

Executive3

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EDITORIAL

#202

Enough brand confusion

I'm confused. Every time we write about the country's entrepreneurship ecosystem, our researchers and fact checkers conduct extensive investigations in an attempt to once and for all classify central bank circular 331 in the right policy framework. They always come to the same conclusion: it's an equity guarantee. The whole purpose of this policy instrument is to mitigate the high risk of the "valley of death" or when there is a high probability that a startup firm will die off before a steady stream of revenues is established.

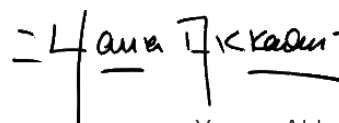
With all due respect, the handful of venture capital (VC) funds currently deploying guaranteed capital are not serving that purpose. They're thirsty for revenues such as private equity (PE) funds, not value creation such as VCs. They're all looking at ticket sizes of \$1 million or more in companies that are past the proof-of-concept stage and starting to see some real cashflows. These aren't seed tickets and definitely don't need a guarantee. Don't get me wrong, growth-stage companies in Lebanon were startups back when the ecosystem was smaller, functioning with little institutional support and starving for capital. They are more than worthy of investment but in a manner that allows limited partners (LP)'s or shareholders to enjoy the risk and rewards that come with financing a limited liability company (LLC).

No wonder funds are complaining of lack of deals. But what about the young companies that have graduated from Bootcamp, Speed and the UK-Lebanon Tech Hub? This equity guarantee is for them. It's meant to help them and many, many others that are still not even aware that 331 exists to help them make it to the other side of the "valley of death" so they too can one day welcome the big tickets and stay in Lebanon instead of looking elsewhere.

For seed funding to start finding the right targets we need many more accelerators, co-working spaces and marketing tactics to discover and nourish all the remaining scattered talent. There are many excellent opportunities that are equally tech and scalable; in this issue, for example, we bring to you a selection of entrepreneurs in the agro sector.

Banks and investors that make the leap of faith to support accelerators should have the first right of refusal to invest in graduates of these programs and not the other way around. Only those investments are worthy of an equity guarantee.

As 331 money gets allocated quickly, it is not too late to reconsider the structure and rewards of existing funds with special attention to carried interest arrangements. The time is now to give our only working policy its rightful purpose. Let's reprioritise our goals so that everyone can benefit from a just share in the pie.



Yasser Akkaoui
Editor-in-chief

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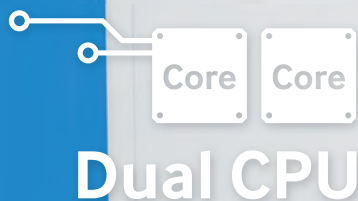
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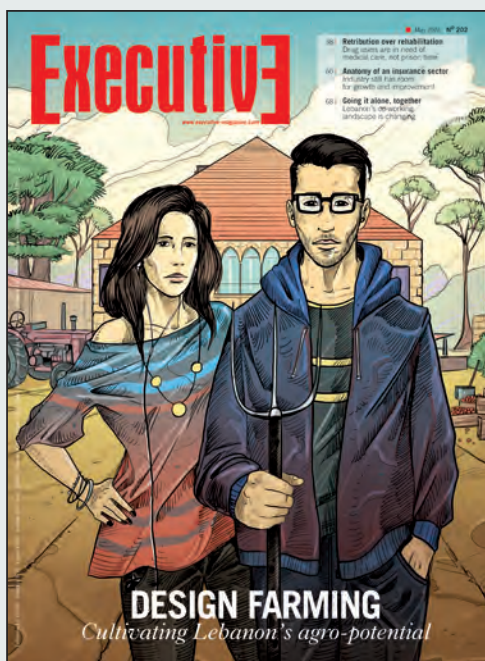


Illustration by Ivan Debs

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A male model with dark hair and a serious expression is shown from the chest up. He is wearing a white long-sleeved shirt with a vibrant, detailed print of various seashells and marine life in shades of blue, green, yellow, and orange. His right hand is raised, with fingers slightly curled, resting near his chin. The background is a solid, neutral-toned wall.

VERSACE COLLECTION

LAST MONTH

ZOOM IN



A Syrian sex trafficking victim sits in her safe-house at an undisclosed location in Lebanon on April 13, 2016, after she fled a brothel in Lebanon where she was being held captive.

Lebanon police break up major human trafficking sex ring

Lebanon's Internal Security Forces announced the bust of a major human trafficking ring on March 31, rescuing 75 women, mostly Syrians, who had been forced into prostitution. The raids, the biggest of their kind to occur in Lebanon in recent years, took place at various apartments and nightclubs in the city of Jounieh. Jounieh's Maameltein district is notorious in the country, widely regarded as Lebanon's "red light" district. Police said that the women were beaten and tortured in order to coerce them into becoming sex slaves. The revelation of the human trafficking and sex ring caused a scandal across the country, particularly with the arrest of a Lebanese doctor who performed 200 forced abortions on the imprisoned women. Following the closure of the trafficking ring, police have also raided several other venues around the country for links to prostitution, as well as a network that was using social media to facilitate its work.

extraction team, in a case that made world-wide news. A video of the incident emerged shortly after the kidnapping, showing several men snatching the children off a street when they were walking with their grandmother. Lebanese police managed to locate the children before they were smuggled out of the country and arrested their mother, Sally Faulkner, along with members of the child extraction team and an Australian television crew who were documenting the operation. Faulkner and the Australian journalists were later freed after Faulkner's ex husband, Ali al-Amin – who brought the children to Lebanon last May and refused to return them to their mother in Australia – dropped personal charges in the case.

Former Minister Samaha sentenced for terror plot

On April 8 the Military Court of Cassation sentenced former Information Minister Michel Samaha to 13 years in prison during a retrial for his plans to establish a terror network in Lebanon to assassinate prominent political and religious figures who opposed Syrian President Bashar al-Assad. Samaha was first arrested in 2012 and convicted of terrorism charges in May 2015. However, the ex-minister was released in January 2016, less than a year into his four-and-a-half-year sentence. After his release, several videos and audio recordings emerged that

Botched child abduction in Beirut causes controversy

Two Lebanese children were kidnapped in the Beirut suburb of Hadath on April 6 by their Australian mother and a professional child



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LAST MONTH

QUOTE OF THE MONTH

“Let them continue with their corruption claims against each other away from the Municipal Council. This is our battle.”

Ibrahim Mneimneh, head of Beirut Madinati, an independent grassroots consortium putting forth a list of candidates for the Municipal elections in Beirut on May 8.

showed Samaha receiving orders from a top aide to Assad who provided him with explosives and suggested possible targets. His release and the leaked evidence caused outcry across the Lebanese political spectrum, leading to the resignation of Justice Minister Ashraf Rifi and the eventual retrial of the ex-minister in Lebanon's military court.



