trust. EXECUTIVE is calling on our banks to make every effort they can to be absolutely trustworthy. At the same time, we call on all our readers and all the people of

this country to use the greatest possible care when examining the conduct of their bankers, and empower them with the trust they deserve, and that is consistent with their record of the post-conflict decades.

## ECONOMICS & POLICY

### The struggle for a moral budget

A potentially important step toward a new social contract

As a democracy, Lebanon has a sovereign. This sovereign—which the constitution affirms to be the people of Lebanon—has, for the longest time, appeared remarkably unconcerned over a very specific dereliction of duty by its public officials. The dereliction in question was the government's serial failure to produce a sane, credible, and timely budget, and the sovereign indifference was the near universal quietude over the failure. Moreover, such practical irreverence of the budget's crucial functions has festered in the Lebanese political body and government since the days of the elder Hariri until last year, when a late and astonishingly unrealistic budget was rushed through.

Although the Lebanese body politic has, over the years, become increasingly irate about the corruption of its many political chieftains, complaining that thieves, hoodlums, and incompetents run their polity, the same body politic did for many years not take to the streets to demand a responsible budget from its cabinet. Thus, while the politicians did not produce, the people did not insist on their acting responsibly. Small voices of the people and civil society stakeholders calling for a budget were academic, self-interested, anemic, and ineffective.

It would be a waste of energy to try and list all the reasons for this spe-

cific non-performance of state and citizens, even as the civic and public budgetary indifference were related to the country's being overburdened with existential concerns. However, this past state of budgetary affairs is nonetheless galling in practical and philosophical terms. This is because everybody with even the most rudimentary understanding of anything resembling political economy should understand that a Lebanese state with no budget is a Phoenician trireme lost among dangerous reefs before an unknown coast.

In this sense, anybody examining the risk that a budget-less course meant for the ship of the Lebanese state and its crew of many communities, could not pretend that the perils were not mounting. Nor could one assume that nonexistent budgets would result in just a tiny and diminishing smidgeon of deficiencies—these deficiencies had to accumulate and were moreover incorrigible. You simply cannot ameliorate by one iota something that does not exist.

And yet, over the many years of a state without a budget, it would have been quite the delusion to expect any Lebanese group to have donned their yellow vests to scream in public and protest that the management of their free and independent nation was conducted by core constitutional institutions—the legislative and the executive branches of government—without diligent observation of their duty to issue and implement an annual state budget. It would have been even incomparably more utopian to ask the people to volunteer personal sacrifices for the national wellbeing.

Now, in late May 2019, the Lebanese people have been presented with a reformist budget. The first thing that must be acknowledged about the process of designing this budget is that the involved ministers and the parties they represent sent out signals of sincerity and seriousness. But it also is clear that in 2019, the chickens of years of waste and indifference have come home to roost. They did so in two forms.

On one hand, citizens concerned over the assumed loss of their entitlements rose up in protests that were often described as preemptive. Case by case, these protests may or may not have had validity as material concerns. Taken all together, the protests also may have, as some experts allege, conveyed to international observers that the new budget has real austerity teeth.

But in another perspective of these protests, which in May 2019 often looked premature more than anything else, would be to consider them as multifaceted signal that Lebanese people have learned to distrust their government in response to innumerable deceits they were subjected to by their leaders in the last 20-30 years. At the same time, however, as “preemptive strikes”—a word choice that, at least in peace-oriented thinking, smacks of morally repugnant military actions—in defense of entitlements, the hasty protests did not smell healthy against the background of the public's previous indifference concerning the state's ability to finance an increasingly burdensome range of entitlements. Nor did they serve to reduce concerns over the likelihood of future social conflicts that could result in economic damages of





الاعتماد اللبناني  
CREDIT LIBANAIS

C L O S E T O Y O U

**WE SUPPORT SMALL  
AND MEDIUM  
ENTERPRISES**

## **| SME BANKING**

**Whether you're expanding your business or looking to finance your new project, Credit Libanais offers you a variety of financing solutions for any type of small and medium enterprises.**

Credit Libanais Tower, Corniche El Nahr, Adlieh  
☎ 1518 | +961 1 607100 | 71 branches at your service  
[www.creditlibanais.com](http://www.creditlibanais.com) | [info@creditlibanais.com.lb](mailto:info@creditlibanais.com.lb)





# LEADERS

magnitudes that are in no proportion to the value of the entitlements that various social groups might be seeking to protect.

With regard to the interpretations of the budget process by international and local analysts, the budget draft and its design process were met with the degrees of skepticism that must be expected from herds of economists. As analyst perspectives are informed by the past performance of the objects or matters they study, examinations of the 2019 budget and of different scenarios of fiscal and economic developments of Lebanon in the next few years, struck the reader as anything from being tainted by disappointment of failed and insincere political promises in the past quarter century to containing heavy doses of questionable economic modeling and vulnerable assumptions.

## MUCH REMAINS TO BE DONE

The experts on all sides, and in all international institutional stakeholders in the Lebanese reform process, have, of course, still much to do in pouring over the figures and implications of the 2019 budget, but it would not be the wisest thing to assume that this budget and its confessed target figures on revenue enhancements, waste cutting, etc., already constitute a trustworthy treasure map that is viable for setting the Lebanese state's fiscal course over the next three to four years.

Whereas the recent views of experts thus vary from emphasis on the 2019 budget's short-term importance for the state's ability to stave off financial draining of hard currency and instill investors with new confidence, to a medium-term focus of the budget's alleged potential to improve fiscal balance and real GDP growth, or create a turning point in the evolution of Lebanon's debt-to-GDP ratio, such narratives are all constructs produced under conditions of uncertainty.

The only thing that one might assume with a reasonable degree of probability is that the next budget will not be perfect. The draft and resulting 2019 budget law cannot be expected to be void of miscalculations and understated cost expectations, regardless of the number of sessions and hours of deliberations which are invested at the levels of executive (Council of Ministers) and legislative (Parliament).

But on the philosophical upside of all this, the struggle for a new budget in Lebanon can and should trigger much more than a fiscal discussion for the year 2019 with implications for the coming years and the five-year deficit reduction targets that Lebanon has made commitments to in April 2018.

As practical measure for improving the management of Lebanon's political economy in the coming period, the budget imposes the sacrifices that people will not commit to otherwise. As such, the budget may save the state's economic neck.

However, the budget can potentially also be an important step toward a new social contract. Devising of new social contracts is a universal challenge and issue of concern to societies around the world these days, as new contracts are needed for the age where the previous liberal democracy model—which since the mid-20th century postulated that the combination of free markets and liberal democracies to be unbeatable for the improvement of peoples' prosperity and wellbeing—can no longer be sold as the one and only winning ideology for existence in a simultaneously fractured and digitized global community with new definitions of the wealth of societies, global progress, sustainability, and environmental and social priorities.

In the fading age of liberal democracies under American political-economic tutelage and claims to ideological leadership, social contract thinking was informed importantly by the philosophy—formulated by American

thinker John Rawls almost 50 years ago—that a society of reasonable people will acknowledge the primacy of liberty as well as the reality of inequality in economic existence. But this understanding is not complete without the mandate that a social contract in such context must ascertain that unequal distribution of wealth is beneficial to the least advantaged members of society without any ambiguity. For a country, this philosophical aim is the moral mandate to structure society in such ways that unequal distribution of economic assets leaves the least-advantaged people better off than they would be under any other form of economic distribution.

It must be said that Lebanon, under its social contract with its rentier and entitlement drivers from the post-civil war years until today, has not made any progress toward implementing a society where the least-advantaged are better off. While unequal distribution was the country's most prominent economic and social determinant for the last 25 years—arguably much more than the oft-debated consociationalism of the political system and even more than the proverbial entrepreneurial orientation of the Lebanese—the failure of this system to benefit the least-advantaged among Lebanon's people is undeniable. Poverty rates tell the story that the opposite has been happening.

From this vantage point of seeing the 2019 budget not only as something practical that is needed for the survival of the Lebanese nation and its protection against international financial interventions that would be even costlier to the people than the new avowedly reformist and restrictive budget, the viability test will be not if the percentage targets for deficit reduction, revenue generation, and other ratios are realized with digestible margins of error. The philosophical test for the budget will be if it will improve the lives of the least advantaged and bring Lebanon closer to developing a new social contract. ■





## Creditbank Pay App Make payments straight from your phone

Download now the new **Creditbank Pay** App and save your cards digitally in seconds. Start paying straight from your phone and enjoy a seamless experience in an easy, fast and highly secure manner.

**Creditbank Pay** is the smart solution for all your payment needs.



\*Applicable for Visa cards using an Android smartphone

04 727 555  
[creditbank.com](http://creditbank.com)

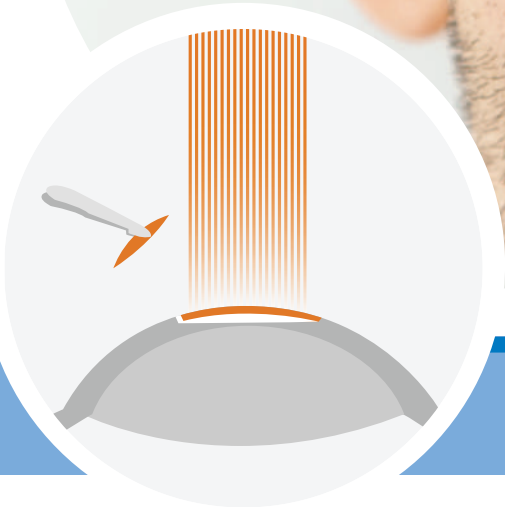
THE BEIRUT EYE & ENT SPECIALIST HOSPITAL  
IS PROUD TO BE THE FIRST HOSPITAL  
IN LEBANON TO OFFER

**THE SMILE LASER TECHNOLOGY.**

**SMILE**

*Small Incision Lenticule Extraction*

**LATEST ADVANCEMENT  
IN LASER EYE  
CORRECTIVE  
SURGERY**



A PROVEN TRACK RECORD OF **2 MILLION**  
PROCEDURES PERFORMED WORLDWIDE.



**BESH**

Beirut Eye & ENT Specialist Hospital  
مستشفى بيروت التخصصي للعين والأنف والأذن والحنجرة

**HOSPITAL**

Mathaf Square  
T +961 1 423 111  
M +961 71 423 111

[www.besh.com.lb](http://www.besh.com.lb)

**CLINICS**

Hamra Antelias  
T +961 1 347 888 T +961 4 521 333  
T +961 4 522 333

[info@besh.com.lb](mailto:info@besh.com.lb)



**BESHhospital**



## TELL US MORE ABOUT THE BEIRUT EYE & ENT SPECIALIST HOSPITAL

- The Beirut Eye & ENT Specialist Hospital (BESH) is widely regarded as one of the top specialty hospitals in the country and Middle East & North Africa region, and has a specific focus on eye medical and surgical care.
- In 2017, BESH launched its Ear, Nose & Throat service and is on track to match the success achieved in eye care.
- BESH aspires to provide excellence in both medical and surgical Eye & ENT care while operating in line with the highest international standards.

### What is the SMILE Laser?

The Beirut Eye & ENT Specialist Hospital is proud to be the first hospital in Lebanon to offer the SMILE Laser Technology.

SMILE is an acronym for **S**mall **I**ncision **L**enticule **E**xtraction and is the most innovative refractive laser surgery on the market today. The surgeon uses a femtosecond laser to create a small fragment of tissue (lenticule) within the cornea. Then, with the same laser, a small incision is made on the surface of the cornea, and the lenticule is extracted and discarded.

The removal of the crafted lenticule reshapes the cornea surface, thus correcting nearsightedness/astigmatism. The corneal incision quickly heals without stitches, and sharper vision occurs very quickly.



This interview was held with Cornea and Refractive Surgery Specialists at the Beirut Eye & ENT Specialist Hospital for more info contact us on [info@besh.com.lb](mailto:info@besh.com.lb) or visit our website [www.besh.com.lb](http://www.besh.com.lb)

## How is SMILE different from other laser technologies?



In terms of an end-term result, all lasers are successful and eventually correct vision, however SMILE presents a number of benefits in comparison to other laser surgeries (e.g. PRK/ Laser, Lasik, & Femto-IntraLasik) in that it has a **faster recovery time**, makes a **much smaller incision** on the cornea using the laser (so is **completely blade-less**), presents the **less risk** (due to such a small incision), demonstrates **less incidence of dry eyes** and provides the most **comfortable patient experience**.

### IS IT SAFE?

Yes. The technology now has a proven record of over 2 million procedures performed world-wide. Complications are extremely rare, however it is your doctor's duty to discuss this with you.

### WHO IS ELIGIBLE FOR SMILE?

The SMILE procedure treats **myopia** and **astigmatism**, and is ideal for:

#### 1 Businessmen/Women

who are **short on time** and are **keen to part** with their eye-glasses

#### 2 Athletes

keen to get **back to training** in the **fastest time possible**

#### 3 Frequent Travelers

keen to get **back on the road**

### HOW LONG DOES THE PROCEDURE TAKE?

The whole procedure from patient preparation to discharge takes around **30 minutes** - however the laser correction itself takes **less than 1 minute!**

*To find out if the SMILE procedure is right for you please consult with your eye doctor.*

# A HOUSE OF MANY FUTURES



Lebanese banking in times of scarcity and reforms

**They have never seen the likes of it.** Elias Alouf experienced a Lebanese childhood and adolescence. He is today general manager of one of Lebanon's most history-rich banks, BSL, which has 155 years of existence under its belt, but in his living memory Alouf never witnessed such an intense cabinet debate as he did in May 2019. "For the first time in my life, I see in the 2019 budget discussion that the Council of Ministers is meeting regularly to discuss a single issue. What struck me most in this regard was that on one day they worked from 9 p.m. to 3 a.m. This has never happened before, and this means that they are serious in tackling the issues of the budget," Alouf tells EXECUTIVE.

Like any banker, Alouf is fully cognizant that the proposed budget's revenue measures, of which the raised tax on interest income is the most significant one, will hit the banks as well as their depositors. "We as [the] banking sector will obviously have to contribute our part under the new budget, and we will be impacted by the planned measures. When the state increases the taxation of interest from 7 to 10 percent, this burden does not only fall on depositors who will have their revenues taxed [more than

before]. This measure will also impact the revenues of banks, because the money that I am taking in from depositors is placed with the central bank by way of different interest-bearing instruments. I will face a higher withholding tax on these interest earnings. Nevertheless, as banks we will have to adapt. Overall, I am very positive. What I would like to see in the budget, however, is a view for the future, a view toward profound economic reform," he explains.

A qualified positive view on the state's budget needs, and eventual future reforms and their economic impacts, is also the perspective of Shirine Beyrouti, the head of project finance and syndications unit at Byblos Bank. "Everybody will have to contribute their fair share, it has to be the public and private together in an equitable way, with reforms that make sense. And the banks are strong enough [for this]," she says.

Nonetheless, the upside of the cabinet's seriousness in drafting this budget is accompanied for many by a downside in the proposed budget's lack of convincing reforms, as economists pointed out repeatedly during the weeks when the budget law was readied for submission to Parliament. And from the



banking perspective, despite the sector's awareness of its many strengths, the debates over the budget with all their collateral protests and knee jerk actions have witnessed another, perhaps most serious downside in the fact that these debates saw fearful rumors and deliberately damaging propaganda about economic meltdowns in Lebanon run—over months—from peak to peak.

## BUSINESS UNUSUAL?

“The current economic situation is not difficult. It is artificial. We are living in an artificial financial and economic environment right now, but I think this will be short-lived” answers Salim Sfeir, the chairman of Bank of Beirut when asked by EXECUTIVE about his view on the prevailing economic situation in mid-2019. For Freddie Baz, chief strategist and vice-chairman of Bank Audi Group, the problem of the fake debate over the state of the Lebanese economy is as blatant as the debate is defying of logic and proportion. “If we compare the risk profile of Lebanon three years ago with the risk profile of today, how would it be rational for people to have been comfortable enough with the risk profile back then so that they had no ground for panic? We have a problem in this regard. Yes, there is a deterioration in the risk profile [if one compares 2019 to 2015], but this deterioration is not to the extent that it should translate into a justification of panic,” Baz tells EXECUTIVE.

He emphasizes that his message is not intended to signal that banks are happy with the current status of the economy, with the delays in reforms, or with the overall efficiency of the government and administration, “There are so many things in the public governance of Lebanon that need to be addressed and adjusted. Many reforms need to be implemented, and real improvement in the political governance is required. This is also necessary for the sake of the private sector so that it can recapture its competitive edge,” Baz says, continuing: “But I want to tell you that this risk profile of Lebanon and all the debate about 1 percentage point more in [the ratios of] budget deficit to GDP and debt to GDP is teeming with pseudo-experts and politicians who have their own agendas. They are making people go mad by telling them that the risk profile is an indication of definite collapse—[something] leading to a collapse, to hyper-inflation, a drift in the exchange rate, insolvency, and so forth.”

Seen from this perspective, the last 18 months in Lebanon were marked by two narratives that propagated themes of “business unusual” and had their problematic impacts on banking. One narrative was the search of the country for a sane gov-

ernment. It had more cliffhangers than any Netflix series and bubbled over with irrational plot twists. The other narrative relates to the spread of negative propaganda about the economy by interested or ignorant parties.

It would be extraordinarily naïve to remain unconcerned under those double barrages of unwelcome surprises and fake news, and banking sector numbers, albeit much better than some might have expected them to be (see pages 33-35 for the latest charts), contain enough ambiguity to fuel the minds of the eternal worriers among local and international economists. One sign that could, for example, worry some observers is the evolution of the Beirut Reference Rate (BRR), a monthly interest indicator calculated by the Association of Banks in Lebanon. Issued first in 2009, annual snapshots of the rate in May of each year show the BRR on US dollars jumping from 4.79 percent in May 2011 to 5.77 in May 2012, then advancing incrementally on an ascending slope to 5.87 in May 2013; 5.94 in 2014; 6.14 in 2015; 6.24 in 2016; 6.72 in May 2017, and 7.30 in May 2018. But from this elevated value, the BRR then jumped

by more than two full percentage points in only one year, to 9.58 percent in May 2019. As the BRR is connected to lending interest calculations of Lebanese banks, the leap in the rate is not

■ “The current economic situation is not difficult. It is artificial. We are living in an artificial financial and economic environment.”

good news for Lebanese companies seeking to borrow from their banks (see comment page 32).

However, there are doors of good promise to the future. For Audi's Baz, one light at the end of the tunnel of fake and frivolous debates that have sought to down-talk the Lebanese economy is the fact that the propaganda assault against Lebanon's economy has been going for 18 months without producing extreme results. “The outflows of deposits in the last 18 months was \$4 billion or \$4.5 billion out of approximately \$115 billion of domestic deposits in foreign currencies, although the outflows were concentrated in two periods in the last two months of 2018 and in early 2019. This means that dollarization increased by 1 or 2 percent [-age points] and outflows represent 2.5 percent of domestic deposits. [By now], panic signals should have been translated into either more panic of people still holding local currency savings or more panic of those people who are keeping their savings in Lebanon. This is not the case. More importantly, if we consider Lebanon as a single bank for the argument, this bank, despite all panic signaling that has been going on, is still proving

## Banking &amp; Finance

its capacity to maintain \$115 billion of deposits with a rate of 5.5 percent [interest on deposits], which is 2.7 percent more than what most global banks are paying on three-month deposits,” Baz points out.

When seen in context with the positive developments that have emerged in 2019, Baz, in an interview with EXECUTIVE, states repeatedly that the deterioration in the risk profile of Lebanon is indeed real, but insists that this reality is more than compensated by various improvements, such as concerning political awareness of the need to implement reforms. “In my opinion, the percentage-wise worsening in the risk profile by several points is more than compensated by the improvement in the political governance and awareness,” he says.