French President visits Lebanon

French President Francois Hollande made a two day visit to Lebanon on April 16 where he met Lebanese political, religious and military officials, and toured a Syrian refugee camp. The French head of state expressed solidarity with Lebanon for the ISIS terrorist bombing in Beirut's Burj al-Barajneh neighborhood in November 2015, which occurred a day before an attack in Paris that left 130 dead. Hollande also said that his government was lobbying Saudi Arabia to restore its \$3 billion arms grant to Lebanon, which was suspended by Riyadh in February. During a visit to a Syrian refugee camp in the Bekaa Valley, Hollande also praised Lebanon for housing a large number of Syrian refugees, saying French aid to help it deal with the refugee crisis will reach 50 million euros (\$56.4 million) in 2016, and 100 million euros over the next three years.

UN peace talks in Geneva put on hold as Syria ceasefire effectively ends

Another round of Syria peace talks held in Geneva looked doomed to fail after opposition representatives declared a pause in negotiations on April 18. The move by opposition High Negotiations Committee (HNC) came in response to recent military gains by the government around the northern Syrian city of Aleppo. Syrian rebels also responded to the government advances by announcing their own offensive, effectively ending the ceasefire that went into place on February 27. It is unclear when or if the UN-backed peace talks will resume as violence in Syria ratchets back up to pre-truce levels. Russian Deputy Foreign Minister Mikhail Bogdanov claimed talks were set to resume on May 10 but the UN refused to confirm the date, while the HNC said they would refuse to resume peace talks until the situation on the ground in Syria improved.

Independent political movements seek to shake up Beirut elections

On April 22 the independent political movement Beirut Madinati (Beirut My City) announced its candidates for the Beirut municipal elections scheduled for May. The movement's 24 person list, half of whom are women, is a collection of technocrats, activists and artists seeking to uproot the traditional political class in the capital. Beirut Madinati's platform includes plans for adding more public space in the city, relieving traffic congestion with new public transportation and promoting recycling initiatives to limit the capital's waste. The Future Movement has also announced a list of candidates who will be contesting the municipal polls, along with former Labor Minister Charbel Nahhas, who is leading another new independent political grouping, Citizens within a State. Municipal elections are scheduled to take place in Beirut on May 8.



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LEADERS

AGRICULTURE

A sector worth saving

Creating growth is vital for Lebanon

“Pity the nation that eats a bread it does not harvest,” wrote Gebran Khalil Gebran back in 1934. Lebanon, which today imports up to 80 percent of its food needs (according to a yet to be published report prepared for ESCWA,) is far from harvesting its own bread and is in dire need of redesigning and modernizing its agriculture sector.

While it is unlikely Lebanon will ever be 100 percent food sufficient (producing enough food items to feed its own people) due to a variety of reasons ranging from its small size to the high cost involved in reaching that level of sufficiency, the potential to be more competitive, closer to food self-sufficiency and less food insecure (see Last Word page 104) is too big to be squandered.

Lebanon has a unique climate and topography compared to the rest of the region, allowing it to accommodate the planting of different produce at different altitudes. While the country has 250,000 hectares of agricultural land, only around 70,000 hectares of it is currently irrigated: the rest is therefore not being maximized to its full potential.

Today agriculture contributes only 5.5 percent to Lebanon’s GDP but even within that percentage, a lot can, and should, be done to maximize its impact on the country and on the livelihoods of the people working within that sector. These workers account for 20 to 30 percent of the population and are generally of a low socioeconomic level, according to Isam Bashour, professor of agriculture at American University of Beirut.

The potential is there but it is being buried under a lack of planning and management. Moreover, there is chaos

across the farming industry as a result of a lack of regulation and monitoring of anything, ranging from what and how much pesticide to use to the quality of water used in irrigation, to post-harvest control (see overview page 16).

Before the sector can develop any further, the farming industry needs regulations to ensure the quality and safety of produce: there should be national guidelines and procedures across all levels of the farming process. More importantly, a ministerial monitoring body needs to be put in place to make sure these regulations are enforced, with consequences if they are not. Those in the agriculture sector, from farmers to wholesalers, need to know that “cutting corners” will not be tolerated anymore and consumers need to be able to trust that locally-grown produce, even if not internationally certified, is still safe to eat.

The sector would also benefit from a long-term strategic plan that would outline its development of more modern methods of farming and a more diverse range of produce, instead of most farmers planting the same crops every year, such as potatoes and apples, which is largely what is happening now. This would also make Lebanese produce more competitive within the export market and improve the livelihood of farmers by bettering the ways in which they currently work. The good news is Lebanon already has a five year plan for the development of the agricultural sector. The Ministry of Agriculture Strategy 2015-2019 report has eight courses of action ranging from sustainable development, to modernizing farming, to getting more youth involved in the sector. If this strategy is implemented to the fullest it could mean a lot of positive changes within the agriculture sector. But with a ministerial allocation of 0.5 percent of the state’s total budget, and with previous experience of government-led initiatives, progress is most likely to be stilted or slow.

The developing and reinforcing of regulations, and the creation of a nationwide strategic plan for the sector, is the role and responsibility of the government through the Ministry of Agriculture. But in Lebanon, the private sector and institutions have always had a role to play in the development of the country and agriculture should be no exception.

Already, educational institutions around the country are involved in applied research projects on the utilization of innovative farming techniques in the country. Within the past five years, there has been a rise in private sector entrepreneurial initiatives within the farming sector, whether through introducing new crop varieties to the country or new products derived from existing produce (see profiles starting page 24) or simply the betterment of the quality of existing produce (see Biomass Q&A page 34). These entrepreneurs have demonstrated the opportunities that exist within the farming sector, developing a local and export market for their produce, and have shown us what can happen when innovation and new ways of thought are applied to this sector.

Such private sector investments should be highlighted and more of them should be encouraged through incentives. Kafalat should be commended for the work it has done in supporting small and medium enterprises, many of which are within the agricultural sector, but similar loans need to be offered for larger-scale operations if they are to grow to a national level.

In short, the agriculture sector in Lebanon has been neglected for too long. If we want to improve our resources and maximize the very real potential we have right here on our soil then it is time to rethink our approach to the sector and to join the modern farming world.



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LEADERS

INSURANCE

Insuring a healthy economy

Adaptation is key to the future of the sector

Insurance is good for an economy. It is as simple as that. By being insured, that is by dedicating between 3 and 10 percent of their gross domestic product to financial care and protection of life, economic stakeholders in developed countries globally manage risk and prepare for problems arising in any situation – from earthquakes, floods and other natural catastrophes to manmade perils and plain old needs for health care or the accumulation of capitals for times of needs.

In the estimate of Swiss Re Sigma, a research institution affiliated with large global reinsurer Swiss Re, global real premium income is forecast to rise by 4 percent in 2016 and 4.2 percent in 2017, with emerging markets as the main driver. According to Sigma, insurance in the Middle East and North Africa region (MENA) is expected to witness a strong improvement to 8–9 percent premium growth in real terms. The outlook for life insurance in MENA is for insurance to benefit from the region's "robust economic development and favorable demographics" but the reinsurer also noted that life insurance on a regional level – including Pakistan for the purpose – is low in the region comprising the Middle East, Turkey and Pakistan (METP) at 16 percent of total premiums in the METP region. To realize the potential for growth, stringent and comprehensive regulations as well as utilization of technical tools and Takaful – insurance systems in compliance with Islamic law – are needed.