## STRENGTH IN ETHICS

A further hard to assess but not to be underestimated factor contributing to the strength of Lebanese banks seems to be the sector’s diversity. This diversity and wide range of banking positions and strategies is something like a collateral benefit of the banking sector’s unusually large size in comparison with the size of the Lebanese economy. For example, while one might assume that the tighter lending approach of Lebanese banks that had to be observed in 2018 and 2019 would be engulfing all banks in the sector equally, the truth is that some banks have strategies that tend in entirely different directions (see SME story page 22). This is noteworthy, because the different banks may pursue their credit tightening and consolidations without Lebanon experiencing an aggregation of identical banking decisions that come all at the same time, and then might be counterproductive for economic development.

Another energy with strong potential to work to the advantage of banks in the to-be-expected austere times resides in their ethical orientation. The conscious tiers of the Lebanese banking sector have, in recent years, invested great efforts in the improvement of their ESG policies. Observers of Lebanese banks thus are increasingly treated to perspectives such as this one by Nada Rizkallah, deputy general manager and board member at Credit Libanais Group. “Credit Libanais continuously strives to maintain best ethical practices, which was evident in the bank becoming a signatory to the Investors for Governance and Integrity declaration. Moreover, the bank has developed an Environmental and Social Management System,” Rizkallah tells EXECUTIVE. (Editorial disclosure note: EXECUTIVE editor-in-chief Yasser Akkaoui is founder of the IGI initiative.) According to her, the ESM sys-

tem is now applied at Credit Libanais in all of the bank’s credit decisions, meaning that, for example, borrowing enterprises have to meet well-defined environmental and social standards.

As Bank of Beirut’s Sfeir confirms about the role of banking in periods of scarcity, “In this time, the role of the banking system is to fuel the economy of the country and give enough strength to the country to not face a long period of austerity.”

For BSL’s Alouf, the primacy of ethics permeates all of his bank’s practices. “As I have been saying since joining this bank, banks have a mission in any country, and this mission of helping the economy grow is in their DNA,” he tells EXECUTIVE. For him, this means, for example, to prioritize lending that helps people fulfill legitimate needs for education, homes, and sane vehicles, but not lend money for luxury acquisitions or trips just for the sake of having the bank do more business.

There appear to be as many perspectives on ethics and moral orientation of banking in Lebanon as there are sincere banks with good governance, and a sense of their business mission that is in agreement with their shareholding structure and stakeholder interests. As the banking numbers on the whole do not appear threatening for Lebanon and have not

■ “In this time, the role of the banking system is to fuel the economy of the country.”

appeared so for years, and as profit margins and profits are expected to reflect any real direction toward spending control and revenue improvement that the Lebanese state has written this year on its banner—or

is assumed to commit to with notable substance this month through adoption of the 2019 budget law—banks have much to do and innovate to help Lebanon find its new direction.

Today more than ever, no one can deny that banking in Lebanon is inseparable from the fortune and economic course of the country and its government. For Byblos Bank’s Beyrouti, the issue is clear. “Until the outcomes of all discussions are visible, the only thing that banks can do is be conservative, maintain their liquidity in order to be ready to support the economy at [the right moment]. At this point, I think, everybody will have to put their skin in the game,” she says. And similar awareness is what, despite all their competition with each other, unites plenty of her banking peers (ones that EXECUTIVE interviewed this summer and those that were not available for different reasons). ■



**GRAB THE BULL  
BY THE HORNS**



**POKE THE BEAR**

**FFA Direct Pro +**

## **THE WORLD'S MOST ADVANCED ONLINE TRADING PLATFORM**

- Trade stocks, Forex, futures, CFDs, bonds, funds...
- Access to more than 25 markets worldwide
- Low commission and debit interest rates
- 24/7 customer support desk
- Market news, research, insights and articles

 **FFA Private Bank**

Beirut | Dubai | [ffaprivatebank.com](http://ffaprivatebank.com)

# TRAILS OF SMARTER LENDING

SME finance as driver of job creation and sustainable banking in Lebanon

**Not long ago, at the April 2019 annual spring meetings of the International Monetary Fund (IMF) in Washington DC, one of the most-touted themes was the finance of small and medium enterprises.**

That a flagship event of the IMF in 2019 would highlight SME banking is not out of the norm—after all, SME finance has been a well-known concern of international financial institutions (IFIs) for decades. However, it was a bit more unusual to hear speakers at an “analytical corner” session on financial inclusion and SME access to credit in MENAP/CCA (Middle East, North Africa, Afghanistan, Pakistan, Central Asia and Caucasus) countries open their talk with describing an entrepreneur called Tony.

Tony, the IMF presenters said, was a successful Lebanese small business owner who had succeeded in obtaining an \$80,000 SME loan “from a private bank in Beirut” that had enabled him to open a branch of the bakery that had been founded 20 years ago by his mother, with her “delicious recipe for making bread” (read *mana'esh*). The loan allowed him to expand his staff and increase his retail sales by 50 percent.

In short, it was impressive that an SME credit access focus session at the 2019 IMF spring meetings featured a Lebanese SME example as a success story of SME lending in MENAP/CCA, although the narration was somewhat imprecise in certain details. *Mabruk* Tony, and mabruk his bake shop in Zalka.

## SME ACCESS IN THE COUNTRY BETTER THAN ITS PERCEPTION

From the local vantage point, it was perhaps even more memorable to see a Lebanese SME story highlighted in this context, given the unintended irony of using a Lebanese story as a shining example of small enterprises' access to credit in a presentation that also outlines key factors—such as sound macroeconomic fundamentals and stability, and a favorable business environment—that, from IMF perspective, matter for financial inclusion of SMEs.

But when EXECUTIVE drilled below negative surface perceptions—that SMEs in Lebanon have an impossible time when they want to obtain credit, or that Lebanese banks are in principle very reluctant SME

lenders—we found little support for this defeatist narrative. Instead, important local banks displayed a positive approach to SME finance. For example, Shirine Beyrouti, head of the project finance and syndications unit at Byblos Bank, tells EXECUTIVE: “As a commercial bank, Bank Byblos has always been keen on financing and supporting SMEs. This is in our strategy. We strongly believe that the more we can reach out and support SMEs, the better it is for the economy.”

Publications and press statements by banks and IFIs present in Lebanon testify to a growing number of funding partnerships for SMEs with alpha banks, such as Credit Libanais, SGBL, and Fransabank. The partnerships often involve the provision of facilities for on-lending but can also be in form of IFI participation in equity of Lebanese banks or/and in the form of technical support and consultancy on SME finance.

At Bank Audi, where an SME unit was created just a few years ago with consulting input from the World Bank/IMF Group's International Finance Corporation, SME unit head Hassan Sabbah says that the banking sector in Lebanon is at 17 percent of lending to SMEs—better than the regional average of 7 percent but lagging behind developed countries. According to Sabbah, the Bank Audi Group allocated a “significant” budget for SMEs, and the bank has more than 5,000 SMEs and individuals running SME businesses who are taking loans.

“Our main reason [for establishing a dedicated SME unit] was an issue of [seeing an] opportunity, and another reason is that it is important for the bank to serve all the economic segments,” he says. “We are strong at the corporate and commercial level, and also strong at the retail level; so we wanted to establish this business line to also be strong at the SME level.”

## CREDIT TO WHOM IT CREDIT IS DUE

At Credit Libanais, another alpha bank that last November entered a long-term financing arrangement with the International Finance Corporation (IFC) in form of a \$50 million senior financing facility with preferential interest rates, Deputy General Manager Nada Rizkallah explains that this move was a continuation of an SME focus that had existed at the



bank for more than 10 years. According to her, Credit Libanais entered its first SME financing deal with the IFC as far back as 2007, and was one of the first banks in Lebanon to support SMEs through provision of different types of loans with preferential rates and conditions. “For this purpose, the bank, throughout previous years, took advantage of the subsidy programs that were established by the central bank of Lebanon to finance SMEs among other sectors,” she says. “We also collaborated with several local financial institutions that support SME lending, such as Kafalat and the Economic and Social Fund for Development, and we collaborated with international multilateral development banks for the purpose of securing the necessary funding.”

The share of lending of their total portfolios that Lebanese banks dedicate to SMEs appears indeed substantially higher than the average share that the IMF found in the MENAP/CCA region stated in a report released in February and described in its 2019 spring meetings as the world’s lowest. Representatives of IFIs with long presence in Lebanon confirm to EXECUTIVE that the Lebanese banking sector is advanced in its SME financing activities when compared to regional peer countries.

However, one has to consider additional nuances of the SME finance picture when adding in the activities of multilateral development institutions whose priorities are not necessarily the same as they are for commercial banks. Multilateral actors in development and finance provide funds to banks in the form of debt finance, meaning that a large facility is made available to commercial lenders under an agreed package. Such a package will have a cost frame comprising the interest rate that banks are paying to IFIs, and an agreed additional interest spread that banks charge when they lend to SMEs. These commercial banks are in turn obliged to use the funds provided by IFIs to lend to SMEs, plus the use and proceeds of funds have to be monitored by the IFI.

From perspectives of multilaterals that have the first priority to assist in economic growth and job creation in countries of operation, the local market conditions have been, at times, supportive of IFI participation in SME lending and yet, at other times, it would have not been helpful to provide local banks with low-interest credit lines for the purpose of onward lending to SMEs.

## NO SIMPLE GAME

There is, according to a representative of an IFI with experience in the Lebanese market who asked to remain anonymous, always demand for access to finance for SMEs in Lebanon. Though this demand has

varied over the years, from the perspective of an IFI present in Lebanon it is part of its mandate to boost economic activity.

“But IFIs are not in the business of distorting markets; they are in the business of crowding in private sector lenders,” they explain. “Thus, during times when the Lebanese central bank provided certain SME segments with low-cost funding, IFIs were not able or willing to compete against this kind of subsidized lending, nor would IFIs push their offerings to commercial banks in periods when these banks lower cost of funding, and thus were willing to provide SMEs with financing tools at affordable rates.”

A next layer of difficulty resides in an ambiguity of how different banks in Lebanon define what they

consider to be SMEs, and in the large number of commercial actors that fit the size and economic profile of an SME, but are part of the informal economy. “The reality is much more complex, and

the lower you go in the segment in terms of turnover and size, the higher the portion of informal and non-registered companies,” Audi’s Sabbah explains.

In any case, local bankers and international officials both confirm that Lebanon is now in a phase where increased cost of funding in the Lebanese market coincides with concerns over the economy, and so banks are more cautious when judging credit risk.

## A NEW LENDER IN DIFFICULT TIMES

For the European Bank for Reconstruction and Development (EBRD) this constellation in Lebanon means that its timing was highly fortuitous when EBRD opened its Beirut office some 18 months ago, as the IFI extended its presence to Lebanon at a time when bank demand for low-interest finance kicked into high gear. “I think it was fortuitous timing for us to come as the country is right now in a period of economic challenge,” Gretchen Biery, EBRD head of Lebanon, tells EXECUTIVE. “EBRD is an institution that puts a lot of emphasis on private-sector developments and support of SMEs, and thus I think we are a good fit in the region and in Lebanon in terms of helping private sector developments.”

As she explains, EBRD shareholders include governments from all around the world (the US being the largest shareholder) as well as supranational institutions: the European Union and the European Investment Bank (EU and EIB). With time, the IFI widened

■ The Lebanese banking sector is advanced in its SME financing activities when compared to regional peer countries.

## Banking &amp; Finance

its scope of interest to a growing number of countries in all world regions and now has 67 governmental shareholders, with Lebanon and India as the latest joiners (to be a country of operation, a nation must also be a shareholder). “[Regionally], Lebanon is our newest country of operation, and our largest country by business volume is right now Egypt,” Biery says. “This is a new region for us, and we see much opportunity in Egypt. Lebanon is [a] smaller economy, but we see many opportunities here.”

However, even with qualified lending support available from a growing number of IFIs, banks Audi and Byblos both confirm that they have been recently on consolidation mode due to the economic situation and their growing cost of funds.

“In 2018 we started to decrease [exposure], and in 2019 we are really in the mode of trying to consolidate, of keeping our portfolio and our customers in the pink,” Sabbah says. According to Beyrouti, tightening of credit is visible all around the banking sector. “Most of the banks are in the modes of taking care and improving or consolidating their portfolio. We [at Byblos] have not stopped lending, although we have the liquidity, but we have tightened our lending policy. Our policy continues to be conservative, so this is nothing new,” she says. “Today being conservative means that we are a bit tighter on our credit standards. It would be very surprising for a bank to tell you otherwise after five years of limited growth [in the country’s economy] and rising interest rates.”

## DIVERSE STRATEGY PLAYS

However, this reality is not the whole picture. In the strategy of Group Credit Libanais, emphasis on the development of SME lending was placed to the point that the three-year plan for 2019-2021 is to expand this specific activity. “We actually set a target to increase it from 20 percent of the bank’s total consolidated lending at the end of 2018,” Rizkallah tells EXECUTIVE. “Under the bank’s three-year strategy, the objective is for SME lending to reach 25 percent of the total consolidated lending portfolio by year-end 2021.”

Elie Alouf, general manager at medium-size BSL Bank, also confirms that his bank’s strategy is to continue increasing its SME lending. He tells EXECUTIVE that BSL has recently introduced a simplified loan application for SMEs, different to that required from corporate loan seekers. In the total lending portfolio of BSL today, 35 percent of total lending is to SMEs, 44 percent in retail, and the balance is in their corporate lending portfolio. “I do not want to decrease [lending] to large corporations, but from now on, all

the loan growth in our portfolio will stem from lending to SMEs and retail clients,” he says. “Our target is to reduce the concentration [of loans] for risk-management purposes.”

He goes on to say that his approach is one of a self-chosen mandate to pursue the SME market because “it is the major driver of economic growth anywhere in the world,” even as he experienced some additional barrier in not having alpha bank size when he approached a first IFI on behalf of BSL.

“I approached one IFI that told me they only deal with alpha banks. However, they did not close the door as they said they will look into BSL. This makes me optimistic because for the last three years we have shown real nice profitability and credit risk performance,” he says. “Our asset quality is one of the best, if not the best in Lebanon, and we have an appetite for lending. We will find a way, knowing that at the end of the day it is a disadvantage [not to have an IFI facility] because IFIs are lending at very low rates, so as for their partner banks to be able to lend at low rates.” Alouf concurs that IFI preference for dealing with well-governed alpha banks is understandable, but calls for IFIs for reasons of fairness and avoidance of distorting impacts on the Lebanese

banking sector to also consider beta banks that are solid, well-governed, and stable.

Alouf’s ambition looks like not a bad match to what IFIs such as EBRD aim to

■ “The financial sector in Lebanon is particularly important and constitutes a large part of the economy.”

achieve in Lebanon. Asked about the strategy and projects that EBRD pursues locally for the rest of 2019 and beyond, the IFI’s country head Biery emphasizes that she hopes to find opportunities across all sectors and ranging from investments in government projects and infrastructure projects in line with priorities stated at CEDRE to public-private partnerships (PPP) and private sector plays. She explains, “2018 was our first year of making investments in Lebanon in earnest, and our focus was largely on financial institutions. This is what we do in any country because local banks are critical for facilitating greater outreach to invest in real economy as much as possible. It is also an entry point for us to get to know a country. We know that the financial sector in Lebanon is particularly important and constitutes a large part of the economy, so they will always be a big partner for us here.”



# Nº 22

## IN THE WORLD



# THE MOST ADMIRED WINE

## IN MIDDLE EAST & AFRICA

## Banking &amp; Finance

In terms of numbers, a first corporate loan and deals with banks advanced the EBRD's local exposure to 244 million euros. "In 2018, we invested in a green economy financing facility and in the first green bond in Lebanon, took an equity stake in a bank, and did an SME credit line. We also did several trade facilitation lines and beyond this we did our first corporate deal to a private electricity distribution services provider," Biery says. "In the background of all this, we did an enormous amount of work to understand what the other financing needs are in Lebanon; we made a wide outreach to companies in all sectors, and a wide outreach to the government to understand what the sovereign financing needs and public-private partnership possibilities are."

## ALIGNING DIVERGENT PRIORITIES

Economists at IFIs and local bankers are unanimous in declaring that the spiking costs of funds for Lebanese banks make the presence of capacious IFIs today even more beneficial for the Lebanese economy than was the case in previous years with less pressures. This is true even as the banks emphasize the eminent role of careful risk assessments, regardless of any IFI funding deals that they have.

"Byblos has always kept its eyes out for industry, manufacturing, trade, and contracting. We always have wanted to finance these sectors because they, for us, are the productive sectors that promote the economy and create jobs," Beyrouti says. "Therefore it is part of our rationale [to support these sectors and their job creation]. However, as a commercial bank, we have to study the risk for each client on a case-by-case basis."

Noting that Byblos signed five global loans with IFI EIB over the past 15 years, and the most recent of them for 200 million euros in last December, she emphasizes, "One has to understand that the market is difficult, and that the cost of financing has lately increased tremendously, so we have to look at both the cost of funds and the matching of maturities. Since the costs of funds have increased for the commercial banks, the IFI funding lines play a greater role. Banks have to make it viable for the SMEs to get loans. We need to be able to provide financing at acceptable rates in order for the economy to keep going. Lending with IFI support provides added value to our SME clients, whether for their working capital, or in long-term financing contracts."

Lastly, it should not be overlooked that SME finance and the extension of valuable business support to SMEs also is a matter for financial institutions out-

side of banking. Just one example for this entwining of the fortunes of SMEs with the broader financial sector, and for their underserved needs beyond access to loans, is credit insurance. In the experience of Karim Nasrallah, general manager of the Lebanese Credit Insurer (LCI), SMEs are a tough sell for credit insurance, although SMEs would be the companies that are in the biggest need of the cover.


"SMEs constitute the bulk of businesses, and there is a huge population of companies that LCI has not yet catered to. While our normal business in the Lebanese market caters to medium and large companies, there is a possibility in creating a standardized product that would address the difficulties

SMEs have in subscribing to a credit insurance policy," Nasrallah tells EXECUTIVE. "This relates mainly to reporting—where credit insurance requires a lot of monthly reporting—and to having a product that one can acquire al-

■ "Since the cost of funds have increased for the commercial banks, the IFI funding lines play a greater role."

most off the shelf, buying at the beginning of the year and renewing it at the end. We examined what could be implemented in Lebanon and worked on such a program, which we called *Tajer*, for trade."

He elaborates that the program's wider concept is to make SME companies ready for trade and provide them with safety of their receivables through a credit insurance policy that moreover, from a banking perspective, could be looked at as physical or moral security to provide funding against. By Nasrallah's reasoning, *Tajer* could even be sold through bancassurance channels and be used in such a way so that working capital provided by banks to SMEs could be secured with these companies' receivables, as enhanced by a credit insurance policy.

Better financial inclusion of SMEs, whether in the form of so-called green lending, preferential SME credit lines, trade finance facilities or credit insurance, holds great promise. Even with the caveat that the economic fruits of SME activity can be small, with less benefits in terms of average salaries than generated by large corporations, people in diverse societies can benefit greatly from more and economically better integrated SMEs. It is indeed hopeful in a country passing through hard financial times, like Lebanon, to know that, the more SME finance success stories such as Tony's they have, the better their prospects at modest prosperity. 





• **INTERNATIONAL TRACK**  
FRANCE, CHINA, BRAZIL, USA

• **PART-TIME PROGRAM**

• **ACCESS AN INTERNATIONAL JOB MARKET**



# STEPPING FORWARD

CMA takes the lead on new exchange

**While the capital markets show on the Lebanese national financial and economic stage had been one that, for years, fit above all a characterization of spurned overtures and unconstitutional delays in the implementation of declared and legislated measures, such as the transformation of the Beirut Stock Exchange (BSE), 2019 was kicking off with the boost.** Already in December of 2018, a request for proposals (RFP) went out from the Capital Market Authority (CMA) and invited interested entities to submit their concepts and express their ambitions for becoming the operators of a new exchange, known as Electronic Trading Platform (ETP) and talked about as such in financial circles for about five years. Next, at the end of February, Beirut witnessed the convening of international exchanges upon the city—whose languishing BSE has only moved further down and has long attracted unflattering epithets, such as dormant and comatose—that in the first part of 2019 saw BSE market capitalization dwindle even below \$9 billion. EXECUTIVE sat with Firas Safieddine, the vice chairman of the CMA to find out more.

**E At the end of February, the CMA welcomed participants to a conference on securities exchanges. After dedicating your energy to hosting this, what was the value of holding an international event of this caliber, with such a wide range of topics?**

The importance of the World Exchange Congress (WEC) in February was two-fold. [First] is the size of the conference and its weight internationally. The organizers of this conference plan their annual flagship event in the way that you bid to host the conference. Lebanon was chosen as winning bidder to host the 2019 event.

**E But are we talking about a financial bid?**

No, [bidding] is about the program and commitment. There is no financial bid. Basically [you demonstrate] how committed you are, why you want the conference to be in your country, and if it is a good time for [the WEC] to be held in a country: Will the topics affect the local market, and will they impact the international side as well? Two years ago, we were



chosen to host [this event], which was the 14th WEC. According to the organizers, [this edition in Beirut] was the most successful in terms of organization, in terms of size and attendance, and in terms of international participants: [meaning] exchanges. We had more than 50 exchanges that participated and exhibited here. One has to understand in this context that the WEC is not a regulatory conference, but a conference of exchanges. We decided [as the CMA, the regulator] to take the lead [of looking to host such an event] because the [BSE] is not taking such steps. We, therefore, decided to step up and organize this.

The second important matter regarding this conference was the timing. The conference happened just at the time when Lebanon is about to witness the launch of an Electronic Trading Platform, or new exchange. By the end of May, as all the bids for [operating the ETP] have been submitted to the CMA, we will be choosing a licensee. As the WEC came at a time when we had already issued the request for proposals for bidding for an exchange, and we benefited from this [concurrence] first and foremost in terms of generating awareness of Lebanese capital markets internationally, and [signaling it] to other exchanges—and not just them, but all downstream businesses, such as consultancies, technology providers, etc., everything related to exchanges. Also, [in terms of local participation], Lebanon was there at the event, and we thus now have a lot of awareness among the Lebanese



on what we have planned for the future. One of the observations that we made at the event was that we saw one bidder for the [ETP license] actually make contact with one of the international exchanges. They then worked out an agreement and issued a bid together. If you want to have a tangible success, this is a tangible success. I am not saying that this specific bidder will be the licensee, but the [two parties] at least have come together for a joint bid.

**E** *Is it correct that the CMA was not averse to having international bidders, and in the RFP did not specify if the successful bidder can be fully international or has to form a consortium with a local partner?*

Nationality was not a criterion, it was simply the readiness to offer the best business solution catered to the Lebanese market. The evaluation formula of the bids was transparently communicated within the RFP, whereby CMA has set forth the criteria weight distribution according to technical, financial business plan and market development strategies, market making commitment and operator's ownership and governance profile.

**E** *When talking about international attendance at the WEC event, you referred to participation of technology providers. The operating of any exchange today relies very heavily on the respective technology platform and the chosen electronic systems. Is the technology platform proposed in a bid an important factor, and does the technology provider receive an important consideration when a bid is evaluated? And how important would it be for a local bidder to have capacity for adapting such a system from a foreign provider for the local market, or could the local operator just buy such a system and run it in Beirut?*

It is a possibility. Technology is one and the same. The providers of the technology are limited in number, and their systems have been adopted by most of the exchanges around the world. I think the key [for offering a strong bid] would not be the underlying technology of the platform—this is accessible to anyone. [The key bid components] would be on the operations of the ETP, the marketing of the ETP, and the understanding of the market. At the end of the day it is the business side. It is the licensee who is going to promote [the ETP] and who is going to assess what the opportunities on the capital markets are. We will appoint a licensee. The licensee then has six months to organize and open shop, but within that time, we will be working very closely together with this licensee. We have given the bidders now four to five months to understand the market, and we made ETP requirements so flexible that they can put anything on the platform, meaning they can decide whether to launch [the ETP] with the foreign exchange [plat-

form], the SME platform, or the commodities platform, as an example.

**E** *What is the relationship between Law 161 (2011), the conversion and privatization of the BSE as BSE sal, and the ETP?*

Law 161 stipulates clearly that within one year of establishing the board of the CMA that the status of the BSE has to be switched from a government institution to a joint-stock company and that one year after that, they have to privatize it. This is clearly stipulated, and the [deadline] dates were clear. Now it has been [over] seven years [since passing of Law 161] or six years beyond the establishment of the board [of the CMA] and nothing has happened. There was advancement, a cabinet decision was taken 18 months ago [at the end of 2017] to take those two steps, but this is still hanging because of the appointments of the interim board members of the BSE have not been finalized until today and nothing has moved. Law 161 allows for the board of the CMA to license other exchanges if it deems this necessary for the capital

markets. Ideally, we would have liked for one exchange to cover everything, but we are seeing this delay [in transforming the BSE] at a time when we urgently require the exchange to be much more active and much

■ We decided to create another exchange—not to compete with the BSE, but to complement whatever is not on the BSE today.

more dynamic. This is needed for many reasons, for instance the exchange can be the venue for CEDRE in terms of [public-private partnerships] PPP, and the exchange could also be the [conduit] for reducing the exposure of banks to commercial loans. [This exposure is] 110 percent of GDP; it can be a venue for moving into securitization, into factoring, and what-not. The exchange can be the venue to help create more liquidity in the economy. We would have liked [this venue] to be one [single] exchange, but I don't think that the BSE is ready to play such a role with the structure that it has today. Thus, we decided on the board [of the CMA] to create another exchange—not to compete with the BSE, but to complement whatever is not on the BSE today.

**E** *But the ETP as second exchange will have a separate identity and be operated separately from the BSE by the winning licensee?*

For the time being, yes.

**E** *It might get merged at some point?*

This remains to be seen. As I say and want to repeat, we would like it to be one exchange.

## Banking &amp; Finance

**E** *You mentioned that the licensee for the ETP would have six months to open shop, and there was some talk about July 2020 for the opening. Is there a fixed target date for the commencement of the ETP operation?*

It will be up and running in the first quarter of 2020.

**E** *Could that mean that everyone migrates from the BSE next year?*

Not necessarily at all. There is no incentive for them to migrate at the moment. What the new exchange will be focusing on are the products that are not listed on the BSE. The BSE today does not have forex trading, it does not have commodities trading, it doesn't have reduced requirements for listing of SMEs, and there are no clear directives to support startup listing.

When we look at the prospects and expectations for the Lebanese economy as of today, also considering the reform and austerity aspects of the budget that has been under finalization this month, things are moving—albeit slowly—and outcomes in the long term could well be very positive.

**E** *However, would one have to expect in the short term that Lebanese capital markets will be impacted by uncertainty, protest moods, and debates over austerity? Might the ETP in the first year of its operations then reflect negatively what could be a temporary slowing of the economy?*

In spite of all the challenges we are facing, now is the time to focus on new outlets for capital formation.

If you were to tell us that today might not be the optimal time to launch the ETP, we would say, 'This is exactly the time when we need to speed up the process and launch the new exchange.' We are going through very tough times, and the capital markets are reflecting this—as we see from the performance of the BSE. There is also another indicator that I want to tell you about: For the past few months, the amount of funds and products that have been submitted to us for approval has gone down. We would like to give things six months in order to compare numbers properly, but the way that the trend is, such activities have been reduced, that is why opening up to new investment opportunities and allowing Lebanese companies to access capital at lower cost might help some of them better face the challenges of today.

**E** *When discussing the potential of the ETP just before, you mentioned the CEDRE context and PPP projects—which presumably can benefit greatly from access to a liquid capital market. Would the ETP also be a venue for privat-*

*izing companies that have hitherto not been successfully privatized, such as Middle East Airlines (MEA)?*

Absolutely. The platform needs to be promoted and positioned in a way that it is a solution provider for overcoming all the obstacles that we have been facing, whether in the regulatory framework or the ways laws are written. The ETP is a platform that is there to be utilized as means to create more liquidity in the market. We could list Middle East Airlines, and plans are for it to be one of the leading stars to be listed on the exchange. This has been communicated by the main shareholder in MEA, which is the [Banque du Liban, Lebanon's] central bank.

**E** *How are things developing in terms of awareness and preparedness for capital markets in the local financial and investor communities? Do you see increasing skepticism, enthusiasm, or what?*

I will answer this question taking it from two sides: the supply side and the demand side. If you need [to attract] an investor, you need a product. So if we approach the issue, therefore, from the supply side, we are at this moment reaching out to major SMEs and family businesses. We have a team that is dedicated to contacting these companies; they are explaining to them what an exchange and listing would mean for them, and how they can access capital through listing on the exchange.

**E** *Are they listening?*

Perfectly well. They are extremely interested and have a lot of questions. We have collected those questions and created like a town hall meeting session to which we are inviting all the companies that we believe are the first crop of potential companies that can be listed. Some of them already have full governance in place, some of them are on their way to having full governance, and some have a good appetite for governance. On the supply side, we need products, companies who understand that they can access capital in a cheaper, long-term way and sustainable way. We are adapting our fees and have a formula to make listing more sustainable for all of them, not a burden.

On the investor side, we have the institutions and the retail side. Institutions are definitely interested because when they are investing, they are not lending, and thus capital requirements are less. In the retail investor side, we have investor education activities and are reaching out to them. We are tackling the issue therefore from both sides, supply and demand.



# People spend 7.5 seconds checking window displays

...and 3 hours, 35 minutes checking their phones.



**Focus on where your potential customers are looking.  
Focus on e-commerce.**

Now more than ever, e-commerce and mobile payment provide merchants with a great potential to grow their business online, create new customer experiences and increase sales. areeba's online payment gateway offers merchants of all sizes, a platform to accept payments across multiple channels – web, mobile and in-app – in a secure fast and seamless manner, all via one single connection.

**areeba**

empowering a cashless world



areeba.com

1557



# LOANS AND PROVISIONS BY THE LEBANESE ALPHA AND BETA BANKS

An analysis for 2013-2018

**Banks included in Bankdata's classification for alpha and beta banks with deposits respectively exceeding \$2 billion and \$0.5 billion are regarded by many international analysts and local banking industry observers to represent the top tiers within the Lebanese banking sector of 59 banks, comprised of 46 commercial banks and their 13 subsidiaries.**

Together, the 16 alpha and 11 beta banks are the dominant banking players in the domestic market and are the only two banking groups with foreign presence. Alpha and beta banks, according to Bankdata's analysis, also represent 96 percent of loans issued by the banking sector over the past five years. In this period, they injected \$10.8 billion into the economy as they grew their loan book from \$60 billion in December 2013 to \$70 billion at the end of 2018.

Analyzing the provision of loans by these banks within the five-year period under consideration, the highest growth in lending activity was registered in 2014, with an increase of \$6.8 billion, or 11.4 percent in year-on-year comparison. Loan growth gradually dropped to \$3.8 billion in 2015, and then stalled at \$1.5 billion yearly in the following two years, 2016 and 2017; it dipped into a negative growth of -3.8 percent at the end of 2018.

Further analysis highlights that the decrease in total loans was mostly due to the drop in foreign loans over the period. The overall growth registered in 2014 was evenly distributed between domestic and foreign loans, but after an exceptionally strong growth in foreign loans at the start of the period—+22 percent in 2014, followed by a mild

increase of 2.9 percent in 2015—this growth fully reversed into negative territory in 2016-2018, in a development presumably related to currency pressures in Egypt and Turkey in the past three years. Consequently, in analysis of the five-year trend of the lending activity by Lebanese banks in foreign markets, as reflected in the banks' consolidated figures, the end-to-end picture on these loans over

the period is quasi-flat, with a growth of merely \$126 million.

In parallel, the domestic loan book continued growing over the period 2013-2017, representing 99 percent of the growth

■ Alpha and beta banks, according to Bankdata's analysis, also represent 96 percent of loans issued by the banking sector over the past five years.

in banking sector lending—and noting that the Lebanese banking sector's loan book consists of 74 percent of domestic loans.

Loan developments in Lebanon, owing to the policies of Banque du Liban, Lebanon's central bank, were isolated to a major extent from foreign exchange pressure that globally affected emerging markets under the Federal Reserve's move to a tightening of monetary policy at the end of 2015. Other factors and unconventional influences came to bear on the Lebanese lending market in the past three years, as witnessed in the domestic lending developments of Lebanese banks. Notably, negative growth in the amount of foreign currency (FC) denominated loans between 2016 and 2018—after FC loan growth in 2014 and 2015 that was in line with the overall growth of loans

in those years—translated into a net increase in the domestic loans in foreign currency portfolio of \$5.7 billion. This compares with a net increase of loans denominated in Lebanese lira to \$5.1 billion over the analyzed period.

In a context where dollarization of domestic loans steadily decreased from 75 percent in 2013 to 70 percent in 2017, LL-denominated loans saw double-digit growth annually until end of 2017, but contracted by the equivalent of \$1 billion (-5.9 percent) in 2018. The overall ratio of loans to deposits dropped from an average of 37.7 percent for the 2013-2017 period to 36 percent in 2018. The breakdown by currency shows that the loans to deposits ratio in LL increased from an average of 25 percent in 2013-2017 to 29.3 percent in 2018; the ratio in

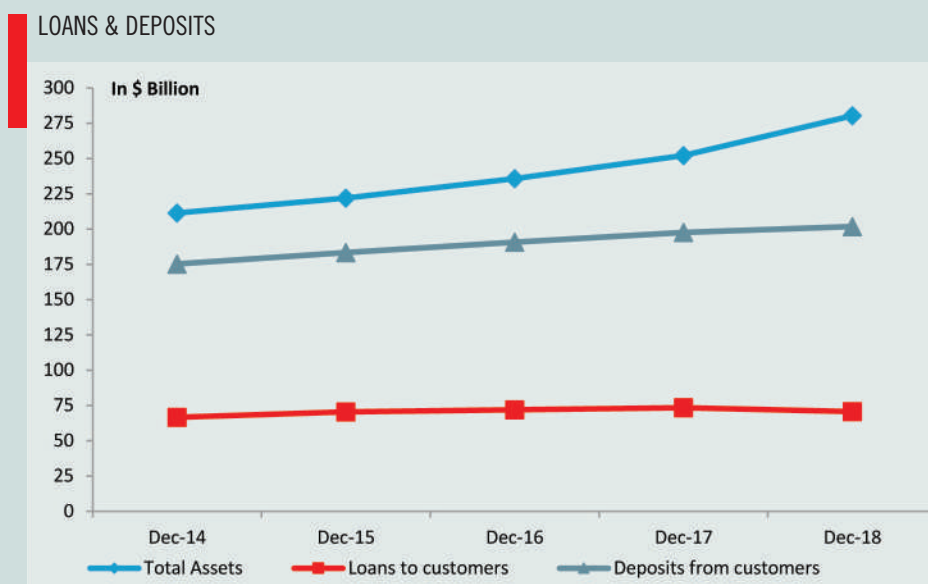
FC dropped from an average of 43.2 percent over the same period to 37.1 percent in 2018.

Over the past five years, alpha and beta banks in Lebanon have strengthened their provisioning against the impacts of a low-growth economic environment. These banks increased their specific provisions for non-performing loans from \$1.5 billion in 2013 to \$2.3 billion in 2018, a hike of \$766 million. Furthermore, collective provisions were increased by nearly \$500 million and reached a peak of \$1.1 billion at year-end 2017. Thus banks undertook conscious efforts to shield themselves and the stakeholders in the Lebanese economy from risks that could materialize as loan takers among households and enterprises face downward pressures on their finances.

*All data in this comment was supplied by Bankdata, the financial consultancy headed by Dany Baz.*

## Lebanese banking sector

The following infographics refer to alpha and beta banks

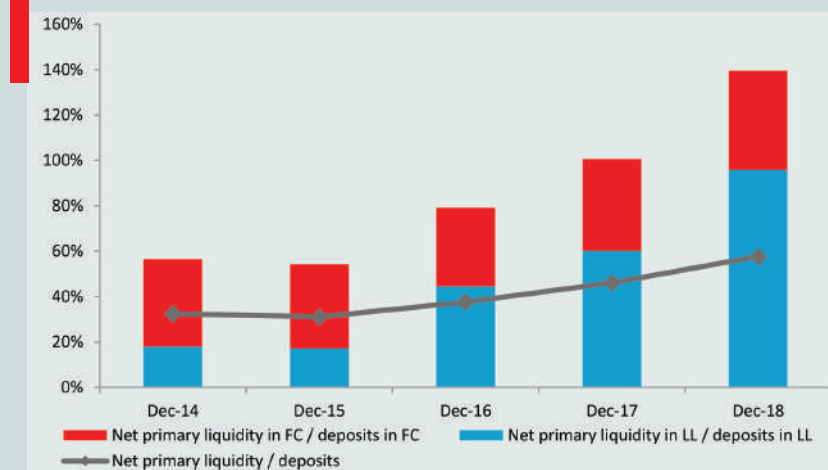


Source: Bankdata.com

## Numbers &amp; Figures

## Banking &amp; Finance

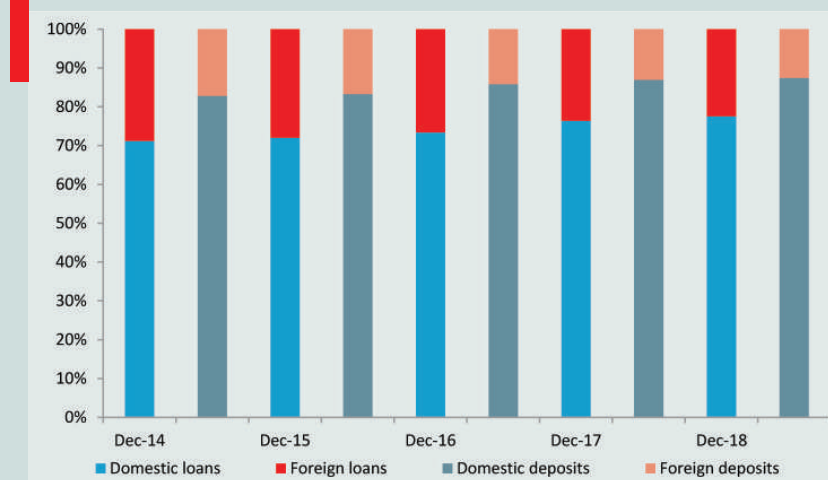
## NET PRIMARY LIQUIDITY TO DEPOSITS BY CURRENCY