Since the middle of the last century, the insurance industry in the Middle East has been a part of the equation, taking the much older concept

of mutual protection to new heights. Risks change, however, and insurance needs to adapt to new practices – such as digital distribution and cyber insurance – and to new challenges related to issues as diverse as the human impact on climate and the aging of our societies. To address changes and challenges, bright minds in regional insurance have over many years teamed up with international experts in events such as the biennial large conferences of the General Arab Insurance Federation (GAIF).

Lebanon has been a pioneer in the development of insurance services and skills – from actuarial knowledge to underwriting and marketing – in the Middle East. It is the host of GAIF this month. As such, the country plays an integral role in the rollout of services for insurance and in discussions of the challenges that regional insurers should tackle over the coming years. However, GAIF is often also a political event and is exposed to the internal politics of the sector and to the politics of Arab governments. This is reflected in the program and composition of GAIF.

In 2016, for example, EXECUTIVE has found only a handful of GAIF registered delegates from the largest economy in the MENA region, Saudi Arabia. Out of nearly 1,300 participants who registered one month before the event, only 5 percent were shown as originating in their work identities from the three Gulf countries of Kuwait, Qatar and Saudi Arabia.

Saudi Arabia has just published its vision (2030) to turn the kingdom into, among other things, an economic hub and global investment powerhouse. This vision promises

a "tolerant country with Islam as its constitution and moderation as its method" with "healthier employment opportunities for citizens and long-term prosperity for all."

The future envisioned by Saudi planners – and that is importantly not some foreign product of hapless civil-society people but is based on holy writ and identity and introduced by the royal chairman of the Council for Economic and Development Affairs, Muhammad Bin Salman Bin Abdulaziz Al-Saud – will include increased room for economic development of SMEs and commitment to education, health, housing resources, such as mortgages, and becoming "a leader in competitively managing assets, funding and investment."

That is good news for insurance, which has an integral role not only in investment, financial markets and risk anticipation but also in all areas where governance and transparency are prioritized. One can take events and conferences such as GAIF as rituals or as possibilities to innovate in

■ Lebanon has been a pioneer in the development of insurance services and skills – from actuarial knowledge to underwriting and marketing – in the Middle East

an area that is of vital importance for this region, all the more as improvements in insurance profitability in developed markets will remain subdued by pretty much every expectation. EXECUTIVE stands with the call for improved collaboration in the insurance sector of the Arab world, whether in the area of regulatory stringency or in the development of our products, services and financial markets. All should work together. ■

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LEBANON: LAND OF PLENTY?

Lebanon's agriculture sector weighed down by challenges

Based on our geography textbooks, Lebanese school students grow up learning that Lebanon has a strong agriculture sector with practically each region excelling at growing a certain type of fresh produce – from the citrus fruits in Sidon and Tyre to the olives in Koura, North Lebanon and South Lebanon to the many crops in Bekaa Valley and Akkar.

Once out of school, however, we see that the reality is not quite so simple or rosy. We learn that agriculture in Lebanon contributes to only 5 percent of growth, and that Lebanon actually imports up to 80 percent of its food needs – this according to a yet to be published report acquired by EXECUTIVE and prepared for the United Nations Economic and Social Commission for Western Asia (ESCWA) entitled “Strategic Review of Food and Nutrition Security in Lebanon”. This situation does not have to be permanent, though, and Lebanon's agricultural sector has the potential to be modernized and improved, as demonstrated by some efforts on the level of educational institutions and private sector operators.

While it may have been the land of plenty in the 1960s and 1970s – our parents tell us stories of how Lebanese presidents used to gift our fresh produce of citrus fruits to visiting ambassadors – today the agricultural sector is plagued with many difficulties, from a lack of natural resources to a lack of planning and innovation.

NOTHING WITHOUT WATER

To begin with, Lebanon is a small country with only 250,000 hectares of agricultural land, the rest being mountainous or rocky land. Rainfall is generally the heaviest for three months of the year and, as a result, rainfed agriculture is limited to that period as well, explains Isam Bashour, professor of agriculture at the American University of Beirut (AUB). Meanwhile, continues Bashour, irrigated land, from lakes and some underground wells, amounts to a mere 70 to 80 thousand hectares of the total agricultural land.

The irrigation system in practice is also problematic, as the Strategic Review outlines: “Lebanon's irrigation system remains traditional, and comparatively inefficient flood irrigation accounts for more than 70 percent of irrigation activity.”

Indeed, Bashour cites the lack of structured access to water for irrigation as one of the main impediments to development in the agricultural sector. “If the country goes into a program that would improve the availability of water through building dams and such, it would reflect positively on the agricultural sector because that is the limiting factor,” says Bashour.

According to the Strategic Review, Lebanon drafted a National Water Sector Strategy in 2012 which would expand irrigation schemes around the Litani River basin and therefore boost agricultural land in the South and Bekaa Valley, although the plan has yet to be implemented due to political deadlock.



Agriculture

LIVING ON FRUIT AND VEGETABLES

While Lebanon's climate allows farmers the advantage of growing a variety of produce – one could plant bananas at sea level, apples in the mountains and wheat crops in the Bekaa for example – the limited availability of irrigated land causes farmers to go for the produce that they can sell at the highest price while using the least amount of water which, in this case, is fruit and vegetables. “In terms of agriculture in Lebanon, we have mainly fruit trees and vegetables; forget about grains and wheat, we produce less than 10 percent of our needs from those and that's it. Irrigated land will go to vegetables as farmers make more money from them than they would on wheat and barley, and they need less water,” says Bashour.

LACK OF PLANNING

Fruit and vegetables are all well and good, but lack of planning and coordination at the ministerial level leads to farmers planting the same thing at the same time which causes a surplus. “Planting needs planning on what to grow, where to grow it and what to import, depending on what is fresh in the country at the time in order to protect what we produce. But no one is doing this and the same areas are planting the same products at the same time.

This is a huge job but it should be done and the farmers alone don't know what to do,” says Wael Lazkani, owner and chef of the restaurant Jai – who is an example of restaurant owners that, out of personal initiative, work with local farmers to supply their restaurants.

Lazkani explains how he is working with some farmers to use their surplus of certain fruits and vegetables to develop innovative food products. These products, says Lazkani, would have novelty as a competitive advantage, giving the example of his recent work with a farmer to make cider out of his surplus of apples, in addition to the traditional apple jams and juices which the farmer used to make, and his idea to use tomatoes to make chutney in addition to the traditional tomato pastes.