Source: Bankdata.com

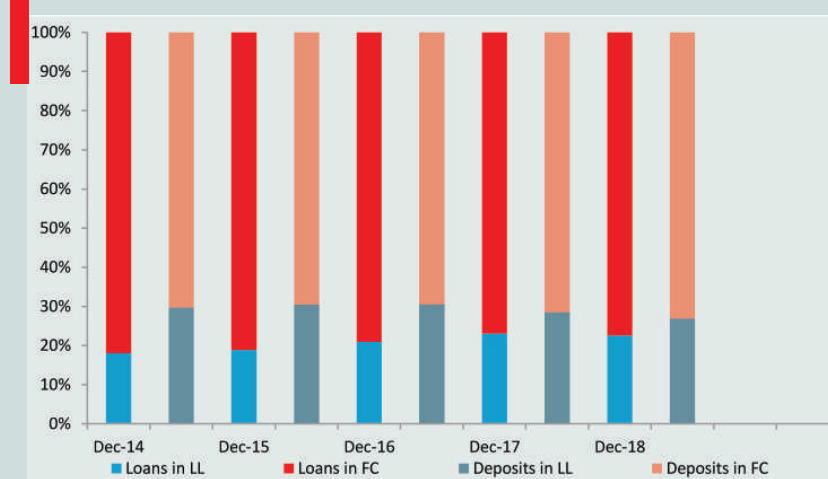
LL=Lebanese Lira FC=Foreign Currency

## DOMESTIC VS. FOREIGN LOANS &amp; DEPOSITS



Source: Bankdata.com

## LOANS &amp; DEPOSITS BY CURRENCY

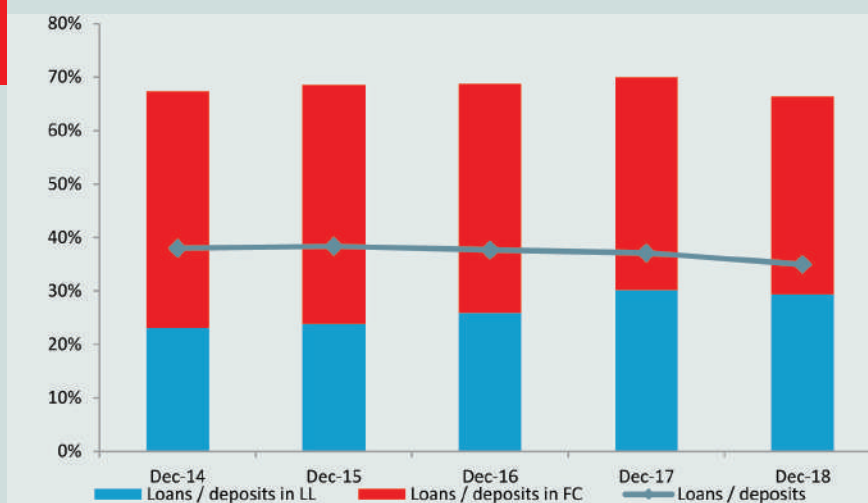


Source: Bankdata.com

LL=Lebanese Lira FC=Foreign Currency



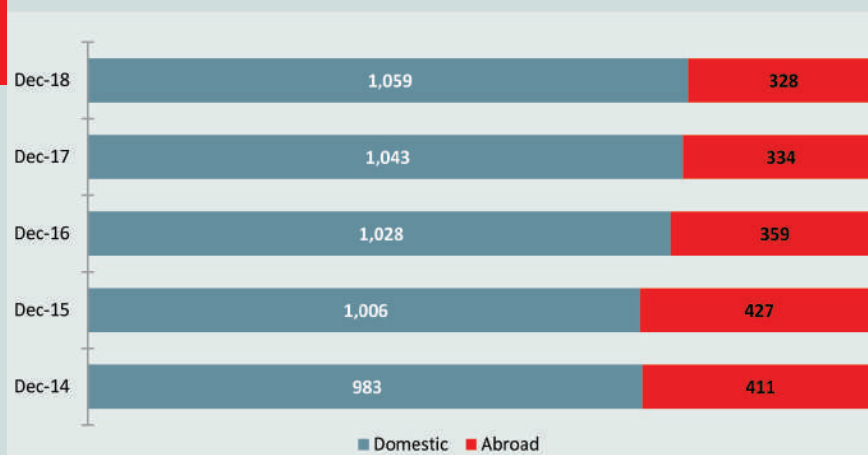
### LOANS TO DEPOSITS RATIO BY CURRENCY



Source: Bankdata.com

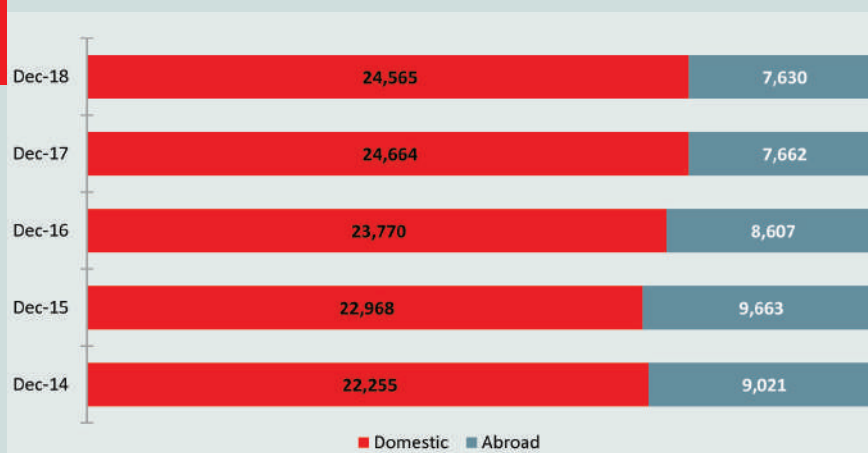
LL=Lebanese Lira FC=Foreign Currency

### NUMBER OF BANK BRANCHES



Source: Bankdata.com

### NUMBER OF BANK EMPLOYEES



Source: Bankdata.com

# EXCEPTIONAL EXTORTION

The need to reform electronic money transfer regulations

**All over the world, every day, millions of financial transactions take place at the press of a button.** The words—and now the verbs—PayPal, TranferWise, and Venmo, are to payments what WhatsApp and Facebook are to messaging. Modern electronic money transfer (EMT) services have lowered transaction costs for individuals, facilitated business growth through e-commerce, and made payments a whole lot easier for everyone—except Lebanese. Like most other services in Lebanon that lag behind the modern world—read: electricity, water, healthcare, transport, internet, etc.—the reason EMT services have not developed to their full potential in Lebanon is not an issue of competence or capacity; instead, narrow-minded protectionism and years of market dominance mean Lebanese pay what, in 2019, can only be called extortionate amounts to make payments.

## OPPORTUNITY, NOT THREAT

Using available EMT services, Lebanese can expect to pay anywhere from \$15 to \$35 to send \$500 to someone abroad. In addition to transfer fees, Lebanese consumers also face other hidden fees, such as currency exchange rates priced some 5 percent higher than mid-market rates available through modern EMT platforms. Sending or receiving money locally can be cheaper, but considering that Lebanese receive around \$7.5 billion to \$8 billion every year in remittances, our loved ones foot a bill they would not need to if we were in Egypt, the Emirates, or Jordan—all of which now have access to modern EMT services. What's more, services such as direct caller billing could provide Lebanon's unbanked with access to financial services, meaning another 55 percent of the population would start using these services. But not all Lebanese lose out from the financial status quo.

Around 65 commercial banks, along with a few money transfer institutions, are licensed to carry out domestic and international EMTs by Banque du Liban (BDL), Lebanon's central bank. As a result, these institutions enjoy a dominant market



position, and have little interest in offering globally competitive EMT fees, on the spot services, or mid-market currency exchange rates. In fact, banks have come to rely on fees as a major source of income. Non-interest income is equal to around 70 percent of what commercial banks profit from interest, according to the latest figures available from the Association of Banks in Lebanon.

In fact, only one EMT license has been issued to an 'independent' and 'modern' EMT service: PinPay. PinPay, however, was only issued that license when Bank Audi and Bankmed bought the company and vouched for PinPay's solvability and security (Fransabank invested later). The two banks then made PinPay only available to their clients, a service other banks in Lebanon have now copied. In effect, this acquisition strategy nipped Lebanon's only home-grown modern EMT service in the bud, bringing us all back to where we are now—still unable to make electronic payments to anyone outside our own banks without paying exorbitant fees.

In late 2018, Law 81 on Electronic Transactions and Personal Data was passed introducing elec-


tronic signatures and standards on data privacy in electronic transactions. While the law brings new hope for modern EMTs, it also places the buck squarely at the feet of BDL, giving it the sole power to update its currently broad and nearly two-decade old EMT regulations. Right now, for instance, Lebanon's regulatory framework does not have a legal definition for peer-to-peer EMTs, electronic money transfers made from one person to another, typically through a payment application. When a market lacks this kind of clarity, it keeps companies like PayPal and TransferWise away, not to mention home-grown fintech.

It is hard to fathom that BDL is unaware of these standards, having seen neighbouring countries enact regulations that protect consumers, apply international compliance standards, and facilitate access to modern EMT services. What is easier to fathom is that there has been pressure from the banking sector not to open up easy access to cheaper, more secure, and more efficient payments—in effect preserving their market power. There is another way.

BDL needs to issue detailed and clear definitions of EMT standards that facilitate interbank transfers in near real-time, from any device, and not only through the brick-and-mortar financial institutions. For their part, banks need to see

modern EMT as an opportunity, not a threat. Across the world, financial institutions have not gone broke because services like PayPal and TransferWise exist.

Banks may have had

to lower their fees to remain competitive, but they have benefited from more financial inclusion and even spearheaded the development of local EMT and e-commerce providers. That is the kind of innovative mindset we need in the banking sector, not one that tries to protect its revenues by keeping the Lebanese in the Stone Age—and making them pay for it. 

*Sami Halabi is director of knowledge at Triangle, a policy, research, and media consultancy.*

■ BDL needs to issue detailed and clear definitions of EMT standards that facilitate interbank transfers in near real-time.

# FOLLOW EXECUTIVE ON FACEBOOK AND TWITTER



[www.twitter.com/executivemag](https://www.twitter.com/executivemag)



[www.facebook.com/ExecutiveMagazine](https://www.facebook.com/ExecutiveMagazine)

## Executive



# SHOOTING OURSELVES IN THE FOOT

Attracting FDI to Lebanon



**While Lebanon is seeking to attract significant foreign direct investment (FDI) inflows in order to stimulate economic growth, the promotion of FDI is still lagging behind.** Lebanon faces two main strategic marketing problems: an unclear positioning statement, and an ineffective promotion strategy.

It is all too easy for Lebanon's political leaders to blame regional instability for their inability to attract FDI, yet there is little evidence of the kind of thinking required at a governmental level on how to position the country as an attractive destination with a fertile ground for investments. To this day, important strategic questions remain unanswered. These include: Is Lebanon hoping to become a host country offering the most stable FDI attraction policy in the Middle East? Will Lebanon be a country where investors can achieve the highest profit margin in the region? Is Lebanon trying to be a global leader in digital innovation? Is Lebanon planning to be the most popular tourist destination in the region? What unique value does Lebanon provide to foreign investors? A strategic competitive positioning plan, includ-

ing a detailed understanding of Lebanon and its relative position to competitors and different sectors, needs to be elaborated by the government.

Ineffective communications is another marketing problem Lebanon currently faces. Potential foreign investors are hearing conflicting messages from different stakeholders in the state. Lebanese delegations tend to present general descriptions of the Lebanese economy, while providing little of what potential FDI enterprises really want to know. What foreign investors need is more specific information on how they can start a business in Lebanon, what incentives the government is providing, how the government can help and support them, and so on. Moreover, an international comparison of Lebanon with its neighboring countries is rarely provided by Lebanese delegations. Lebanese delegates believe that just presenting Lebanon's country profile, investment policy, and economic potential, will be enough to persuade foreign investors.

Marketing is central to investment promotion and critical in attracting inward investment and shaping foreign investors' overall perceptions of Lebanon. While evidence suggests that marketing is effective in image building and producing invest-

■ There is little evidence of the kind of thinking required at a governmental level on how to position the country as an attractive destination.

ment (see Anthony Bende-Nabende's 2017 update of his book "Globalisation, FDI, Regional Integration and Sustainable Development"), there are always questions over regulations, in-


centives, infrastructure, and the economic system and vision. Some indicators are useful to evaluate our situation. To start with is the ease of doing business index, which ranks countries against each other based on how conducive their regulatory environment is to business operations. Lebanon is ranked 142 among 190 economies, as a result of the mandatory use of legal services in the company registration process, the financial burden of starting a business, the use of notary services, and the complicated,

long, and bureaucratic procedures necessary to start a business. Regardless of all of these challenges and obstacles, many good solutions can emerge in order to make it easier to start a business, including: creating one-stop shops and simplifying registration processes, developing a single electronic interface for investors, and eliminating the paid-in minimum capital requirement—reforms that are necessary before any FDI promotion.

The Global Competitiveness Index, which combines executive opinion survey results and quantitative data to compare the competitiveness of an economy, is another indicator that Lebanon needs to take into consideration. The pillars of this index are grouped to assess institutions, policies, and other factors. Lebanon is the lowest ranking Arab country on global competitiveness. The country's score on the majority of the long-term growth pillars lags behind the Arab world's. The main problematic factors are corruption, poor infrastructure, and an inefficient public bureaucracy. All of these elements confirm that Lebanon is not positioning itself as an easy or trustworthy location for FDI. Thus, a new mentality should be developed in the government based on updated regulations and approaches. Emotionally appealing to the Lebanese diaspora should not be our

only comprehensive approach to raising FDI. The government should know that investors need a proper investment climate, good incentives, and institutional transparency.

The Heritage Foundation's Index of Economic Freedom is also useful to guide Lebanon to improve its economy by expanding economic freedom. Lebanon currently scores 51.1 out of 100, making its economy the 154th-freest in the world. One of the many factors that causes this modest economic freedom ranking is the pervasive corruption in government contracts, taxation, judicial rulings, and real estate registration. Therefore, a public-private partnership project to provide a platform for businesses to invest in anti-corruption reform could be impactful in reducing the harm caused by corruption and improving transparency.

A favorable FDI "enabling environment," involving the facilitation the government can give to investing companies, alongside with a clear marketing strategy are preconditions for attracting foreign investment. Otherwise, we will continue to waste opportunities, and will keep shooting ourselves in the foot. 

*Samer Elhajjar has a PhD in marketing from the University of Strasbourg. He is an assistant professor at the University of Balamand and consults in strategic management and marketing.*

[\*\*www.executive-bulletin.com\*\*](http://www.executive-bulletin.com)

Your daily update on all corporate news and announcements from all the region's countries and sectors

**Executive**

# PROFITING FROM DIVERSITY



Reduce the gender gap in the finance sector to boost productivity and growth

**Lebanon's capital market needs a turbo boost. The Beirut Stock Exchange (BSE) has long been hobbled by the lack of companies listed, and the lack of associated opportunities.** This is reflected in the BSE's low market size—\$9.2 billion—and in its performance. In 2018, the BSE was the fourth worst performing bourse in the world, down 15 percent on 2017, with overall trading down by 36 percent. The downtrend has not eased in 2019. At the end of April, the BSE's market capitalization had shrunk to \$8.8 billion.

This needs to change. Given the current economic condition of the country—the runaway debt and the need for reforms—it is necessary to invigorate the economy by supporting and empowering our capital markets to accomplish three

interlinked objectives: to direct savings into qualified enterprises, to invigorate trading of equities, and to attract liquidity.

It has been established by ample research that efficient and well-regulated capital markets are great tools for improving the national economy. This fact has been extremely well understood by Banque du Liban, Lebanon's central bank, and thus over many years Lebanon has seen attempts to create and empower its capital markets.

Initiatives with this aim have been present since the BSE was reopened in the mid-1990s and have entailed moves like the creation of a Capital Markets Authority in 2011 and more recently, the approval by the cabinet to transform the BSE into BSE sal. The decision to establish the BSE as joint



# GET MORE FROM YOUR DESTINATIONS

Indulge yourself with an unrivalled luxury shopping experience while enjoying exceptional discounts at La Vallée Village - France, in more than 110 outlet boutiques of the world's leading fashion and lifestyle brands! As an SGBL Mastercard World cardholder, benefit from exclusive advantages: complimentary round trip from Paris, VIP card offering additional discounts, hands free shopping, instant tax refunds, free Wi-Fi and much more.



SHOPPING PRIVILEGES



**WORLD CARDS** **1274**

\*Terms and Conditions apply  
[sgbl.com](http://sgbl.com)

  
**LA VALLÉE  
VILLAGE**

A MEMBER OF THE BICESTER VILLAGE  
SHOPPING COLLECTION™



## Banking &amp; Finance

stock company, taken in 2017, was a welcome move to many stakeholders in financial markets, such as myself, and it is also highly desirable to see efforts that would implement the partial privatization of BSE sal through the selling of shares to the private sector, an action that needs to be given a green light by the newly formed cabinet.

## THE ROLE OF WOMEN

Another new initiative, which has been under preparations for several years now, is the creation of an Electronic Trading Platform (ETP). The relationship of the two entities to each other, and the question if Lebanon is best served by integrated or separately managed capital markets platforms, however, is still in need of clarification at this time.

But even as the BSE privatization and ETP projects are progressing in 2019 amidst such lingering uncertainties, much attention should also be given to another factor that could improve our capital markets. This factor is the role of diversity, and specifically the role of women in capital markets. While lost opportunity costs abound in the delays to reinvigorate the stock market, lagging behind the global development curve does have a potential upside. Discussions are underway on how best to turbo charge the capital market; it is an opportune time to tag onto the agenda the empowerment of women in the stock exchange as well as the financial sector.

Just a decade or so ago, such a notion would have been politely dismissed, if not openly laughed at in such a male-dominated ecosystem. But over the past several years, empowering women has risen higher on the agendas of global institutions such as the World Bank, the International Monetary Fund, and the United Nations, while the financial sector itself is increasingly adopting gender equality programs, evidenced in the launch of Bloomberg's Gender-Equality Index 2018.

There are regional initiatives emerging as well, the American University of Beirut was awarded a \$1.5 million federal grant by the US Department of State Middle East Partnership Initiative to create an index with the title: "The KIP Index: A Comparison of the Status of Women in the MENA Economies." This index is concerned with creating a localized measure of women's contributions to MENA economies through measuring recruitment, retention, and promotion of women in Arab organizations.

As a lot of attention will be paid to the privatization and development of the BSE, it is essential that the bourse reflects the global move toward greater gender equality as part of improving environmental, social, and corporate governance (ESG). This is needed not only in the financial sector, but across the board, as Lebanon's country ranking on gender inequality reflects in many ways the underwhelming performance of the BSE. According to the World Economic Forum's 2018 Gender Gap report, Lebanon ranked 140 out of 149 ranked countries.

Working to reduce the gender gap will not only promote equality, inclusive growth, and stability, but would have myriad macroeconomic benefits. According to the UN's International Labour Organization, closing the gap in economic participation rates by 25 percent would have a corresponding boost in GDP (in purchasing power parity terms) by 9 percent.

While closing the gap would have a wider economic boost, more needs to be done in the financial sector and at the stock exchange. Gender equality must cover all rungs of the career ladder, especially the middle and upper rungs where there are very few women. I would know, as I am one

■ It is essential that the bourse reflects the global move toward greater gender equality.

of just a handful of women in upper management at a Lebanese financial institution. In fact, just 4.4 percent of all Lebanese firms have a female senior executive, according to a 2019 study by the International Finance Corporation, lower than the MENA average of 5.4 percent, and the world average of 19 percent.

## THE ELEVATOR PITCH

To address this, the Lebanese League for Women in Business (LLWB) is working on a draft law to ensure a quota of 30 percent of women on boards (WOB) by 2025. It will be a challenge to ensure this is achieved in the next six years, but that is where the capital market and the financial sector itself can play a role in driving change.

It is not enough to change mindsets to get women on boards. This is where the hard sell comes in: the economic argument for gender equality. Numerous studies in recent years have highlighted the improved performance of companies and boards that have greater gender equality,





UNDER THE HIGH PATRONAGE OF HIS EXCELLENCY  
THE PRESIDENT OF THE LEBANESE REPUBLIC  
**GENERAL MICHEL AOUN**

**25 - 27 SEPTEMBER 2019**  
**LE ROYAL HOTEL- DBAYEH**

**10<sup>th</sup> EDITION**

**FUTURE OF LIFE  
IN A TIME OF  
PLANETARY  
CHANGE**

**REGISTER NOW & BOOK YOUR SPACE**

**ASK FOR OUR SPONSORSHIP PACKAGES, EXHIBITION FORM & FLOOR PLAN**

**FOR MORE INFO CONTACT THE ORGANIZER ON TEL / FAX +961 9 900110 | +961 9 900111**

**Email: [bef@beirutenergyforum.com](mailto:bef@beirutenergyforum.com) | [www.beirutenergyforum.com](http://www.beirutenergyforum.com)**

**SUPPORTED BY**

**MAIN  
SPONSORS**

**STRATEGIC  
PARTNER**

**MAIN  
SUPPORTER**



**Bank Audi**



**CO SPONSORS**

**BUSINESS COMMUNITY  
PARTNER**

**ORGANIZED  
BY**





## Banking &amp; Finance



but a few highlights can serve as a sort of elevator sales pitch.

Bank of America Merrill Lynch research, published on International Women's Day this year, showed that companies with high scores on board diversity and women in management, which also have policies on diversity, had lower earnings volatility, higher returns on equity (ROE), and lower risk. In the same report, the one-year median ROE for 2010-2016 was higher for S&P 500 companies that had at least 25 percent of female representation among executives, "suggesting diversity may drive better returns."