■ Within the agricultural sector, a mixture of a lack of regulations and weak implementation of existing ones has led to a chaotic market with no certifiable quality assurance standards

JUNGLE MARKET

Within the agricultural sector, a mixture of a lack of regulations and weak implementation of existing ones has led to a chaotic market with no certifiable or measurable quality assurance standards to reassure consumers – whether locally or in export markets – of the safety of the food they are eating.

The Strategic Review prepared for ESCWA points to regulations being applied by the Ministry of Agriculture (MoA) on the importation of pesticides and fertilizers and on imported seeds (including certificates of origin and import permits), but generally sees government imposed and created regulations as currently being weak and ineffective.

Mario Massoud, executive manager of Biomass – a Lebanese producer and distributor of organic fruits and vegetables – explains that Biomass had to get their organic farming certification from an Italian certification body with offices in Lebanon, *Istituto Mediterraneo di Certificazione* (IMC), as there are no government or local certifying bodies for organic produce (see Q&A page 34). Indeed, the IMC has certified all of the organic products produced in Lebanon in line with European Union regulations.

Liban Fruits, which is ISO 2200 (an international food safety management system certification) certified, speaks of the difficulty it faces in convincing local farmers to grow their products in accordance with the ISO 2200. The obstacle, explains owner Elie Maalouf, lies in the chaotic market which leads to farmers refusing to spend the 10 percent extra money it takes to grow the ISO certified way, while their fellow farmers are growing in a haphazard manner – such as using any fertilizers to increase yields or using unsanitary water for irrigation – thereby spending less money but with both of them selling their produce at the same price.

“Today half the vegetables in Lebanon have no taste; this is because there is no regulation or monitoring. Farmers are looking for profitability and are trying to develop big yields at the price of the taste,” says Maalouf, who adds that the solution is to have regulations and monitoring, at the ministerial level, ranging from what pesticides should be used (and in what quantity) to the quality of water used. “When this happens, the quality of the product will improve and prices will be more leveled,” explains Maalouf.



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Agriculture

POST-HARVEST WOES

Both Bashour and Gumataw Kifle Abebe, visiting professor of agriculture at AUB, mention post-harvest as another challenge affecting the agriculture sector in Lebanon, leading to unnecessary waste and loss.

“Most of the pre-harvest practices are predictable and relatively easier to manage. In contrast, post-harvest management is more complex as it involves a number of actors at the different stages of the supply chain, with each actor likely to have a varied level of risks and rewards. Post-harvest losses vary depending on product handling, storage and treatment conditions as well as the production region,” says Abebe.

■ “Most of the pre-harvest practices are predictable and relatively easier to manage. In contrast, post-harvest management is more complex”

FOOD FOR EVERYONE

It is clear that the agricultural sector in Lebanon is aging. As the Strategic Review outlines: “Despite its favorable climatic position in the region, agriculture’s value added in percent of

GDP has declined to an estimated 5.5 percent in 2014. This decrease can be attributed to patterns of mass urbanization which already began in the 1950s and 1960s. Back then rural populations constituted around half of Lebanon’s population. Another reason for this retrenchment is likely that public investment targeting the sector’s development remains relatively low, something evident in the share of the budget allocated to the MoA,” which – at 0.5 percent of the total budget – is five times less than neighboring countries.

Despite its low contribution, many believe this 5.5 percent of Gross Domestic Product (GDP) should be maximized to its full potential, if only to be more food sufficient (producing enough food for local consumption) than we are now – not to mention having a competitive edge in export markets. “25 to 30 percent of the people live off of agriculture, plus it’s creating a lot of business. I always give the example of California where their agriculture is very advanced but they produce only 2.8 percent of their GDP; do they stop producing? They keep supporting it because if you kill agriculture, you kill your economy and then you become 100 percent dependent for your food on other sources,” argues Bashour.

Indeed, on aggregate, Lebanon is only self-sufficient when it comes to fruit (147 percent) and almost self-sufficient when it comes to vegetables (93 percent), according to the Strategic Review. However, it imports up to 80 percent of its remaining food needs.



25 to 30 percent of Lebanese live off of agriculture

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Agriculture

In terms of export, fruit and vegetables constitute the majority of agricultural exports from Lebanon – potatoes being the largest export crop with a 55 percent share of vegetable exports – although export volumes remain low when compared to production and import numbers.

While Lebanon's size does not allow it to be fully food-sufficient, it could be producing a wider variety of produce and be more competitive than it is now, as the Strategic Review notes.

BACK TO THE FUTURE

The essence of what is needed to revitalize this sector, and be competitive with our neighbors, is applied research and development of modern ways of farming, says Bashour. "We have to come up with new ideas and grow different things; we cannot grow what Egypt or Jordan are growing at the same time as them. We have to be ahead of everyone around us somehow by learning more, by applying new technology and by being smarter in production and post-production," says Bashour.

Farmers should not be expected to do this research on their own, and as such Bashour says it's the job of the government with the collaboration and input of civil society and educational institutions to do so.

He stresses that research alone is not enough and that outreach, through training and workshops for farmers, is key. "We have to transfer this information to the farmer. Some money is being spent on research but it's not enough. We need more money and effort for the research and much more on relaying this to the farmer," emphasizes Bashour. He goes on to explain that the MoA does have outreach offices in farming areas, and has been hiring people – several from AUB – to work with them on outreach, but that more could be done to make it more effective and far reaching, noting that real change will be slow.

Relatively recently, a crop of agricultural entrepreneurs (see profiles starting page 24) have seen the potential in Lebanon's land, and started

■ While Lebanon's size does not allow it to be fully food-sufficient, it could be producing a wider variety of produce and be more competitive than it is now

working with local farmers on introducing fresh produce or food products which are innovative and unusual to Lebanon, demonstrating the potential Lebanon has for similar projects with the proper research and training of farmers.

TIME TO CONNECT

Lazkani speaks of a disconnect between the small farmers and end consumers (be it restaurant owners or people in their homes) noting that such communication is necessary to allow small farmers more contact with local market needs, and therefore potentially be able to provide more competitive produce.

Farmers markets, such as *Souk el Tayeb* or *Souk el Ard*, are ideal for small farmers or agricultural entrepreneurs testing out the market for new produce, says Lazkani, who visits every week to see what's new for his restaurant.


Massoud's Biomass says they started out in *Souk el Tayeb*, introducing their line of organic fruit and vegetables and getting feedback directly from the consumer. Biomass outgrew *Souk el Tayeb*, but Massoud believes in it as a platform for small farmers while saying that, in Lebanon, supermarkets are the main places where people purchase food.

Lazkani also admits that chain supermarkets have taken over the way people purchase food all over the world, but takes heart in the relatively recent global trend towards going back to buying local and reducing the size of their carbon footprints.

He has seen this trend slowly take root in Lebanon with more people visiting *Souk el Tayeb* than when it first started, and as such believes that more farmers' markets spreading across Lebanon could be beneficial to the country's farming community.

GOING FORWARD

According to the Strategic Review, Lebanon has developed a plan called The Ministry of Agriculture Strategy 2015-2019, with eight courses of action which, if implemented, could go a long way toward improving the agricultural sector in Lebanon.

The agricultural industry has too much potential to be left without attention. "We have many basic points in agriculture that limit us, such as irrigation or limited land availability. But with new technology and the right education and research, these resources can be utilized in a much smarter way," concludes Bashour. For Lebanon's sake, let's hope we do. 

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FARMING FOR THE FUTURE

Entrepreneurship in Lebanon is typically associated with technology – generally app development or a high tech startup – but is rarely associated with farming and agriculture. Yet, within the agriculture sector, there is a rising number of business people who deserve to be labelled as entrepreneurs. They are introducing new and unusual food products to the Lebanese food market, bringing innovation to the sector and broadening the range of foods typically produced domestically. From unique food products made from fresh local fruit or vegetables, to introducing new vegetable varieties to the country, to raising different types of livestock for the production of new delicacies, each of these entrepreneurs has contributed to some extent to the betterment of the livelihood of farmers within their community and have demonstrated ideas that could go national with some extra backing.

LA FERME ST JACQUES: Lebanese produced luxury French cuisine

Foie gras, the creamy food product made from the liver of specially fattened ducks, is mired in controversy, with many shunning it because of its links to animal cruelty (it generally involves force feeding a duck or goose to fatten its liver) and yet others still love its taste and associate it with images of Parisian bistros or the French countryside. Globally, 20,000 tons of foie gras are produced per year with France producing 70 percent and consuming 85 percent of that total.

It is for these reasons that it is surprising to learn that La Ferme St Jacques (LFSJ) has been producing this typically French delicacy, along with a line of 42 other duck products, right here in Batroun, Lebanon, since the year 2000.

As LFSJ's Marketing and Communications Manager Maria Chedid recounts, the Younes family, the company's founders, thought of the project because they wanted to contribute to the develop-



La Ferme St Jacques has a range of 42 duck products

ment of the district of Batroun – by potentially creating job opportunities that would keep people in the area instead of them migrating to Beirut, which was the case prior to their venture. Today 80 percent of LFSJ's 35 employees are from the Batroun area. They consist of workers on the facility itself and some working on marketing, sales and distribution.

The Youneses established La Ferme St Jacques, investing \$500,000, secured through personal funds and a loan from Kafalat, into the machinery, hangars and ducks. Chedid says the Youneses built the duck farm and facilities from scratch on land they rented close to the Monastery of St. Jacques, hence their name. As the facility developed, investors joined the Younes family and today there are five shareholders: Ziad Younes, Jihane Feghali, Philippe Grondier, Joe Nasnas and Dory Younes.

Originally, all the ducklings were imported from France with the production of the duck delicacies taking place in Lebanon. Following the July War in 2006, which prevented the company from importing ducklings that summer, they now only import fully mature ducks from France twice a year for mating – as the duck variety common to Lebanon is not suitable for food production, according to Chedid – and the ducklings are then bred and processed in Lebanon. La Ferme St Jacques produces 22,000 ducklings per year with an annual turnover of \$1,500,000.

LFSJ covers all parts of the operation, from the breeding of the ducks to the processing, packaging and distribution. Producing 240 kilograms of duck liver a week, the farm started with only this delicacy but has since diversified its line to include 42 products ranging from raw duck fillet to processed duck breast stuffed with duck liver and tins of duck pate.

LFSJ's competitive edge over the imported, industrially produced French duck products is in the lower price and the artisanal manner in which they work. The ducks at LFSJ are bred according to free range principles and the food products are produced by hand; this, according to Chedid, leads to a better taste than industrially made foie gras. La Ferme St Jacques's products also have a 30 percent lower selling price than the imported variety.

■ The Youneses established La Ferme St Jacques, investing \$500,000, secured through personal funds and a loan from Kafalat



La Ferme St Jacques produces 22,000 ducklings per year



Aside from their specialized retail store on Rue Du Liban, Achrafieh, La Ferme St Jacques is distributed locally in the hospitality and retail sector. Chedid says the hospitality sector is a stronger market for them locally: "The hospitality sector is stronger because duck is not a part of Lebanese food culture and traditions, and therefore is not bought much from the supermarket, although over the past two years there's been increased interest in duck products."

She attributes this increase to the marketing they have been doing as a company, namely through digital and traditional advertising, participation in local food exhibitions, workshops and trainings for chefs on how to use their products.

Regionally, LFSJ has been distributing to Dubai, Qatar, Bahrain, Saudi Arabia, Kuwait and Jordan since 2004 and can be found in most of the Carrefour stores in the Middle East. They are also present in the hospitality sector regionally, with the percentage of hospitality to retail sales depending on the distributor in each country.

Chedid lists being alone in this industry in the region as one of their main challenges. "We are pioneers in this in the Middle East and it is a challenge because we are introducing people to this new variety of duck products."

Agriculture

LEBANESE TREASURES LAND: From snail slime to gold



Lebanese Treasures Land produces 200 tons of snails a year

A snail doesn't seem that powerful as it glides along. But Naufal Daou, general manager of Lebanese Treasures Land (LTL), sees in it the potential to revitalize the Lebanese economy in a similar fashion to what the silkworm did for Mount Lebanon back in the days of the 17th century ruler Emir Fakhreddine.

A year prior to the postponed 2013 parliamentary elections Daou, who was planning to run as a Member of Parliament and who has a background in media, studied several investment projects that would have a social and economic development angle – which he could include on his electoral program – and could generate jobs in rural areas, keeping people on their land and in their homes, thereby lessening the effects of centralization.

In order for the selected project, out of the several proposed ones, to provide real added value, Daou first wanted it to be innovative – so as to not compete in a market already saturated with products like olive oil or apples and not create wasted surplus. Secondly, he wanted to have a readily available market beyond the confinements of a relatively small country like Lebanon.

The choice fell on snail farming thanks both

to its compliance with Daou's criteria and to the added advantage of being easy to produce and even easier to store for up to a year; an advantage when and if export routes close down. Heliculture, or scientific snail farming, is on the rise, according to Daou, with 500,000 tons of snails sold globally last year at an average of 4.5 euros per kilogram, with the number of snails sold expected to multiply by five within the next ten years. Aside from being consumed as a food product in Ghana, Cambodia and many parts of Europe, especially France (*escargot* anyone?), the slime that snails produce is used in cosmetics and skin treatments globally.

Despite the elections ultimately being canceled, Daou decided to go through with the project as a private sector venture and contacted the International Snail Farming Institute (ISFI) and Euro Helix, both Italian companies specialized in snail farming. In 2014, with an initial investment of \$500,000 – spent on trips to Italy for training and introduction purposes, setting up offices here and on establishing the training center for office staff and future farmers – which he says he secured through personal funds, Daou established Lebanese Treasures Land, which would be the Lebanese and Middle Eastern agent of snail farming for both the Italian companies.