A 2015 Diversity Matters study by international consultancy firm McKinsey found a relationship between diversity of leadership teams and financial performance, with top quartile companies by gender diversity 15 percent more likely to have an earnings before interest and taxes above the industry median. One final point: Management diversity is of importance to female investors, with 77 percent of women in a global study cited by Bank of America Merrill Lynch stating a desire to invest in companies with a diverse management. In short, diversity is profitable.

The same can apply to the BSE. The more diverse its offerings, the more profitable it will be. And this concerns women and men alike: why capital markets are crucial for Lebanon today, what opportunities and liquidity they can generate in the country, and what are the primary triggers to activate the potential of capital markets. In March 2014, the BSE signed an agreement with Euronext, a wholly owned subsidiary of New York

Stock Exchange, for the implementation of a new trading application platform that supports the expected growth in equity listing and the entry into new asset classes in the Lebanese markets.

For the ETP project we need a better understanding of which consortium would be the optimal licensee for the project, and a discussion with banks and other firms on the expertise required to ascertain that the ETP gets the right platform solution (neither too small nor outsized), technology advice, and expert staff. Other questions include market making, and the participation of banks and foreign specialist companies, such as stock market operators and technology providers.

There are also questions about how much regulation, of which sort, is ideal; how the governance of listing candidates, such as SMEs and startups, can be supported; and how governance and regulations should be optimized to enhance the size and volume of capital markets activity in Lebanon. To attract investors, it is important to tap into the very special ratio and relationship potential of diaspora investors.

Capital markets also link the present to the future, but that radical uncertainty is the secret sauce that flavors all the assumptions we have about how and in which direction the financial markets of the near future will develop.

In brief, the most important work in capital markets in the Lebanese context today is unlocking growth potentials and job creation in private com-

panies by bridging savings silos to entrepreneurial initiatives. We need to mitigate risks through determined political will, wise leadership, and reforms. We know this involves capital

■ Just 4.4 percent of all Lebanese firms have a female senior executive, lower than the MENA average of 5.4 percent.

markets with a strong, agile, and responsive operator that is sensitive to markets and the regulator.

There are many challenges and risks in developing markets, but we know from our experience that the way to success is not by avoiding risk. We need to facilitate superior, regulated risk taking. All players in this endeavor—and we want to be among them together with the right partners in an operator consortium—have to continually strive to balance market forces, regulation, and society. ■

*Zeina Zeidan Maalouly, Ph.D., is chair of the board at Royal Financials sal.*

UNDER THE PATRONAGE  
OF HIS EXCELLENCY MR. SAAD HARIRI

The Lebanese forwarders syndicate is proud to present

**RAME**  
**BEIRUT 2019**

Explore . Connect . Expand

**TOWARDS 2025: EMERGING  
TRENDS AND INITIATIVES  
VITALIZING THE FREIGHT &  
LOGISTICS SECTOR IN THE  
MENA REGION.**



**24.25.26**  
**JUNE**  
**2019**

Intercontinental  
Phoenicia  
BEIRUT

Tickets sold at the Lebanese  
forwarders syndicate

**[www.Rame2019.com](http://www.Rame2019.com)**  
Get in touch with us on  
**+961 1 563112**



كما في ٣١ كانون الأول		(القيم بملايين ل.ل.)
٢٠١٨	٢٠١٧	الأرباح والخسائر
١٠.٥٥٨	٨.١٠٦	الفوائد والإيرادات المشابهة
(٣.٥٣٢)	(٢.٣٢٥)	الفوائد والأعباء المشابهة
٧.٠٢٦	٥.٧٨١	صافي الإيرادات من الفوائد
٥.٨٨١	١٢.٠١٩	الإيرادات من العمولات
(١.٤٢٧)	(٤.٢٦١)	الأعباء من العمولات
٤.٤٥٤	٧.٧٥٨	صافي الإيرادات من العمولات
٣٧٥		صافي أرباح/خسائر عمليات الأدوات المالية المصنفة بالقيمة العادلة مقابل حساب الأرباح والخسائر
		منها: صافي أرباح / خسائر غير محققة
		منها : صافي إيرادات / اعباء فوائد
٠		صافي أرباح/خسائر الاستثمارات المالية
٧٩	(١.٠٩٧)	إيرادات تشغيلية أخرى
١١.٩٣٤	١٢.٤٤٢	مجموع الإيرادات التشغيلية
		مؤونة الخسائر الائتمانية المتوقعة (ALLOWANCE FOR EXPECTED CREDIT LOSS)
(٥٠٦)		مؤونات تدني قيمة الاستثمارات المالية الأخرى (شركات تابعة وزميلة)
		مؤونات أخرى
١١.٤٢٨	١٢.٤٤٢	صافي الإيرادات التشغيلية
(٦.٠١١)	(٥.٤٧٩)	أعباء المستخدمين وملحقاتها
(٥.٠٣٠)	(٥.٨٥٥)	مصاريف إدارية وأعباء تشغيلية أخرى
		مخصصات استهلاكات ومؤونات الأصول الثابتة المادية (بما فيها المؤخوة استيفاءً لدين)
(٣٧٨)	(٤٤٦)	إطفاء الأصول الثابتة غير المادية
		مخصصات تدني قيمة الشهرة
(١١.٤١٩)	(١١.٧٨٠)	مجموع الأعباء التشغيلية
٩	٦٦٢	الأرباح التشغيلية
		حصتنا في نتائج مؤسسات مرتبطة
		وفقاً للحقوق الصافية
		صافي أرباح أو (خسائر) بيع الأصول الأخرى غير المالية
٩	٦٦٢	النتائج قبل الضريبة
٠	(١٧٥)	الضريبة على الأرباح
		النتيجة بعد الضريبة من النشاطات العادية
		النتيجة بعد الضريبة للنشاطات المتوقفة أو قيد التصفية
٩	٤٨٧	النتائج الصافية
		النتائج الصافية - حصة الأقلية
		النتائج الصافية - حصة المجموعة
٠.٠٠٠١	٠.٠٠٤٩	حصة السهم العادي من الأرباح (earnings per share (EPS))
		حصة السهم العادي للخفضة من الأرباح (diluted EPS)

## مفوضو المراقبة

السادة Ernst & Young  
السادة سمعان غلام وشركاهم

كما في ٣١ كانون الأول		(القيم بملايين ل.ل.)
٢٠١٨	٢٠١٧	خارج الميزانية
		تعهدات تمويل
٢٠٠	٢٠٠	تعهدات معطاة للمصارف والمؤسسات المالية
٠	٩.٢٦٣	تعهدات مستلمة من المصارف والمؤسسات المالية
		تعهدات للزبائن
		تعهدات ضمان
		تكفل وكفالات وضمائم أخرى معطاة للمصارف والمؤسسات المالية
		منها: أدوات المشتقات الائتمانية (credit derivatives)
		تكفل وكفالات وضمائم أخرى مستلمة من المصارف والمؤسسات المالية
		منها: أدوات المشتقات الائتمانية
		تكفل وكفالات وضمائم معطاة للزبائن
١١٠.٠٩٠	٩٦.٠٩١	تكفل وكفالات وضمائم مستلمة من الزبائن
		تعهدات على سندات مالية
		سندات مالية للاستلام
		منها: قيم مبيعة مع حق إعادة الشراء أو الاسترداد
		سندات مالية للتسليم
		منها: قيم مشتراة مع حق إعادة الشراء أو الاسترداد
٠	٠	عمليات بالعملة الأجنبية
٣.٧٨٩	٤.٥٦٤	عملات أجنبية للاستلام
٣.٧٨٧	٤.٥٦١	عملات أجنبية للتسليم
		تعهدات على الأدوات المالية لأجل
٢٥٢		تعهدات أخرى
٥.٠٣٠	٤.٩٨٠	مطالبات ناجمة عن نزاعات قضائية
		حسابات الائتمان
		- خاضعة لتعليمات محددة
		- خاضعة لتوظيفات استثنائية
		موجودات حسابات إدارة الأموال
٤٤.٢٦٣	٥٠.٩٣٣	هبات الاستثمار الجماعي
٣٩١.٠٥٠	٣٢٧.٤٨١	الأدوات والمنتجات المالية المرتبطة بمؤشرات ومشتقات مالية
٥.٤٩٢	٥.٦٢٨	ديون الزبائن الرديئة المنقولة للذكر الى خارج الميزانية

## مجلس الادارة

السيد أنطون صحنوي	الرئيس
بنك سوسيتيه جنرال في لبنان ش.م.ل.	عضو
السيد طارق شهاب	عضو
السيد خليل صحنوي	عضو
السيد جورج صغبيني	عضو
السيد سليمان معزوي	عضو



## الميزانية المعدة للنشر

(القيم بملايين ل.ل.)

كما في (٣١ كانون الأول)		
٢٠١٨	٢٠١٧	الموجودات
٥٨٣	٢٣٤	الصندوق ومؤسسات الاصدار
٩٤.٤٢٣	٧٤.٢٣٥	الودائع لدى المصارف والمؤسسات المالية
٣١.٢٠٧	٣٨.٠٩٨	المركز الرئيسي، المؤسسة الأم، المصارف والمؤسسات المالية الشقيقة والتابعة والزميلة
		قروض للمصارف و المؤسسات المالية
		واتفاقيات اعادة البيع
		أصول مالية معطاة كضمانة
٢	٠	ادوات مشتقات مالية
٤١٢	٦١١	اسهم و حصص بالقيمة العادلة مقابل حساب الارباح والخسائر (FVTPL)
٠	٠	ادوات دين واصول مالية اخرى بالقيمة العادلة مقابل حساب الارباح والخسائر (FVTPL)
٠	٠	منها: صافي التسليفات والقروض المصنفة بالقيمة العادلة مقابل حساب الارباح والخسائر (FVTPL)
		أسهم و حصص بالقيمة العادلة مقابل عناصر الدخل الشامل الاخرى (FVOCI)
١٨٤.٠٩٩	١٢٣.٨٢٦	صافي التسليفات والقروض للزبائن بالكلفة المطفأة
٠	٠	صافي التسليفات والقروض للجهات المقربة بالكلفة المطفأة
		الدينون بموجب قبولات
		ادوات دين بالكلفة المطفأة
٣	٣	حصص ومساهمات في الشركات التابعة والزميلة
		أصول مأخوذة استيفاء لديون
٤.٠٢٤	٤.٤٢٥	أصول ثابتة مادية
٠	٠	أصول ثابتة غير مادية
		أصول غير متداولة برسم البيع
١.٦٠١	١.٣٠٢	موجودات أخرى
		الشهرة
٣١٦.٣٥٤	٢٤٢.٧٣٤	مجموع الموجودات

يمكن الاطلاع على سائر التفاصيل و الإفصاحات في مركز الشركة وخلال الدوام الرسمي

(القيم بملايين ل.ل.)

كما في (٣١ كانون الأول)		
٢٠١٨	٢٠١٧	المطلوبات وحقوق المساهمين
٠	٠	مؤسسات الاصدار
١٣٩.٢٥١	١١٤.٤٠٥	المصارف والمؤسسات المالية واتفاقيات إعادة شراء
٦٣.١٥١	١.١٤٥	المركز الرئيسي، المؤسسة الأم، المصارف والمؤسسات المالية الشقيقة والتابعة والزميلة
		أدوات مشتقات مالية
		مطلوبات مالية بالقيمة العادلة مقابل حساب الأرباح والخسائر
		منها: الودائع بالقيمة العادلة مقابل حساب الأرباح والخسائر
٤٥.٩٤٧	٥٧.٤٧٩	الودائع وحسابات الزبائن الدائنة بالكلفة المطفأة
٥	٢٤	ودائع وحسابات الجهات المقربة بالكلفة المطفأة
		مطلوبات متمثلة بأوراق مصرفية أو مالية
		تعهدات بموجب قبولات
٣١.٩٦٩	٢٩.٢٦٩	مطلوبات اخرى
١.١٣٢	٥.٥٢٢	مؤونات لمواجهة الاخطار والاعباء
		ديون مرسوسة وما يماثلها
		المطلوبات غير متداولة برسم البيع
٢٨١.٤٥٥	٢٠٧.٨٤٤	مجموع المطلوبات
		حقوق المساهمين - حصة المجموعة
٣٤.٨٩٠	٣٤.٤٠٣	الرأسمال-أسهم عادية
		الرأسمال-أسهم تفضيلية وما يماثلها
		علاوات اصدار الاسهم العادية
		علاوات اصدار الاسهم التفضيلية
		المقدمات النقدية المخصصة للرأسمال
		احتياطات غير قابلة للتوزيع
		احتياطات حرة قابلة للتوزيع
		الادوات الرأس مالية المعاد شراؤها
		ارباح مدورة قابلة للتوزيع
		فائض اعادة تخمين العقارات
		احتياطي العقارات والمساهمات و حصص الشراكة المملوكة
		استيفاء" لديون موقوفة أو مشكوك بتحصيلها عملاً"
		بأحكام المادة ١٥٤ من قانون النقد والتسليف
		التغيير في القيمة العادلة للادوات المالية المصنفة
		مقابل عناصر الدخل الشامل الاخرى (OCI)
		التغيير في القيمة العادلة للمشتقات المالية
		الهادفة للتحوط للتدفقات النقدية
		فروقات تحويل العملات الاجنبية
٩	٤٨٧	نتائج الدورة المالية (±)
		حقوق الاقلية
		حسابات الاعباء والايرادات
		(في حال وضعية دورية غير نهائية)
٣٤.٨٩٩	٣٤.٨٩٠	مجموع حقوق المساهمين/المركز الرئيسي
٣١٦.٣٥٤	٢٤٢.٧٣٤	مجموع المطلوبات وحقوق المساهمين/المركز الرئيسي

# LIVING ON LESS

## MANAGING AUSTERITY IN LEBANON

Words by **Olga Habre**



**I**n the past month, the Lebanese have fallen into collective anxiety, dreading the consequences of the nation's reformist budget, which has been finalized by cabinet and is currently awaiting Parliament's approval. The promise of budget cuts across public sector institutions, including decreased compensation and benefits, led to protests and panic, with fear running rampant in various manifestations. When Banque du Liban (BDL), Lebanon's central bank, was forced by a worker's strike to stop transactions for a painful two days during which transfers and check clearance across the country were not possible, lines formed outside ATMs. As port authorities raised the specter of suspended imports because of another strike (the

most impactful of which is gasoline), worried locals waited at gas stations. Lebanon's legal system shut down for two weeks due to a strike by judges during which no courts were held, angry crowds of army veterans and public school employees took to the streets, and the media fed on fear mongering.

While there's no doubt Lebanon must implement serious financial reforms to reduce the crushing \$80 billion national debt, no one wants to carry the weight of this accumulating figure, which is largely attributed to corruption for almost three decades. In the past, the government had fought debt with more borrowing, going further into debt and thus pushing the financial burden on future generations. This option is

no longer available, and this reformist budget ushers the country into a time of austerity. The Lebanese must now figure out how to make belt tightening possible for their own long-term good.

## LESS IS MORE FRIGHTENING

Having less to live on will undoubtedly force the Lebanese to pick up new habits. In order to learn new behaviors to adapt to tougher times and make do with less, people must first unlearn other behaviors. This means the public needs a mental adjustment that includes switching from a mindset of entitlement, to one that looks at every cent as a luxury. “Even under normal conditions, people who are subjected to personal difficulties in any country, whether they like it or not, have to live within their new means,” says Said Elfakhani, associate dean for programs at the Suliman S. Olayan School of Business at the American University of Beirut.

The problem is that people intuitively shudder at the prospect of having less, which means that fighting fear is the first step in this battle. “Unfortunately, this [fear] is human nature,” Elfakhani says, adding that, “[the Lebanese] are a fun-loving people—we like to spend, live well, dress well, throw parties. But economic conditions force us to change our behavior.”

Part of the fear is rooted in the fact that many Lebanese have lived in tough times during the Lebanese Civil War. Some point to neighboring Greece, which went through its own period of austerity in recent years. “Even though many people say [the case of] Lebanon is different [from that of Greece], if we compare, they had riots, they shook the system, and still measures were taken,” Elfakhani says. “People [accepted] them for a couple of years, there was a temporary economic shrinkage, but now they are starting to bear the good fruits of their years [of austerity].” He also argues that as Lebanon has been in a slump for some time, these measures won’t make conditions much worse than they already are—but they will benefit Lebanon in the long run.

Now Lebanon’s leaders must somehow manage changing expectations so that people accept new measures without falling into despair; thoughtfully framing the effect of new taxes, cuts, and other seemingly painful measures is the way to move forward. Fadi Makki, founder of Nudge Lebanon, a non-government organization dedicated to applying behavioral insights to the policy challenges that Lebanon faces, suggests that policymakers use behavioral science to strategically communicate about new poli-



cies in order to counter human nature’s bias toward instant gratification. “Human beings have a present bias, which is the inability to see long-term effects,” Makki explains. “This means people don’t necessarily process [what is happening] and don’t act in their own best interests because they don’t want to be affected right now.” Makki argues that public sector institutions should focus on how austerity measures are linked to benefits. Elfakhani also notes that it’s up to politicians to keep hope alive in their messages to the public.

To a rightfully cautious people that already has widespread mistrust in its government, these potentially dangerous suggestions may sound like the encouragement of more lies. To Makki, “it’s not manipulation, but how to communicate the message.”

## POWERING THROUGH THE TOUGH TIMES

In times of austerity, behavioral science research shows people tend to spend less, creating non-positive stimulus to the economy that in turn affects businesses, brands, trade, etc. To Elfakhani, short-term consequences of the reformist budget, with increased taxes and tariffs among other measures, are likely to cause businesses across industries to suffer, as unemployment may increase and businesses won’t be able to expand.

While some brands, specifically in the high-premium segment, will undoubtedly fall on hard times, other so-called inferior products will thrive as more demand for them increases. Many companies will be forced to refocus in order to survive. Some international brands in Lebanon already operate on the strategy of simply sustaining a presence in Lebanon,



*"We love being mentally strong, but we hate situations that allow us to put our mental strength to good use."* — **Mokokoma Mokhonoana**

even if they are breaking even or losing profits, for the sake of influencing the regional market.

"We will not stop consuming, but we will consume different, cheaper brands. It's well known that when there is a recession people purchase less pricey products," Elfakhani predicts. "People will accept cheaper and lower-quality products, such as second-hand cars. They will go to cheaper restaurants—they will not stop going out. Even those who [had been] getting illegal salaries—they too spend money in the economy." He also notes that there is a very wealthy segment of the country whose spending patterns will not be affected by these austerity measures.

## HELPING PEOPLE HELP THEMSELVES

On the other hand, Makki says the public sector in Lebanon should be utilizing more behavioral science in general, but especially in the current situation, explaining that leaders need to better understand and work with human biases—such as the fact that most people are inherently lazy, and there is an intention-action gap, referring to the difference between what people say they would like to do, and what they actually do—and utilize psychology, neuroscience, and other behavioral fields. Having more human-centric policies and working on human biases to complement traditional methods of policymaking can be very effective, Makki says.

People tend to save more during tough times in general, but intention-action gap can get in the way—this is called social norms in behavioral sciences.

Makki points out that one area where these insights could make a big impact is in improving debt collection among the public. Giving an example of some innovative methods that have worked recently in Lebanon and abroad, he reveals that explaining to people that they are part of a minority who are not paying their bills can yield positive results. "It's not just about telling people [to pay their bills] but also applying behavioral science and seeing what has worked elsewhere, where violations are less and people comply more," Makki says.

## HOPE IN THE LONG RUN

Economic and business cycles are the norm, and while Lebanon seems to be in a downtrend at the moment, Elfakhani is optimistic that in the long-term



things will start picking up. "If we tighten belts now, there will definitely be slower growth in the economy. But it will pick up," he argues, explaining that theoretically the government should borrow less, leading to a crowding effect, and further decreases. "Already if debt is issued at 1 percent interest, this will reduce the country's general interest rate gradually. If that happens, it can have an effect on businesses borrowing from banks to expand their businesses, which means less unemployment, more growth."

Elfakhani's positive hopes for our future, much like that of Lebanon's political class, rest in CEDRE and the prospect of an oil and gas sector. "I'm not that worried about the budget cuts this year under one condition only—if we start receiving CEDRE funds," he says. "If we can match the reduction in government spending with an influx of cash from CEDRE then nothing changes, in aggregate." But he admits certain people will be hurt, while others will benefit from these reforms.