Based on the terms of the agreement, the ISFI and Euro Helix would provide LTL with the techniques and basic equipment and would guarantee the purchase of the entire production from the Lebanese farmers, so long as they meet internationally set criteria.

For the Italians, explains Daou, sourcing even a small percentage of their snail production to Lebanon, when it comes to wholesale purposes, is economically efficient as labor is cheaper here than in many parts of Europe.

■ Heliculture is on the rise, with 500,000 tons of snails sold globally last year...with the number of snails sold expected to multiply by five within the next ten years

The Lebanese climate is also ideal for the particular snail variety which is the most widely sold wholesale – about 85 percent of the volume of traded snails – the *aspersa müller*.

The LTL's central office has thirteen people working on the team, divided between agricultural engineers, marketing, logistics and management. Being an agent or representative, LTL does not have a snail farm under its name, but currently works with 18 farms which are located mainly in

the Bekaa, where agricultural land is plentiful, with a recent addition of farmers in Zgharta and Enfeh, north Lebanon. Daou estimates that the 18 farms they currently work with employ around 50 farmers all in all, but says they are adding more farms now that people are hearing about them – mainly via word of mouth, but also through the workshops they host in educational institutions, agricultural NGOs and local municipalities.

In exchange for a comprehensive list of services, LTL takes an annual fee of 10 percent of the final production. “What we do is we give the farmers the know-how and training. We also supervise and monitor the farms through visits every 15 days. We organize shipments and often compile snails from different farms into one shipment to cut down costs for the farmers. We also help them secure loans from loan guarantor Kafalat and the banks by preparing their feasibility studies,” explains Daou, who says Kafalat has given loans to 12 of the farms under LTL so far.

A total of 200,000 sqm of land is currently dedicated to snail farming in Lebanon and Daou says that each 1,000 sqm translates into a ton of snails per year, which are sold wholesale at \$4.5 to \$5.6 per kilogram. Daou believes snail farming has huge potential in Lebanon and says that an added advantage is that a 10,000 sqm snail farm needs only one person to maintain it, so the project has the potential to be a family run business. He outlines the process of snail farming as planting the appropriate vegetation for the snails to feed on, setting a reproducer snail free to roam on the land to reproduce, monitoring them and then harvesting them when mature and finally storing them in a well-ventilated place.

Daou places the initial investment for a 10,000 sqm farm at \$70,000 for the vegetation, fertilizer, reproducer snail, the nets, snail pen and other material needed, and says that it generates a profit of \$25,000 per year for the farmer.

Currently the Lebanese produced snails under LTL are exclusively exported to Italy, a very small percentage (less than 1 percent) are informally distributed by farmers, at the individual level, to restaurants in Lebanon. Daou says they are working on developing a Lebanese market for their producers under a common brand name which will be found in supermarkets, farmers’ markets and the hospitality sector. “We are currently researching international best practices of doing so because in this way part of our produce could be sold in Lebanon, which could open the market for smaller scale producers who don’t want to export,” explains Daou.

Daou, who has yet to return his initial investment



Most snails are exported to Italy with less than 1 percent staying in Lebanon

in the project (he estimates he will return it within the next two years) says growth is slow. “It will happen but it will be slow, especially since it is an individual and private sector effort and not a national level one,” he says, explaining that while the Ministry of Agriculture has been helpful in facilitating and providing the necessary paperwork needed for export to European Union countries, it couldn’t support snail farming financially as their budget is too small.

Despite the slow pace, Daou continues to believe in and work for the potential of snail farming to the agriculture sector in Lebanon, and to the Lebanese economy as a whole, one snail at a time.

Agriculture

**FRANJE MUSHROOMS:
room for fresh fungi?**

It all started six years ago when, on a business trip to a fashion retail exhibition in Milan, George Hobeika came across a workshop on mushroom growing and attended largely out of curiosity.

Despite his main business being fashion – Hobeika has been operating a fashion brand outlet store called Solderie Des Marques in Lebanon since 1996 – the workshop intrigued him enough for him to conduct an informal feasibility study to evaluate the project's potential in the local market. “I found that there was a high demand in the market for fresh mushrooms, most of which were being imported from the Netherlands with a small percentage coming from Syria,” says Hobeika. He adds that, while there were existing businesses producing mushrooms in Lebanon, he didn't think they were well developed and he therefore felt that he'd be able to significantly contribute to the market.

With an initial investment of \$1.5 million secured through a loan from Kafalat Plus from Kafalat – the Lebanese financial company which provides guarantees for loans to small and medium enterprises – and private investors, Hobeika and his brother Elie established Franje, Agriculture Trading Company sal, in 2011.

They brought the equipment and materials needed from the Netherlands and hired Dutch consultants to work with them for two years, helping them launch the project and set it on the right track. They also signed a joint venture with the Mushroom Office in the Netherlands through which their mushrooms were certified as meeting quality control criteria such as not using fungicides.

Substantial investment in materials and equipment aside, Hobeika, who took a year and a half long online course on mushroom growing which culminated in exams that he sat for in the Netherlands, stresses that the most important aspect of this venture is the grower's expertise. “It's not enough to have a lot of money to invest in the project's initiation, you have to invest it in the right grower. This is because the quality of mushrooms depends on the skill and dedication of those who

■ Today, Franje employs 15 people full time and has eight 18 meter squared mushroom production rooms



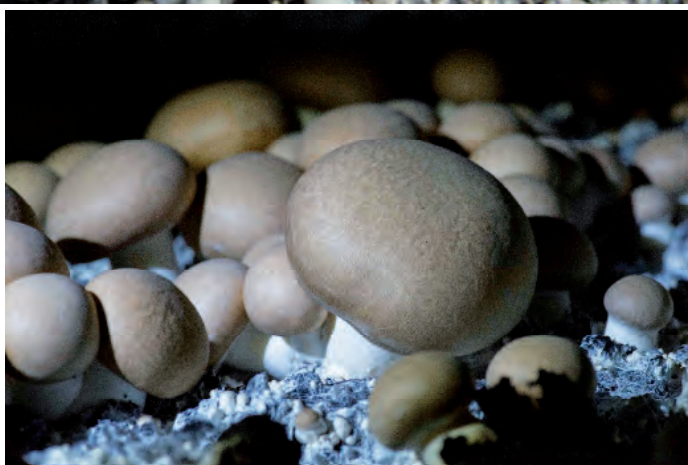
Not magical, but still delicious

grow them. It's that simple but it's also that complicated,” he explains, adding that mushroom growing requires patience and precision.

Today, Franje employs 15 people full time and has eight 18 sqm mushroom production rooms yielding an average of 30 tons of mushrooms per month. Ninety percent of the production is white button mushrooms, which Hobeika explains are the most affordable for consumers and the most in demand in Lebanon. Hobeika also produces oyster mushrooms and portobello mushrooms, which are mainly sold to French and Italian restaurants. More



■ Five years into this venture Hobeika says he has yet to return his initial investment, explaining that the mushroom business is difficult and growth is slow



Five other “main growers” have entered the market since Hobeika first began his business

recently, he introduced shiitake mushrooms to Franje’s portfolio, with Japanese restaurants being his main clients.