On the whole, we cannot deny that there are tougher times ahead. But, according to Makki and Elfakhani, these will lead to better times. "[Nudge Lebanon] is here because we are confident that we can make a difference, otherwise we wouldn't exist," Makki says.

Elfakhani concludes that he is still relatively positive about the long-term future of Lebanon. "I believe Lebanon will survive the one to two year slow economy, as there are abundant economic opportunities ahead of us. We need to trust ourselves, while holding our politicians at check for performance and loyalty." 🇱🇧



# PROJECT LEBANON

24<sup>TH</sup> EDITION

# BRIDGING REGIONAL MARKETS

**18 - 21** JUNE 2019

Seaside Arena, Beirut New Waterfront

**REGISTER TO VISIT**

[projectlebanon.com](http://projectlebanon.com)

Held concurrently with:



**ENERGY  
LEBANON**

**INTERIOR  
& DESIGN**

Venue



Official TV:



Official Air  
Express:



Official Insurer:



Official Hotel:



Media Partner:



## The need for a grand national vision

Lebanon's long-awaited 2019 budget

**A sobering reality emerges in the shadow of the long-awaited 2019 budget, declared by Prime Minister Saad Hariri as the most austere in Lebanon's history.**

As a stop-gap fiscal rescue package, it falls short of the transformational budget, based on a grand national vision for debt reduction and upgrading of critical infrastructure that is sorely needed at this juncture. Justifiably, the refinancing of near-term maturity Eurobonds is on hold as foreign investors ponder the absence of the promised public reforms. Similarly, the CEDRE creditors—about 8 percent of the pledged amounts are grants, with the majority of the funding in new loans—have also withheld the pledged funding on the requirement that Lebanon undertake serious public reforms.

### AN UNNECESSARY ORDEAL

A unanimous austerity consensus across the political class was met with anxiety, disappointment, and anger by large segments of the population, particularly public sector employees, military officers, teachers, and pensioners. The budget follows unusually gloomy statements over the last 12 to 18 months by top political and community leaders regarding the financial crisis and the severe lack of liquidity. These announcements often coincided with the customary reassuring statements of Banque du Liban (BDL), Lebanon's central bank, regarding the stability of the currency and the health of the financial sector. This dual-track discourse has generated a sense of deep financial crisis and an overall distrust of institutions, gradually amplifying a national suspense about a possible looming disaster, and the usual flight to foreign currencies. Combined


with the mounting geopolitical risks, the repatriation of large numbers of previously-employed Lebanese citizens from the Gulf countries, and the continuing burden of the refugee crisis, a national ordeal of negativity has befallen consumers and producers alike. This has affected investment and spending decisions and depressed entire asset classes, such as the real estate sector.

Since much of the pressure from creditors is tied to the high 2018 budget deficit and debt-to-GDP ratio, Lebanon should defer any further debt, and instead, reduce its total debt by enacting structural, organizational, and financial deleveraging reforms on a fast-track basis. Instead of utilizing debt to rebuild infrastructure, Lebanon should reorganize the power sector into independent private utilities, with equity and debt issues to be owned by a majority of Lebanese investors. The delivery of a long-awaited reliable electricity sector should be entrusted to competitive private utilities subject to public regulation regarding rate setting. A reform of the capital markets in support of an "Invest in Lebanon" program would help reduce debt through new infusions of capital into the public and private entities, and create a new investment vehicle for future employee retirement plans.

Lebanon has made inroads in start-up formation, information services, tourism, healthcare, and higher education. With potential major new revenues from energy production within the next decade or so, Lebanon now needs a long-term vision for success. It needs to chart a clear course on the enlightened socio-capitalism spectrum, both geopolitically and economically, with similarities to Switzerland, Singa-

pore, Monaco, UAE, and others. This vision must be communicated to Lebanese citizens and international markets alike, in order to elicit the essential trust in the direction of the country, and the acceptance of the austerity measures as a means to an end: a new more vibrant Lebanese economy.

The Lebanese political leadership has elected an unusually tough stance regarding the austerity measures. To many, such cuts—while unwelcome—could be acceptable, if perceived as a worthwhile sacrifice and an investment in the future of Lebanon. The communication of such measures—which affect not only public employees and pensioners, but also investors by boosting the tax on interest income—as a national short-term sacrifice for all, is critical to their acceptance and renewed public confidence.

Lebanon is at a crossroads, but also a tipping point. It can either solve its problems through sound long-term measures, or continue to avert the short-term crisis by further mortgaging the future and increasing a future risk of default. In order to gain the trust and patience of its population, it is in sore need of a grand vision, better coupled with prudent management of its finances, and a deleveraging and modernization of the public sector, in order to lead its citizens to a period of renewed prosperity. Adding more debt to the balance sheet is by no means the highest priority. 

*Fadi A. Karaa, PhD, is the director of the Critical Infrastructure Systems Program at the New Jersey Institute of Technology. He holds a PhD in infrastructure systems, an MBA from MIT in finance and managerial economics, and an Ingenieur Diploma from the Ecole Polytechnique de Paris, France.*



A large, stylized graphic of the number '10' in a gold color. The '1' is composed of a vertical bar and a diagonal line. The '0' is a circle with a thick gold arc at the top. The word 'YEARS' is written in a gold, sans-serif font across the middle of the '0'.

YEARS

# BEIRUT ART FAIR

18/22 SEPT 2019

[BEIRUT-ART-FAIR.COM](http://BEIRUT-ART-FAIR.COM)

## New Fintech hub open at BDD

StartechEUS to provide funds and mentorship



**Fintech—financial technology—** is a buzzword in the entrepreneurship sphere and a fast-growing segment of the financial services industry globally and in the MENA region. In 2018, the fintech sector saw \$36.6 billion invested worldwide, a 329 percent increase over a five-year period, according to UK-based non-profit Innovative Finance. Lebanon is no exception—in 2015 the country hosted 14 percent of the region's fintech startups and was the fourth most-served market by fintech companies, according to the Investment Development Authority of Lebanon (IDAL). Despite this, Lebanon's nurturing of local fintechs still seems to lag behind the global trend. Those EXECUTIVE spoke with noted that with a highly skilled local labor force there is potential for launching successful fintech startups here, but entrepreneurs still face challenges, primarily in the form of regulatory hurdles.

StartechEUS, a new fintech hub, opened its doors on May 1 in Beirut Digital District (BDD) and hopes to help startups navigate these obstacles by serving as a one-stop-shop for budding fintech entrepreneurs. Founded by Alexandre Harkous, who is also StartechEUS' managing partner, the new hub aims to provide funding, mentorship, and physical space to primarily late-seed phase fintech startups. Harkous is an experienced player in financial services, having previously founded BI-SAM Technologies S.A., a company that offers analytics software, client reporting, and

data management solutions to the investment management industry. The hub is expected to occupy a 74 square-meter space in BDD, though at the time of writing, this space was not yet confirmed. Like Agrytech, an accelerator that focuses on startups in the agri-food vertical, StartechEUS is a vertical-specific endeavor targeting a niche market.

Stephanie Abi Abdullah, BDD's program director argues that StartechEUS will be a significant contribution to BDD. "It's good to have them close to the startups, leveraging their expertise, and building relationships with them," she says. "Having the first fintech hub at BDD is just natural for us." She notes that the Lebanese Economic Vision (LEV) produced by international consulting firm McKinsey positions fintech as one of the key pillars of the Lebanese startup industry, with a high potential for success. The financial services section of the LEV sets the target for the number of fintechs in Lebanon serving the global market as rising from 15 today to 45 by 2025.

## FEW BOOTS ON THE GROUND

EXECUTIVE spoke with Nizar Ajeeb and Giovanni Khalil, chief technology officer and chief marketing officer at StartechEUS respectively, to discuss how StartechEUS plans to contribute to the ecosystem. They explain that the organization is comprised of three pillars: the "Finnovation Fund," a hybrid fund of private partner funding and funding via Circular 331; the "FinHub," which is the accelerator arm, and the "Technology Academy," which will provide partnering entrepreneurs with training sessions and access to physical

space and technology. "The main difference here is that we aren't a silo," Ajeeb says. "We're not only an incubator or an accelerator, we're all of these together."

Khalil tells EXECUTIVE in a follow up email that they expect the Circular 331 portion of the hybrid fund to equal \$25 million. When asked about the size of funding raised from the private sector thus far, the duo declined to comment. They say, however, that chosen partnering startups will be eligible to receive between \$50,000 and \$2 million in funding, depending on which stage they are at in their life cycle.

Asked how many startups StartechEUS would be able to support at any given time, the duo declined to give a number, but did say that each startup would be in the program between five and seven years until exit into global EU and US markets. The focus on these markets is driven by the idea of job creation for Lebanese graduates as well as increasing the foothold of international companies in Lebanon, says Karl Naïm, chief investment officer and partner at StartechEUS. Currently, StartechEUS lists one company in its portfolio, OneWealthPlace, also founded by Harkous. Ajeeb says they are conducting due diligence on two potential companies now, which, if successful, would be announced via their website.

With just two potential companies in the pipeline and only one in their portfolio, the question remains if there are currently enough fintech startups in Lebanon—or enough in the development pipe-

line—to justify an endeavor of this scale. Especially considering that StartechEUS plans to focus solely on fintech companies started by Lebanese or members of the Lebanese diaspora, limiting their potential market.

EXECUTIVE posed this question to Fawzi Rahal, managing director

■ The LEV sets the target for the number of fintechs in Lebanon serving the global market as rising from 15 today to 45 by 2025.

of Flat6Labs, a regional accelerator program, and his reply was blunt: "No." Despite a growing number of fintech pitches, Rahal says that only five of Flat6Lab's 26 startups are fintech. While this constitutes 19 percent of their portfolio—not an unimpressive portion—he says there are not enough fintechs in the rest of the country that would be suitable for StartechEUS to invest in. Most of the fintech startups that apply to Flat6Labs cannot, or should not, be validated in Lebanon, Rahal says, because either the idea is not suitable for Lebanon, or the infrastructure is not available to test and develop an idea.

## NEGATIVE PERCEPTIONS

Ajeeb says StartechEUS will look for graduated startups from the likes of Flat6Labs to feed into their program, and on this front Rahal seems optimistic. "For us, we see [StartechEUS] as a healthy advancement of the pipeline," Rahal says. "Because when startups do graduate from Flat6Labs, right now the only other option for fintechs



is Phoenician Funds.” Focusing on seed and early stage companies, Phoenician Funds does offer support to fintech, but it is not the VC’s sole focus.

As far as the diaspora is concerned, attracting investment from abroad is challenging. The 2018 Arabnet report on the Lebanese Innovation Economy notes that while the diaspora is large, it has proven challenging to motivate them to invest in Lebanon. Most investors do not want to invest in such a risky environment and opt for other, less volatile markets. There is also a perception problem with Lebanese products; if there is a cheap Lebanon-based solution, it is perceived as being of lesser quality, according to Rahal. This, he says, is a perception the startup ecosystem needs to overturn by continuing to launch quality products.

Naïm says that startups StartechEUS invests in will have Lebanese talent and presence, but will not necessarily have a Lebanese holding, meaning that IP and holding companies may be located abroad. He says this should help combat negative perceptions and will facilitate smoother international adoption and expansion, and alleviate risk that may be associated with a company in Lebanon.

Rahal also says that for a Lebanese national in the country, going through the pipeline here is a lot easier than elsewhere in the region or abroad, as there is funding available and the overhead costs are not as high. However, for non-Lebanese, he argues there is little incentive to set up shop in Lebanon because of the difficulties faced in navigating the regulatory framework—cited by 64 percent of tech startups as a main impediment in the Arabnet report.

Currently Lebanon lacks any sort of regulatory sandbox, a testing environment used to ensure regulatory compliance and security checks

for financial operations. Places like Bahrain, the UAE, Saudi Arabia, and Egypt have all introduced sandboxes linked to their central banks to encourage development in the sector, but Lebanon is still lagging.

Creating a fintech-friendly environment would require serious regulatory change from Banque du Liban (BDL), Lebanon’s central bank. Without measures from BDL, along with improvements to digital infrastructure, there is little incentive for those abroad to launch their companies here.

#### TO EXPAND IN THE REGION OR FURTHER A FIELD?

Ajeeb says he is hopeful the hub will be a positive contribution to the ecosystem by providing Lebanese talent the opportunity to launch their companies here, while attracting the knowledge and expertise of the global Lebanese diaspora who may have started their companies in Europe or the US. StartechEUS has partnered with Lebanese International Finance Executives (LIFE), a worldwide membership organization of diaspora-based Lebanese financiers that has over 250 finance executives, to help gain access to this talent pool, Khalil says.

Attracting investors knowledgeable of EU and US markets would be an advantage for StartechEUS, which promises to provide access to these markets abroad and regulatory compliance training, such as training on the General Data Protection Regulation that exists in the EU, to their partners.

Rahal says that Flat6Labs has taken a different approach. “We believe the first step needs to be the GCC and the MENA,” he says. It is

difficult for a startup developed in Beirut to be taken to Europe, because most of the validation that must happen is easier done within the region, he says, arguing that it is easier to scale and grow a startup regionally than suddenly competing against extremely well-versed founders in Europe or in the US.

Naïm said in an email that there are successful Lebanese fintech startups abroad, like Murex that was founded in Paris. “There are no reasons why a Lebanese startup with the right idea, execution, contacts and partners, couldn’t compete globally, and StartechEUS is here to facilitate this,” Naïm says.

There are a lot of challenges that fintechs must navigate in Lebanon, especially those that seek to export their product abroad. Where perception problems and a lack of a regulatory framework will be

■ There is little incentive to set up shop in Lebanon because of the difficulties faced in navigating the regulatory framework—cited by 64 percent of tech startups as a main impediment.

hurdles any fintech startup StartechEUS partners with will have to leap over, Naïm seems confident that his team is prepared to help them do so. He acknowledges that the startup ecosystem in Lebanon is still in its infancy, and he agrees that as of today there are not enough fintech players in Lebanon, but says that StartechEUS’s role will be to help nurture and accelerate the vertical’s maturity through their VC funding, mentorship, and targeting of the diaspora, and added that with the backing of BDL and the banking ecosystem, pushing this initiative forward is feasible. ■



PRESENTS

# cabriolet

## Film Festival

### 11<sup>TH</sup> EDITION

Lebanese & International short films

# UNTOLD

**7 - 8 - 9**  
**June, 2019**

St Nicolas Stairs,  
Gemmayze  
8:00 p.m.

**OPEN AIR EVENT**  
**FREE ENTRANCE**

f y t i @cabrioletff

[www.cabrioletfilmfestival.com](http://www.cabrioletfilmfestival.com)



**FRIEDRICH NAUMANN  
STIFTUNG** Für die Freiheit.



وزارة الثقافة  
Ministère de la Culture



mtv

المستقبل

touch

Managing ZOIN

CEDRUS BANK

PRINT WORKS



Canon

agenda  
culture

MIKESPORT

MALIKS

Lebanon

ALLO TAXI

Artistic Executive Mondauré

Virgin

NOSTALGIE

ISTITUTO  
italiano  
di CULTURA

EMBASSY OF DENMARK  
Beirut

Schweizerische Eidgenossenschaft  
Confédération suisse  
Confederazione Svizzera  
Confederaziun svizra

Embassy of Switzerland in Lebanon



## Great expectations



Five star hoteliers preparing for forecasted boost in tourism from Saudi Arabia

**The rising temperatures in Beirut signify a rapidly approaching summer, typically a peak tourism season in Lebanon and one that five star hoteliers in the country are eagerly anticipating.** Tourism in Lebanon has been slowly getting back on its feet over the past four years—thanks to a diversification of markets that included European and South American visitors to the country—but hospitality stakeholders expect 2019 to be the best in terms of visitor numbers to Lebanon since 2010.

The reason for this unabashed optimism largely lies in the Gulf, specifically in the lifting of the travel advisory against Lebanon by Saudi Arabia in late February. Saudi nationals had been warned against travel to Lebanon for almost seven years—although the advisory was briefly lifted in 2017 only to be reinstated following Prime Minister Hariri's retracted resignation—and over that period there was an almost consistent decrease of visitors from Saudi Arabia to Lebanon.

Lebanon's five star hoteliers are hoping the lifting of the travel advisory

means the tide has changed and GCC nationals will be flocking back to Lebanon this summer in the same volume they did pre-2012.

### THE REUNION

Following the lifting of the travel advisory, some hotels, such as the Phoenixia Hotel, say they felt an almost immediate positive impact on their occupancy rates, according to Tracey Bolton, its cluster director of sales and marketing.

Others say the real upshot of the lifting of the travel advisory manifested a bit later in the year. "Definitely, the number of visitors from the Gulf—and specifically from KSA—has increased so far in the year," says Gilbert Zeait, general manager of Gefinor Rotana. "The effect of the lifting of travel restrictions was felt to some extent when it first occurred in February, but we can talk of a significant impact to tourism in mid-April when there were school holidays in KSA." Speaking for the Four Seasons, its regional vice president and general manager Ramy Sayess says 2019 has been a positive year so far, and April

2019 was the best performing month since the hotel opened in 2010.

While the holy month of Ramadan is typically a slow one for tourism from the GCC countries, early indicators—interviews for this article were conducted in mid-May—suggest that Eid el-Fitr, this year falling in the first week of June, is going to be a busy period for Lebanon's five star hotels. Nadia Madi, director of sales and marketing at Kempinski Summerland Hotel & Resort, says the property is fully booked starting from Eid and for the remainder of June with mainly Lebanese expats, and GCC and European nationals.

Bolton says all 72 rooms in Phoenixia's sister property, Le Vendome, are already fully booked for the Eid period, and she expects Phoenixia to be fully booked as well for the same period by the time Eid is celebrated in June. She explains that their royal and presidential suites—favored by the Saudi nationals who were visiting Lebanon before the travel advisory—are being frequently booked again. "We've had support from the KSA market in the past five years—we've been lucky that way—but it hasn't been from the big spenders, so now the average rate is intrinsically increasing again because they have started to come back and book these big suites," Bolton says.

Zeait says Gefinor Rotana is at 50 percent occupancy for June—already an increase when compared to the same period in 2018—but explains that GCC nationals are usually last-minute bookers, and so he expects June occupancy to increase substantially during the last week of Ramadan. Zeait also mentions that the property's suites and two to three bedroom apartments—which are part of the hotel and serviced as





# BEIRUT INTERNATIONAL *Jewelry Show*

## Save *the* Date



30, 31 JUL - 1 AUG 2019  
SEASIDE ARENA BEIRUT

### TO LEARN MORE



+961 1 384 791



beirutjewelryshow



beirutjewelryshow



beirutjewelryshow.com

Gold Sponsor



Organized By



In Collaboration



## Saudi return

regular rooms—are an advantage in attracting Saudi tourists, who tend to travel in large groups.

**WILL THEY OR WON'T THEY?**

Now that the Saudis can visit Lebanon freely again, the question is: Will they want to? Hoteliers interviewed generally believe that they do. Although Saudi nationals have likely developed other preferred travel destinations during their almost seven-year absence from Lebanon, hoteliers are hoping that there is truth in the expression that absence makes the heart grow fonder. Madi says Lebanon is still viewed as the “ultimate summer destination among its neighboring countries,” while Sayess explains that, based on his conversations with Saudi nationals, “they love Lebanon, and they miss Lebanon, and so for them to be able to come back, it’s like finding their first love.”

In a more pragmatic manner, Bolton explains that many Saudi nationals visited Turkey when they were unable to come to Lebanon, and now that relations between Saudi and Turkey are strained, Lebanon can reap the benefits—especially since they had not been able to visit Lebanon for a while, so it feels like a new destination to them.

The younger generation of Saudis—who have grown up travelling to

the likes of London, Dubai, and even Istanbul—might conceivably pass on visiting Lebanon, but here again hotel operators are optimistic. “They will of course want to come to Lebanon because the feedback they hear about the country from those who have been here is always positive,” says Zeait. “I used to live in Saudi, and am talking from my personal experience. For those in their early 20s, and even if they had never visited Lebanon, they see it as a place where they can have fun.”