Franje mushrooms are distributed in supermarkets, grocery stores, restaurants and hotels with the percentage share of hospitality venues versus retail markets depending on the season, according to Hobeika, who gives an example of retail being more active in the winter when at-home celebrations abound versus hospitality grabbing the larger percentage share in the summer with the wedding and tourism season.

Five years into this venture Hobeika says he has yet to return his initial investment, explaining that the mushroom business is difficult and growth is slow. At the same time, Hobeika says other operators have entered the market, identifying five as “main growers”. Among them, they

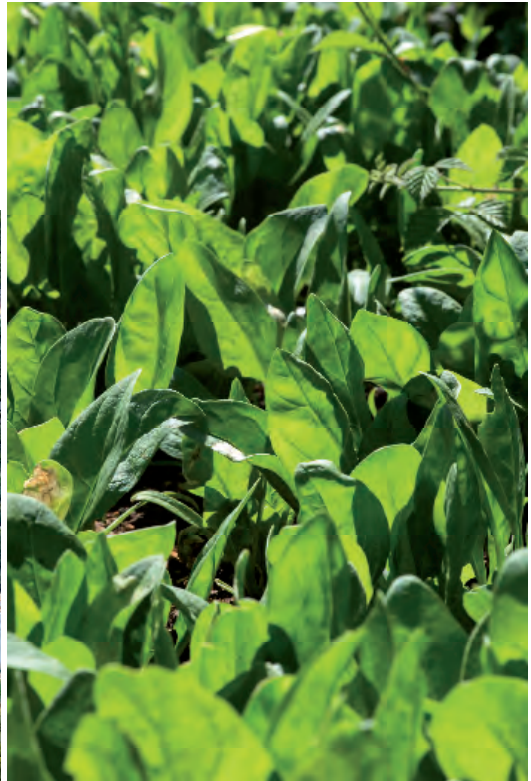
have almost saturated the local market needs, and are driving the selling price down. “It is not highly profitable anymore as the selling price of mushrooms has become low and they have a short shelf life of five days maximum. So you end up having to decrease your price to be able to sell your growth, especially since the market is saturated, and you end up hurting the other growers as well,” laments Hobeika, who says that when they first began operating, they were “much more comfortable” as they were almost alone in the market.

According to Hobeika, the Ministry of Agriculture helped form an association of mushroom growers in Lebanon around three years ago, although it did not take off and was later abandoned. “It would have helped us be more organized in terms of unifying the price of mushrooms, and also in applying to and receiving grants from international institutions,” says Hobeika.

Operational costs are also high, with the biggest expenditure being the cost of energy necessary to keep the rooms at the right humidity and temperature level. According to Hobeika, the cost of the compost used, which needs to be imported, is also quite hefty.

Despite these obstacles, Hobeika says he is not discouraged, explaining that since the market in Lebanon is small, they began exporting to Kuwait and Dubai in 2014. He plans to add two more rooms to his business within the next two months with the aim of increasing exports to the Gulf, which he calls a “steady and consistent” market.

Agriculture

**ADONIS VALLEY:
the road from organic fresh produce
to organic food products***Adonis Valley is based in Fatri, Adonis*

Adonis Valley, a producer of organic food products (certified organic by the Italian Certification Body, the IMC) was conceived out of Fady Daw's passion for natural production and agriculture.

Although his family's business is in advertising, Daw paved his own path early on by majoring in agricultural engineering with a focus on food processing. He joined the non-governmental organization Green Line, which works to preserve nature, and began working on promoting the organic market in Lebanon as early as 1998 when the term was still uncommon to Lebanese consumers.

In 2000, Daw, who was initially producing honey, also started growing organic fruits and vegetables alongside the honey. Soon after, he began experimenting with the surplus of his fresh produce and started making organic long term shelf products such as tomato paste and jams, although his operation was small scale and unbranded.

At the same time, Daw started experimenting with innovative food products that were uncommon in Lebanon, and that he could produce using

organic products. "The idea for sun-dried tomatoes came in 2005 after I had developed my tomato paste, ketchup and tomato sauce, but all these were traditional items and I wanted to complete the tomato range with something more creative and unconventional. I discovered that in Lebanon we import sun-dried tomatoes from Italy, and I thought that I could easily produce them here, knowing that the kind of tomatoes I use for the paste works very well for sun-dried tomatoes," recounts Daw.

In 2006, Daw decided it was high time to make his venture branded and official; he received a bank loan and relied on private funds to secure an initial investment of "at least \$120,000" to establish Adonis Valley in Fatri, Adonis, in the Mount Lebanon region.

Today, in addition to the traditional organic food products line, Adonis Valley is the only producer of organic sun-dried tomatoes in Lebanon and Daw proudly boasts that some highly reputable chefs in Lebanon favor Adonis Valley products over the imported variety. He explains that his sun-dried tomatoes' competitive edge is that they

are softer and less chewy than the imported ones and so can be consumed on the spot instead of having to be softened in water first.

Another positive factor, according to Daw, is that although the imported and local varieties are sold for almost the same price of \$11 per kilogram, his are more cost efficient since he doesn't soak them in oil, which takes up weight and volume that could otherwise be fitted with more tomatoes.

Today, sun-dried tomatoes constitute 30 percent of Adonis Valley's total sales. Daw says they have an annual harvest of almost 25 tons of tomatoes which they dry into three tons of organic sun-dried tomatoes. Although the operation started in the Adonis Valley farm in Fatri in 2006, it quickly outgrew its space and in 2008 Daw moved production and the growing of all the tomatoes to the northeastern Lebanese border town of Aarsal (Packaging still takes place in Fatri). Other reasons cited by Daw for the move include that Fatri does not get enough sun and labor is more expensive there.

Daw calls the business model he follows in Aarsal a fair trade one. As a first step, he contracted a farmer called Mahmood, organically certified his land, provided him with the proper organic tomato seedling variety, the right techniques to grow them and guaranteed that he would buy his entire produce at harvest time in return for an agreed upon sum. Daw argues that this process saves the farmer

■ Today, sun-dried tomatoes constitute 30 percent of Adonis Valley's total sales

from the uncertainty of whether his conventionally planted crop will be sold or not and the hassle of having to display them in the fruit and vegetable market. Then, he approached a women's collective where he trained 14 women on the modern techniques of drying tomatoes. Packaging is still done in Fatri.

Daw replicated this model in 2008 with his caper growing and production line, sourcing it to growers and a women's cooperative in Hermel, and, more recently, around three years ago, with his freekeh (green wheat) production line which he sources in Bint Jbeil, south Lebanon. "This is my [corporate social responsibility] as I am contributing to the development of businesses in rural areas," says Daw proudly.

In addition to the sourced employees and contractual seasonal ones, which Daw says are "many", Adonis Valley has four permanent staff members working on management and marketing and an extra five employees who help with the packaging during the summer.