**PUT IN THE WORK**

Although the perception is that Saudi nationals are eager to revisit Lebanon, the reality is that the global tourism market has become very competitive, and in order for Lebanon to grab its piece of that pie—and attract GCC and other international business—it has to put in the effort. “It needs a push from the government to market the destination Lebanon and reposition it, targeted at the countries which have not supported Lebanon as much in the recent past,” explains Bolton. “We work very closely with the Ministry of Tourism, and we go to a lot of trade shows to represent Leba-

non—and all it has to offer in terms of history and culture—as a destination.”

Over the past three years, tourism stakeholders have indeed been working to promote Lebanon through a combined effort from the Ministry of Tourism and individual hospitality establishments, according to Sayess. In the then-absence of a steady GCC market, the European market was better developed by these stakeholders, as was the South American market with a focus on the Lebanese diaspora. This was achieved through a variety of efforts including participation in international trade shows marketing Lebanon as a destination and the organization of Visit Lebanon—the second edition of which took place at the end of May—a B2B

■ Tourism stakeholders say that summer 2019 is likely to break tourism figures records.

trade show that invites international travel and tourism agencies and introduces them to all the tourism that could be done in Lebanon.

Today, both the European and the South American tourism markets are gradually growing, and so the expected boost from the Saudi market will serve to drive visitor numbers to Lebanon even higher. This is leading several tourism stakeholders to say that summer 2019 is likely to break tourism figures records, with Sayess saying his only wish is that the works in the airport will finish in time to accommodate the large number of expected visitors. While Eid el-Fitr is predicted to set the season off on the right foot, the belief is that Eid el-Adha (in mid-August) will be when visitor numbers will flow until the end of the summer season in mid-September, provided there are no unexpected negative surprises. Stay tuned. ■



**GRAB THE BULL  
BY THE HORNS**



**POKE THE BEAR**

**FFA Direct Pro +**

## **THE WORLD'S MOST ADVANCED ONLINE TRADING PLATFORM**

- Trade stocks, Forex, futures, CFDs, bonds, funds...
- Access to more than 25 markets worldwide
- Low commission and debit interest rates
- 24/7 customer support desk
- Market news, research, insights and articles

 **FFA Private Bank**

Beirut | Dubai | [ffaprivatebank.com](http://ffaprivatebank.com)



**Executive**



# Winners Announced for the Young Lions Print Competition 2019

**Wish you were deaf?  
Some people, don't.**

The ability to listen must not limit human potential.  
Actions will forever speak louder than words, especially for the deaf.  
Those whose voices echo loudest through only their actions.

[www.alpd.org](http://www.alpd.org)  
+961 78 728 234  
info@alpd.org.lb

ALPD Bank - Hezmeieh: No. 007817  
Société Générale de Banque (SGBL): No. 240502

A photograph of Donald Trump speaking at a wooden podium. He is wearing a dark suit and a blue tie, and is gesturing with his right hand. The background is a dark, solid color.

Winners' visual - Elie Fakhry and Melissa Chamoun - Impact BBDO

Executive Magazine, the country representative of the Cannes Lions International Festival of Creativity, in cooperation with the IAA Lebanon Chapter and AA (Advertising Association), and in the presence of H.E. Mr. Jamal Jarrah, Minister of Information, had invited young creatives to take part in the fifth edition of the national Young Lions Print Competition on May 4, 2019 at the American University of Beirut. Lebanon's top young advertising talent had the chance to join world leaders in Cannes and represent Lebanon at the Cannes Lions International Festival of Creativity 2019.

Running for the fifth consecutive year, the Young Lions Print Competition challenged 39 teams of young professionals in the advertising industry. Participants were briefed onsite and given six hours to develop their print ad for Lebanese NGO L'Ecluse, whose identity was kept secret until the day of the event.

On May 7, 2019, a panel of expert judges assembled at the International Advertising Association (IAA) premises to choose the winners of the Young Lions Print competition. After a thorough judging process, Elie Fakhry and Melissa Chamoun from Impact BBDO were announced as the winners. Congratulations to the victors!

Elie and Melissa will now go on to represent Lebanon and compete internationally at the 2019 Cannes Lions Festival from June 17 to June 21, having been granted an all-expenses-paid trip, including flights with Air France our official carrier, accommodation, and a full week delegate pass to the festival.

Among the outstanding entries in this year's competition, Executive would also like to congratulate the 2nd place winners, Amar Beydoun and Youssef Yammine from Mirum, as well as the 3rd place winners, Carine Ayvazian and Anthony Hanna from Mirum.

Speaking at the launch of the competition, Mr. Yasser Akkaoui, editor-in-chief of Executive, said: "Our creative talent remains our only hope. It is imperative to nourish it, protect it, and promote it during these uncertain times. We have been able to work together with the advertising industry in order to make sure that Lebanon is represented in this festival and to make sure that the Lebanese flag and the Lebanese talent is showcased so that the whole world knows how our creative talent have outgrown Lebanon geographically and now is making Lebanon proud worldwide."

Mr. Georges Slim representing the IAA Lebanon chapter commented: "One of the main roles of the IAA is to promote young talents. Creativity simply needs one big idea. Allow your mind to travel and push the boundaries to inspire the people around you."

H.E. Minister Jamal Jarrah added: "Lebanese youth have outstanding creative abilities on a national and regional level. They can even be described as geniuses. We need to find a way to maintain this talent, to offer them job opportunities in Lebanon, and to help them contribute to the country's growth. Our only choice is to invest in them for the sake of Lebanon's future."

This competition was possible thanks to the continuous involvement and generous support of Banque Libano Française, the Lebanese advertising agencies, Clementine, Fortune Promoseven, Impact BBDO, Its, J. Walter Thompson, Memac Ogilvy, Mirum, Noise, Pimo, Republique, as well as the Olayan School of Business at AUB, and Air France our official carrier.

Executive is proud to continue supporting young, bright minds in the advertising field as we are firmly committed to nurturing Lebanon's creative talents and broadening their horizons.



# BUSINESS ESSENTIALS

## Company Bulletin

■ **Abaad** won the Campaigner Award at the 2019 **United Nations Sustainable Development Goals Action Awards** for #Undress522, spearheaded by **Leo Burnett Beirut**. The agency's campaign was recognized as the most impactful and innovative communications campaign for abolishing the infamous rape-marriage law, article 522, of the Lebanese penal code.

■ **Byblos Bank** celebrated the opening of its new Cyprus Branch premises in coastal Limassol on May 22 in the presence of business partners, bank managers, associates, and members of the media.

■ **BMW** consistently continues to pursue the brand's current model offensive whilst developing an innovative vehicle concept for the premium compact segment. During the annual results press conference, BMW AG CEO Harald Krüger will announce the presentation of the first BMW 2 Series Gran Coupe.

■ **Bank Audi** has announced the launch, in partnership with **GRG-Banking and LEVANTNET**, of the first bundle cash deposit service in Lebanon. Bank Audi deployed GRGBanking's intelligent deposit machines in its branches to increase the convenience of its customers, and optimize efficiency and security.

■ **Château Ksara** is proud to announce that its iconic Sunset 2018 has once again won a gold medal at the 16th **Mondial du Rosé** in Cannes, a competition in which over 1,000 wines from over 20 countries were submitted to 67 judges from 18 nations.

■ **WORLDWIDE INDEPENDENT NETWORK (WIN)**, an exclusive network of freight forwarders around the globe, is giving back to the community with a donation of \$11,000 to **SOS Village Lebanon**. WIN, an NGO based in Switzerland since 2000, groups more than 80 freight forwarders on five continents offering complete freight and logistics services.

■ Supported by **UNICEF**, and funded by the German government and the Kingdom of Netherlands, **Girls Got IT** held its biggest event so far, gathering more than 600 girls in the USJ campus on May 4. In this 9th edition of Girls Got IT, more than 600 girls were introduced to a world of potential in science, technology, engineering, arts, and mathematics.

■ **Alchemy Project Entertainment** is delighted to bring **Cirque du Soleil**'s iconic Big Top to Beirut for the first time ever under the Big Top with its newest production **BAZZAR**, presented by touch, hosted by **THE PARKS** (New Biel) in Furn el-Cheb-bak, supported by **MTV** and **Virgin Radio**, and co-organized by **Soliset**.

■ **Executive Magazine**, the country representative of the **Cannes Lions International Festival of Creativity**, in cooperation with the **IAA Lebanon Chapter** and **Advertising Association**, and in the presence of Minister of Information Jamal Jarrah, had invited young creatives to take part in the fifth edition of the national **Young Lions Print Competition** on May 4 at the **American University of Beirut**. On May 7, a panel of expert judges assembled at the International Advertising Association premises to choose the winners of the Young Lions Print competition. After a thorough judging process, Elie Fakhry and Melissa Chamoun from **Impact BBDO** were announced as the winners.

■ **Huawei** and **Forms Synttron** have jointly released a distributed open platform solution **Fincube** for the global financial industry. Fincube will help banks to better meet the challenges of the "Bank 4.0" era, reduce innovation costs, optimize technologies, and continuously improve service openness capabilities that enhance the experience of bank customers.

■ Under the patronage and in the presence of Minister of Economy and Trade Mansour Bteish, **Notre Dame University-Louaize**, in coop-

eration with **Chedid Re**, a member of **Chedid Capital Holding**, has signed a Memorandum of Understanding to provide scholarships to outstanding students taking the Chedid Re Masters in Actuarial Sciences.

■ In line with the spirit of the holy month of Ramadan and its values of solidarity and togetherness, **Huawei Consumer Business Group** hosted its annual media iftar dinner at Villa Linda Sursock.

■ **Samsung Electronics Co., Ltd.**, announced its ongoing commitment to foundry innovation and service at the **Samsung Foundry Forum 2019 USA**, providing the silicon community with wide-ranging updates on technology advances that support the most demanding applications of today and tomorrow.

■ **BEIRUT ART FAIR**, in partnership with **SGBL**, is thrilled to announce the names of the 10 artists selected by curator Rachel Dedman for **RE-VEALING** by SGBL 2019, following an open call, answered by over 400 artists. We extend our congratulations to Balsam Abo Zour, Yusef Audeh, Nadim Choufi, Hadi Fahlahpishah, Lynn Kodeih, Cristiana de Marchi, Hussein Nassereddine, Ieva Saudargaite Douaihi, Ghita Skali, and Maya-Ines Touam.

■ As part of its strategy to accelerate the development of AI devices for the home, **LG** has developed its own artificial intelligence chip with proprietary LG Neural Engine to better mimic the neural network of the human brain to greatly improve the processing of deep learning algorithms.

■ **Nissan** unveiled a world first in driver assistance technology, combining navigated highway driving with hands-off single-lane driving capabilities. Expanding on the award-winning **ProPILOT** system, the technology will debut on the Japanese-market Nissan Skyline in the fall of 2019.

■ For the 10th consecutive year, **Arabnet Beirut**, the longest running



digital conference in the MENA region, will gather senior government officials, entrepreneurs, and Lebanon's largest corporations to discuss the latest trends in digital business and innovation. Held under the patronage of the President of the Republic of Lebanon General Michel Aoun, Arabnet Beirut will take place on June 12-13 at the Seaside Arena, and will bring together more than 3,000 attendees and 250 regional and international experts and speakers.

■ In 2018, **Lacoste** started a three-year partnership with the **International Union for Conservation of Nature** and joined forces to help raise awareness about the extinction of threatened species and support conservation action on the ground.

■ **Nissan** e.dams has scored its best Formula E result with the team finishing the **Monaco E-Prix** with two cars in the top five and Oliver Rowland standing on the podium.

■ **Maison Rabih Kayrouz** (MRK) moved to the 19th Century Dagher Palace in Beirut's Gemmayze district on March 21.

■ During a dazzling night, **Hilton Beirut Metropolitan Palace** launched its new summer venue: the Summer Place Terrace. The opening ceremony took place on May 23 and featured a host of distinguished guests including Hilton senior representatives and members of the press.

■ On the occasion of the holy month of Ramadan, **Gefinor Rotana Hotel** hosted their special annual iftar for media partners and social media influencers on May 8 at the hotel's Olive Garden Restaurant & Terrace.

■ **GlobeMed Group** held its 2019 Executive Seminar at Hilton Habtoor Grand Hotel Lebanon over two days on May 2-3. The seminar was attended by the general managers from GlobeMed's 12 operations along with the executive team members from across the region.

■ **BMW i** is once again one of the official partners of the Coachella Valley Music and Arts Festival in 2019. For the last two years, BMW i has been building up to the festival on social media with #roadtocoachella and

is also showcasing a unique Coachella design for its BMW i models.

■ To mark the launch of the stress management unit at the **Bellevue Medical Center**, media representatives were invited to a stress-relieving day trip in Abdelli, Batroun region.

■ Global Advertising Agency of the Year **TBWA** recently held its EMEA Regional Meeting in Beirut, bringing together 65 top leaders from across 18 countries who shared their experiences and discussed future collaborations that will consolidate the collective and reinforce its determination toward a shared vision.

■ The international model and brand ambassador **Jessica Kahawaty** flawlessly slipped into a giant bright red Valentino dress for the **Met Gala 2019** after party.

■ On May 10, **JouéClub** celebrated the opening of a brand new store in the area of Mansourieh.

■ Following its recent global launch at **Geneva Motor Show**, the all new **Ferrari F8 Tributo** was unveiled by **Scuderia Lebanon**, the official Ferrari importer in Lebanon, in an exclusive event held at the dealership's Showroom in Dora, north of Beirut.

■ The **French Institute of Lebanon**, represented by its director Véronique Aulagnon, and **SGBL**, represented by its Deputy CEO Philippe Dubois, inaugurated the **Antoun Nabil Sehnaoui Cultural Space** at Cinema Montaine, in the presence of actress and producer Julie Gayet, members of the bank's general management, as well as numerous personalities from the political, media, and cinema worlds.

■ The Department of Surgery at the **American University of Beirut Medical Center** performed the first endoscopic endonasal resection of large olfactory groove meningioma in Lebanon.

■ **Ets. F.A. Kettaneh S.A.**, the exclusive distributor of **Audi** cars in Lebanon, celebrated winning of "Audi Middle East Communications Award 2019."

■ To mark the legendary **Indy 500** automobile race on May 26, **TAG**

**Heuer** has launched two sporty timepieces that feature a design inspired by the annual event.

■ For the month of Ramadan, **Careem** launched #Be\_Careem initiative as part of its Rewards Program to encourage customers to donate to the **World Food Programme**.

■ On the occasion of **International Families Day**, and in collaboration with the **United Nations Information Center in Beirut**, represented by Marguerite el-Helou, director of the center, **BASSMA** launched its fourth campaign of "International Family Month" during a dialogue session on May 9, under the high patronage of Minister of Social Affairs Richard Kouyoumjian.

■ For the ninth consecutive year, **BBAC** supported Al Jabal Marathon as main sponsor. The event held on May 5 was organized by the **Lebanese Youth Association** as well as the **Martial Arts Academy**.

■ **areeba** won the Seamless Award for "Best technological innovation in payments, B2C-Vendor," for its biometric card, during an award gala ceremony held in parallel with the **Seamless Middle East** exhibition, on April 10.

■ It was in the presence of the hospitality and tourism leaders in all their segments that the **World Travel Awards** had organized a grandiose gala dinner at the **Warner Bros. World Abu Dhabi** to announce the Middle East winners of the 26th World Travel Awards, and in which Lebanon was in the limelight with **Le Gray**, Beirut grabbing the Lebanon's Leading Luxury Hotel award.

■ **Rolls Royce** has marked 115 years of excellence and innovation and has once again produced a car capable of conquering the most hostile environments on Earth—the **Cullinan** super-luxury SUV.

■ **Ericsson** has released a new ConsumerLab report, 5G Consumer Potential, which busts industry myths surrounding the value of 5G for consumers and outlines the opportunities available for communications service providers.

■ **SGBL** announces that it has won the "Product of the Year 2019"

# BUSINESS ESSENTIALS

## Company Bulletin

award for its Super Rewards product under the most innovative banking product category.

■ **LG Electronics Inc.** announced consolidated sales of KRW 14.92 trillion (\$13.27 billion) and operating profit of KRW 900.6 billion (\$801.25 million) for the first quarter of 2019.

■ **Deezer**, the global music streaming service, has updated its app with a new look and feel that highlights the brand's human and local identity.

■ The **Lebanese Association of Actuaries** hosted its first workshop on May 3 at Gefinor Rotana Hotel in Hamra. The workshop took place in response to the increased focus, both locally and internationally, on the important role of the actuarial profession.

■ Dubbed as the Supercamera Phone, the **HUAWEI P30 Pro** comes with a revolutionary Leica Quad Camera setup, the first of its kind. The HUAWEI P30 Pro packs in four lenses which includes a 40MP main camera with the HUAWEI SuperSpectrum sensor, a 20MP Ultra-Wide angle lens for horizontal and vertical shooting, an 8MP telephoto lens with SuperZoom capabilities and a HUAWEI Time of Flight camera for beautiful portrait shots with sophisticated depth information capture.

■ **GS** has made an exciting announcement revealing the opening of their latest store in **ABC Verdun**. No stranger to taking risks, GS has always taken bold decisions and paved the way for better days ahead.

■ **Nestlé Middle East** took home the accolade for 'Best Industry Call Centre (FMCG)' largely thanks to its state-of-the-art Omni-Channel Consumer Experience Center along with their internal Nestlé Global Business Service team based in Cairo, Egypt.

■ **A.N.Boukather** launched the official Ford Mustang Club Lebanon in

the upcoming Ford Flagship on Jal el-Dib Sea Side Road. More than 120 **Ford Mustang** cars invaded the road from Dbayeh to the event's venue.

■ **Byblos Bank** issued the results of the **Byblos Bank Real Estate Demand Index** for the first quarter of 2019. The results show that the index posted a monthly average of 56.1 points in the first quarter of 2019, constituting an increase of 9.6 percent from 51.2 points in the fourth quarter of 2018, compared to a decline of 6 percent in full year 2018.

■ The Red Bus has arrived to Lebanon. The first tour of **City Sightseeing Lebanon** took place on May 4. Three red buses will be available to provide rides on a daily basis, including weekends, from 9:30 a.m. to 6:30 p.m. With a one-day ticket, valid for 24 hours, passengers can hop on and hop off as many times as they wish, while touring a designated route of 15 different stops in Beirut.

■ Global biopharmaceutical company **Takeda** announced Andrey Potapov as its Area Head for India, the Commonwealth of Independent States, the Middle East including Turkey, and Africa.

■ **Arab Bank Group** announced its results for the first quarter of 2019 reporting 5.2 percent growth in net profit after tax of \$231.8 million as compared to \$220.3 million in 2018, with net income before tax increasing by 9.1 percent to reach \$312.8 million. Group equity stood at \$8.5 billion, while loans increased to reach \$25.8 billion and deposits increased to \$33.7 billion.

■ The **InterContinental Phoenicia Beirut** has been named Best Business Hotel in Beirut at the 2019 **Business Traveller Middle East Awards**, which took place on April 28 at Grand Plaza Mövenpick Media City in Dubai. This marks the eighth time that Phoenicia Hotel has scooped the title of Best Business Hotel in Beirut in recent years.

■ **Hilton** celebrated its milestone 100th anniversary in Lebanon, in the midst of the most dynamic year in the company's storied history. The three Hilton hotels operating in Lebanon, **Hilton Beirut Habtoor Grand**, **Hilton Beirut Metropolitan Palace**, and **Hilton Beirut Downtown**, chose Ramlet el-Baida—the only remaining public beach in Beirut—to commemorate this momentous occasion with their peers who came from all over the world.

■ Under the patronage of Minister of Energy and Water Nada Boustani Khoury, **Total Liban** and **IPT** announced, during a ceremony held at Villa Linda Sursock, Ashrafieh, their strategic partnership that resulted in the establishment of a new company Fuel Logistics Co. sa, which specializes in the provision of logistics services and the supply of petroleum products.

■ The **CMA CGM Group** launched CMA CGM eSolutions, an entirely digital eco-system comprising an online agency and other eCommerce channels, such as electronic data interchanges and application programming interfaces, which allow the digital transmission of relevant information and data between CMA CGM and its customers.

■ **Spinneys**, the premier supermarket retailer in Lebanon, introduced the ultimate gourmet experience with the grand opening of their new **Signature** store in Beirut Souks. Being in the heart of Beirut, Signature by Spinneys offers a high-end shopping experience with international cuisine options available to satisfy more than just shopping needs.

■ The security industry in Lebanon is not just a business industry, it deals with people's valuables and lives, thus it should be taken more seriously. The COO of **SPC**, Boulos Balaa, reveals how and why industries must choose the right company for the job. ■

# Donate Monthly & Save Her Life

Be part of CCCL's  
**Give Hope  
Program**

You can make your automatic  
monthly donation through:

- Your Bank • Online
- Request a complimentary  
pick up in Lebanon

Register by calling:

+961 (1) 351515

+961 (70) 351515

Your monthly donation will help  
Lynn, 6 years, fight cancer.





# BUSINESS ESSENTIALS

## Events

### CONFERENCES

	ORGANIZERS	CONTACT	WEBSITE
<b>LEBANON</b>			
7-9 Jun	<b>LEBANESE DIASPORA ENERGY</b> Ministry of Foreign Affairs	+961 81 970 446; info@lde-leb.com	www.lde-leb.com
12-13 Jun	<b>ARABNET BEIRUT</b> Arabnet	+961 1 658 444; info@arabnet.me	www.arabnet.me
13-14 Jun	<b>CITIZENSHIP BY INVESTMENT PROPERTY FAIR AND CONFERENCE</b> Promoteam	+961 1 577 203; sm@promoteam.me	www.promoteam.me
19-20 Jun	<b>EAST MED MARITIME CONFERENCE</b> Oceanic Spark	+961 5 815 835; info@emmc.me	www.emmc.me
4 Jul	<b>OIL AND GAS EASTMED FORUM</b> Al Iktissad Wal Aamal Group	+961 1 780 200; forums@iktissad.com	www.iktissadevents.com
18 Sep	<b>DIGITAL LEBANON CONFERENCE</b> Al Iktissad Wal Aamal Group	+961 1 780 200; forums@iktissad.com	www.iktissadevents.com
25-27 Sep	<b>INTERNATIONAL BEIRUT ENERGY FORUM</b> MCE Group	+961 9 900 110; events@mcegroup.net	www.mcegroup.net
<b>DUBAI</b>			
17-18 Jun	<b>COMPENSATION AND BENEFITS FORUM</b> Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informaexhibitions.com
1 Sep	<b>THE PRIVATE SECTOR'S UPGRADING STRATEGY CONFERENCE</b> Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
1-2 Sep	<b>GCC FUTURE LEADERS CONFERENCE</b> Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
1-2 Sep	<b>24TH GCC NATIONALIZATION AND EMPOWERMENT CONFERENCE</b> Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
1-5 Sep	<b>8TH GCC MUNICIPALITIES AND INTEGRATED AND SUSTAINABLE CITIES CONFERENCE</b> Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
2 Sep	<b>GCC STARTUP AND SME SUMMIT</b> Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
4 Sep	<b>GLOBAL ONLINE SHOPPING PORTALS EFFECTS ON GCC RETAIL INDUSTRY CONFERENCE</b> Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
5 Sep	<b>EPAYMENT STRATEGY CONFERENCE</b> Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
24 Sep	<b>CITYSCAPE GLOBAL CONFERENCE</b> Cityscape Global	+971 4 407 2528; register@cityscape.org; delegate@informa.com	www.cityscapeglobal.com
24-25 Sep	<b>TELECOMS WORLD MIDDLE EAST</b> Terrapinn	+971 4 440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
6-8 Oct	<b>DATAMATIX GITEX CONFERENCE</b> Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
9 Oct	<b>GOVERNMENT AND BUSINESS LEADING CEO CONFERENCE</b> Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
16-17 Oct	<b>PROCUREMENT STRATEGY SUMMIT</b> Fleming	+421 257 272 100; info@fleming.events	www.fleming.events
28-29 Oct	<b>ENTERPRISE FINTECH SUMMIT</b> Naseba	+971 4 581 4300; prachid@naseba.com	www.naseba.com
28-29 Oct	<b>WOMEN IN LEADERSHIP ECONOMIC FORUM</b> Naseba	+971 4 581 4300; prachid@naseba.com	www.naseba.com
30-31 Oct	<b>DIGITAL CFO FORUM</b> Naseba	+971 4 581 4300; prachid@naseba.com	www.naseba.com
<b>ABU DHABI</b>			
16-17 Sep	<b>2ND BUILDING CAPABILITY AND FUTURE CAREERS 2019</b> Advanced Conferences & Meetings	+971 4 563 1555; opportunities@acm-events.com	www.acm-events.com

29-30 Sep	<b>FUTURE DRAINAGE &amp; STORMWATER NETWORKS 2019</b> Advanced Conferences & Meetings	+971 4 563 1555; opportunities@acm-events.com	www.acm-events.com
29-30 Oct	<b>INFORMATION TECHNOLOGY</b> Advanced Conferences & Meetings	+971 4 563 1555; opportunities@acm-events.com	www.acm-events.com
29-30 Oct	<b>ABU DHABI SMART CITY SUMMIT</b> Advanced Conferences & Meetings	+971 4 563 1555; opportunities@acm-events.com	www.acm-events.com

## SAUDI ARABIA

4-5 Nov	<b>WET INFRASTRUCTURE SUMMIT</b> Advanced Conferences & Meetings	+971 4 563 1555; opportunities@acm-events.com	www.acm-events.com
4-5 Nov	<b>FUTURE LANDSCAPE AND PLAYSPACES KSA 2019</b> Advanced Conferences & Meetings	+971 4 563 1555; opportunities@acm-events.com	www.acm-events.com
11-12 Nov	<b>RETROFITTECH</b> Advanced Conferences & Meetings	+971 4 563 1555; opportunities@acm-events.com	www.acm-events.com
3-4 Dec	<b>ATD 2019</b> Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informa-mea.com

## EGYPT

11-13 Jul	<b>COMBATING ANTI-MONEY LAUNDERING AND TERRORISM FINANCING FORUM</b> Union of Arab Banks	+961 1 377 800; uab@uabonline.org	www.uabonline.org
3-4 Sep	<b>SHARED SERVICES AND OUTSOURCING FORUM MIDDLE EAST</b> IQPC	+030 2091 3274; info@iqpc.de	www.iqpc.ae
25-26 Sep	<b>MEDIATION AND ARBITRATION IN ARAB BANKS AND FINANCIAL INSTITUTIONS CONFERENCE</b> Union of Arab Banks	+961 1 377800; uab@uabonline.org	www.uabonline.org
9-11 Dec	<b>FOOD AFRICA CAIRO</b> IFP	+961 5 959 111 ext 301 (Lina); info@ifpexpo.com	www.ifpexpo.com

## KUWAIT

16-18 Sep	<b>ANNUAL MAINTENANCE KUWAIT SUMMIT</b> IQPC	+030 20913 274; info@iqpc.de	www.iqpc.ae
25-27 Nov	<b>ANNUAL MILITARY LOGISTICS AND PROCUREMENT</b> IQPC	+030 20913 274; info@iqpc.de	www.iqpc.ae

## BAHRAIN

14-16 Oct	<b>5TH MIDDLE EAST PROCESS ENGINEERING CONFERENCE &amp; EXHIBITION</b> Middle East Energy Events	+971 4 427 0739; info@mee-events.com	www.me3-events.com
14-16 Oct	<b>WORLD PETROLEUM COUNCIL (WPC) DOWNSTREAM CONFERENCE</b> Middle East Energy Events	+971 4 427 0739; info@mee-events.com	www.me3-events.com
14-16 Oct	<b>3RD LEADERSHIP EXCELLENCE FOR WOMEN AWARDS &amp; SYMPOSIUM</b> Middle East Energy Events	+971 4 427 0739; info@mee-events.com	www.me3-events.com
19-21 Nov	<b>ARAB INTERNATIONAL ALUMINIUM CONFERENCE</b> BME Events	+202 2 564 4116; info@bme-global.com	thebme-group.com

## JORDAN

8-9 Oct	<b>THE IMPACT OF ECONOMIC SANCTIONS AND TRADE WARS ON BANKS AND FINANCIAL INSTITUTIONS</b> Union of Arab Banks	+961 1 377 800; uab@uabonline.org	www.uabonline.org
---------	---	-----------------------------------	-------------------

## QATAR

11-12 Sep	<b>QATAR WATER INFRASTRUCTURE CONFERENCE</b> IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
2-3 Oct	<b>COMBATING FINANCIAL CRIMES: COMPLIANCE WITH EVOLVING GLOBAL AML/CFT STANDARDS</b> Union of Arab Banks	+961 1 377 800; uab@uabonline.org	www.uabonline.org
12-14 Nov	<b>HOSPITALITY QATAR</b> IFP	+961 5 959 111 ext 301 (Lina); info@ifpexpo.com	www.ifpexpo.com

## OMAN

23-25 Sep	<b>OMAN HEALTH CONFERENCE</b> Oman Expo	+968 2 466 0124; info@omanexpo.com	www.omanexpo.com
29-30 Oct	<b>GULF FORUM FOR RISK MANAGEMENT</b> Union of Arab Banks	+961 1 377 800; uab@uabonline.org	www.uabonline.org

# BUSINESS ESSENTIALS

## Events

### EXHIBITIONS

	ORGANIZERS	CONTACT	WEBSITE
<b>LEBANON</b>			
5-8 Jun	<b>GARDEN SHOW AND SPRING FESTIVAL</b> Hospitality Services	+961 1 480 081; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb
5-8 Jun	<b>TRAVEL LEBANON</b> Hospitality Services	+961 1 480 081; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb
13-14 Jun	<b>CITIZENSHIP BY INVESTMENT PROPERTY FAIR AND CONFERENCE</b> Promoteam	+961 1 577 203; sm@promoteam.me	www.promoteam.me
18-21 Jun	<b>PROJECT LEBANON</b> IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
27-29 Jun	<b>JAMALOUKIKON</b> Promofair	+961 1 561 600; info@promofair.com.lb	www.promofair.com.lb
2-7 Jul	<b>BEIRUT DESIGN WEEK</b> The Creative 9	+961 1 759 399; nine@beirutdesignweek.org	www.beirutdesignweek.org
4-6 Jul	<b>BYBLOS EN BLANC ET ROSE</b> Eventions	+961 1 208 085; info@eventionslv.com	www.vinifestlebanon.com
30 Jul-1 Aug	<b>BEIRUT INTERNATIONAL JEWELLERY SHOW</b> MICE Lebanon	+961 1 384 791; christian@miclebanon.com	www.beirutjewelryshow.com
3-4 Aug	<b>VINIPICNIC</b> Eventions	+961 1 208 085; info@eventionslv.com	www.vinifestlebanon.com
27-29 Sep	<b>BEIRUT RESTAURANT FESTIVAL</b> Hospitality Services	+961 1 480 081; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb
2-5 Oct	<b>VINIFEST</b> Eventions	+961 1 208 085; info@eventionslv.com	www.vinifestlebanon.com
10-12 Oct	<b>WHISKY LIVE BEIRUT</b> Hospitality Services	+961 1 480 081; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb
15-18 Oct	<b>4PEAST MED</b> IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
17-20 Oct	<b>WEDDING FOLIES: THE BRIDAL EXPO</b> Promofair	+961 1 561 600; info@promofair.com.lb	www.promofair.com.lb
24-28 Oct	<b>ROYAL WEDDING FAIR</b> Wedding malls	+961 3 824 364; info@weddingmalls.com	www.weddingsmall.com
<b>DUBAI</b>			
10-12 Jun	<b>AUTOMECHANIKA DUBAI</b> Messe Frankfurt Middle East GmbH	+971 4 389 4500; automechanika@uae.messefrankfurt.com	www.ae.messefrankfurt.com
10-12 Jun	<b>HARDWARE + TOOLS MIDDLE EAST</b> Messe Frankfurt Middle East GmbH	+971 4 389 4500; hardware-tools@uae.messefrankfurt.com	www.ae.messefrankfurt.com
3-4 Sep	<b>SPS AUTOMOTIVE MIDDLE EAST</b> Messe Frankfurt Middle East GmbH	+971 4 389 4500; info@spsautomationme.com	www.ae.messefrankfurt.com
3-5 Sep	<b>MATERIALS HANDLING MIDDLE EAST</b> Messe Frankfurt Middle East GmbH	+971 4 389 4500; materialshandling@uae.messefrankfurt.com	www.ae.messefrankfurt.com
23-24 Sep	<b>SEATRADE OFFSHORE MARINE AND WORKBOATS</b> Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informaexhibitions.com
25-27 Sep	<b>CITYSCAPE GLOBAL</b> Informa Middle East	+971 4 407 2528; info@cityscapeglobal.com	www.informaexhibitions.com
14-15 Oct	<b>THE AVIATION SHOW</b> Terrapinn	+971 4 440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
15-17 Oct	<b>LIGHT MIDDLE EAST</b> Messe Frankfurt Middle East GmbH	+971 4 389 4500; light@uae.messefrankfurt.com	www.ae.messefrankfurt.com
15-17 Oct	<b>PROLIGHT + SOUND MIDDLE EAST</b> Messe Frankfurt Middle East GmbH	+971 4 389 4500; prolightsound@uae.messefrankfurt.com	www.ae.messefrankfurt.com



## ORGANIZERS

## CONTACT

## WEBSITE

### ABU DHABI

26-29 Jun	<b>BRIDE SHOW ABU DHABI</b> Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informaexhibitions.com
24-26 Oct	<b>MIDDLE EAST GAMES CON</b> Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informaexhibitions.com
31 Oct	<b>INTERNATIONAL REAL ESTATE SHOW</b> Dome Exhibitions	+971 2 674 4040; domexh@emirates.net.ae	www.domeexhibitions.com
31 Oct	<b>RESIDENCY AND CITIZENSHIP EXPO</b> Dome Exhibitions	+971 2 674 4040; domexh@emirates.net.ae	www.domeexhibitions.com

### BAHRAIN

24-26 Sep	<b>GULF INDUSTRY FAIR</b> Hilal Conferences & Exhibitions	+973 17 299 123; info@hilalce.com	www.hilalce.com
24-26 Sep	<b>CHINA MACE MACHINERY FAIR</b> Pinnacle Communications	+973 17 215 665; info@pinnaclebh.com	www.abc-bahrain.com
24-26 Sep	<b>ITECH FOR INDUSTRY</b> Pinnacle Communications	+973 17 215 665; info@pinnaclebh.com	www.abc-bahrain.com

### EGYPT

9-12 Sep	<b>SAHARA EXPO</b> Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informaexhibitions.com
17-19 Oct	<b>NEXT MOVE</b> Informa Middle East	+971 4 407 2528; faariss.khalil@informa.com	www.informaexhibitions.com

### SAUDI ARABIA

7-10 Oct	<b>SAUDI BUILD</b> Riyadh Exhibitions Company REC Expo	+966 1 454 1448; info@recexpo.com	www.recexpo.com
21-24 Oct	<b>SAUDI AGRICULTURE</b> Riyadh Exhibitions Company REC Expo	+966 1 454 1448; info@recexpo.com	www.recexpo.com
27-29 Oct	<b>BEAUTY WORLD SAUDI ARABIA</b> Messe Frankfurt Middle East GmbH	+971 4 389 4500; elaine.oconnell@uae.messefrankfurt.com	www.ae.messefrankfurt.com

### JORDAN

15-17 Oct	<b>HORECA JORDAN</b> Hospitality Services	+961 1 480 081; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb
-----------	--	---	--------------------------------

### IRAQ

30 Sep-3 Oct	<b>PROJECT IRAQ</b> IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
--------------	----------------------------	----------------------------------	-----------------

# LAST WORD

By Paul Morcos

## A fight on many sides

Press freedom in Lebanon today

**At the time when it is essential for the press to be independent, when everyone should be investing their efforts into safeguarding the well-being of the press, instead, the world over, there are economic, religious, political, and legal pressures that are controlling the freedom of expression of journalists, media outlets, and even citizens themselves.**

Freedom of the press has always been perceived as a trademark of democracy. It is protected by both local law and international convention. In the fundamental provisions of the Lebanese constitution it is stated that “Lebanon is a democratic parliamentary republic based on respect for public liberties especially the freedom of opinion,” while article 13 stipulates that “the freedom to express one’s opinion orally or in writing, the freedom of the press, the freedom of assembly, and the freedom of association shall be guaranteed within the limits established by law.” Internationally, the first principle of the declaration on media freedom in the Arab World—adopted on May 3, 2016 in Morocco—verifies freedom of expression, including media freedom, as being a fundamental human right to seek, receive, and transmit information and ideas of all kinds through any means of communication, even across frontiers.

The fundamentals of a democratic society are the rotation of power, freedom of expression, and independence; if any of these are lacking, the nation or state shall no longer be considered democratic. In Lebanon, the relationship between the media and public opinion remains ambiguous, in the

sense that media freedom is juxtaposed with partisanship and hidden or open dependencies. This, unfortunately, results from most media institutions being dependent on the influence of religious communities and funding from the different political parties.

Freedom of the press in Lebanon has always been at risk; many Lebanese journalists have been assassinated for their opinions. In honor of World Press Freedom Day, celebrated on May 3 of every year, the regional office in Beirut of the United Nations Educational, Scientific and Cultural Organization, organized a conference on May 2, 2019 entitled: “Media for Democracy: Journalism and elections in times of disinformation.” During the event, it was revealed that between 2016 and 2019 around 100 summons of journalists were recorded in Lebanon. The main reason behind these summons were journalists turning to social media to publish their personal point of view on certain subjects. These numbers are shocking and increasing from one year to another. Lebanon’s press freedoms have been regressing since 2015 because of these arrests.

Can we expect this issue to be resolved when almost every media institution is politicized? Can we safeguard the freedom of the press at a time when social media has—for better and for worse—allowed anyone to disseminate information? Can we preserve freedom of the press when laws are not being respected anymore due to a lack of authority and mal implementation?

In civil states everyone’s rights are well preserved. The Lebanese political system allows for freedom of expression and of the media; had this been obstructed we could no longer call Lebanon democratic. It is a journalist’s job to report the news impartially and with objectivity, yet the media landscape in Lebanon—with the affiliation of media outlets to certain political forces—makes this difficult, and self-censorship has been common among journalists in the country.

Media is a major leeway for people to communicate their ideas and opinions; it is the window that exposes them to news and information. More importantly, it remains the crucial ombudsman watching over the performance of the ruling bodies. That is why it is essential to support its freedom and safeguard it.

For us to achieve full press freedom, the government should take legislative actions through, for example,

■ Can we safeguard freedom of the press at a time when social media has—for better or worse—allowed anyone to disseminate information?

reviewing the current laws pertaining to media and information, passing new laws, enacting the laws relating to detecting corruption and the data protection act, and modernizing the penal code. This, however, will not be enough if we suffer from a lack of commitment to the ethical and professional standards required to realize full freedom of the press. ■

*Dr. Paul Morcos is an attorney at law and the founder of JUSTICIA, a non-profit civil society organization in Lebanon.*

You see a family recreating art.



At Fidus,  
we see a USD 57 million  
Van Gogh masterpiece.



We know a good investment when we see one

Private Wealth Management • Trading and Capital Markets • Funds & Structured Products Advisory

+961.1.990600 • [www.fidus.com.lb](http://www.fidus.com.lb)

**fidus**  
WEALTH MANAGEMENT



فائز في فئة  
المصرفية  
Winner  
Banking Category



# #1 INNOVATIVE BANKING PRODUCT

Our Super Rewards loyalty program has been voted the most innovative product in Lebanon's banking sector.



دراسة إحصائية مستقلة أجريت من قبل شركة Nielsen على عينة ١,٦٠٠ مستهلك لبناني  
Independent national survey conducted by Nielsen on a sample of 1,600 consumers in Lebanon