Adonis Valley's sun-dried tomatoes are distributed to both the retail and hospitality sector in Lebanon with 60 percent of products being sold to the hospitality sector and the remaining percentage to organic and healthy lifestyle stores across the country. Part of the production is also exported to Dubai and Kuwait.

Daw is also currently working on the construction of the first certified green building and farm on his land in Fatri and is investing a total of \$150,000 into the project which he hopes to launch this summer.



25 tons of tomatoes can be turned into three tons of organic sun-dried tomatoes

Agriculture

GOOD EARTH PRODUCE: innovation in local production of fruit and vegetables

When you have built a career around distributing locally grown and imported fruit and vegetables, it seems only natural that you would reach a point where you start considering the possibility of growing some of these imported varieties in your homeland.

Elie Maalouf's history with fruit and vegetables began over forty years ago with his company Liban Fruits, a wholesale distributor of ISO 2200 certified imported and locally grown fresh fruit and vegetables exclusively sold at wholesale fruit and vegetable markets. In 2000 he launched a distribution company which sold produce to hotels, restaurants and some main retail chains to be able to provide smaller quantities and have more targeted distribution.

Ten years ago, recounts Maalouf, the demand for mushrooms and endives was very high in Lebanon, owing to the wide variety of Italian, and to a lesser extent, French restaurants. This demand, especially for mushrooms, gradually spread from the hospitality sector to consumers' households.

At the time, all the mushrooms and endives on the market were imported from the Netherlands and France and were quite expensive so Maalouf, together with his son Marc, saw potential. "The demand was high and so was the cost of export, so their selling price was high as well. We saw the opportunity to begin growing them in Lebanon and started the Good Earth Produce in 2011 to grow different varieties and colors of mushrooms and endives," says Maalouf.

Other than saving on the cost of importing these items, which is a crucial factor, Maalouf believes the locally produced variety tastes better because the products are picked daily and delivered the same day, as opposed to the imported variety which takes up to 48 hours to arrive by air freight.

The Maaloufs invested \$1.2 million into securing the necessary equipment and the raw materials for mushroom production and the services of

■ Other than saving on the cost of importing these items, Maalouf believes the locally produced variety tastes better

a consultant from a Netherlands based company who remains in daily contact with the production team. They consider the growing of endives to be part of this investment, as endives and mushrooms are basically grown in the same manner – in stacks in rooms with digitally controlled humidity, the only difference being that endives are grown in the dark to prevent chlorophyll from turning it green – and so need the same major equipment such as generators and electronic humidifiers.

Good Earth Produce has six 700 sqm rooms for mushroom production, which currently produce 30 tons of mushrooms per month, with that number increasing during times of peak consumer demand such as the holy month of Ramadan. "We have the capacity to produce two tons per day but we don't do so because there is no high demand currently. When you work with fresh produce, you have 24 hours to sell to retailers and the hospitality sector because fresh items have a short shelf life and they might already be staying with them for two days until they get sold or used," explains Maalouf.

Fresh mushrooms seem popular among Lebanese consumers, with even neighborhood grocery stores selling them, and Maalouf says the market penetration of locally produced fresh mushrooms is around 90 percent (versus imported mushrooms) with around six main mushroom farms



Good Earth Produce grows 750,000 kilograms of endives per week

growing them in Lebanon.

Endives have not fared as well as mushrooms in Lebanon, despite their earlier popularity. Good Earth Produce is the only company that grows it locally and Maalouf says its market penetration is 35 percent as compared to imported endives. Good Earth Produce currently grows 750,000 kilograms of endives per week but says that it goes up to 2 tons per week when the consumer demand is high such as, again, during Ramadan or the summer months when it is used by wedding caterers.

Maalouf blames the current relatively lower popularity of endives (when compared to mushrooms) on a smaller market, where it is mostly consumed in restaurants or special occasions at home, and on Lebanese consumers' constantly changing taste in lettuce, which has moved from romaine to endives to lollo rosso and, most recently, to kale.

Still, the fact that there is a local production of endives – sold at \$5 per kilogram instead of \$7 per

kilogram for the imported ones – has had some impact on increasing its consumption in Lebanon. “In the fruit and vegetable wholesale market, the fact that there are local endives at a price less than the exported variety made this product more accessible and caused retailers to be more excited about buying it. The same is the case for the hospitality sector, where you find endives on more menus,” says Maalouf.

Endives and mushrooms grown by Good Earth Produce are sold through Liban Fruits in the wholesale fruit and vegetable market for retail, and they distribute directly to the hospitality sector and some retail chain supermarkets through their distribution company (instead of supermarkets buying them from the wholesale market).

In the hospitality sector, Maalouf says many chefs are switching from the imported endives and mushrooms to the ones grown by Good Earth Produce and today they have more than 90 clients among chain restaurants and hotels.

While Liban Fruits does export locally produced fruit and vegetables to the Gulf countries, Maalouf says a negligible number of their clients there ask for Lebanese produced mushrooms and endives. Maalouf explains that it is more efficient for their Gulf clients to import these items from Europe where they are produced en masse, and would therefore be priced lower than the ones at Good Earth Produce, which are produced in smaller numbers than in Europe.

Another reason for the export price variance between Lebanese produced mushrooms and endives and European ones is the higher cost of producing them in Lebanon – where, according to Maalouf, energy is the highest expense.

In considering locally producing niche items – such as mushrooms and endives, Massoud says they first determine how big the local demand is and then balance that against the cost of import to see whether or not it would make economic sense to develop the product in Lebanon. They recently added locally grown kale and colored varieties of cherry tomatoes to their portfolio at Liban Fruits.

Maalouf says they are more successful than they expected with Good Earth Produce, but that one of the reasons we are not seeing such niche items go national is due to the fact that they are not basic food products in Lebanon. “Growing such niche items requires a lot of advance planning because when instability rocks the country, these are the first products that people would stop buying,” he explains.



Good Earth Produce has six rooms of 700 meter squared each for mushroom production

Agriculture

By Nabila Rahhal & Thomas Schellen

Growing an organic Lebanon



Biomass' Mario Massoud gives EXECUTIVE the lowdown on the country's organic industry

Rooted in a 2007 project to grow organic fruits and vegetables at the Massoud family farm in Batroun, North Lebanon, for their own consumption and distribution to relatives and friends, Biomass has since become one of Lebanon's biggest producers and distributors of organic products.

Soon after establishing the company, the Massouds found that their farm was too small to meet market needs for more volume and a wider variety of produce. To remedy this, they established collaborations and partnerships with over 40 organic certified farms in Lebanon whereby they supply these farmers with raw material, such as organic seedlings, depending on the particular agreement with each farmer, in exchange for produce.

Today, Biomass covers the entire chain of operation: farming, packaging, sorting, production and distribution in retail spaces. They have four lines of products – fresh produce, fresh eggs, dry grocery goods and frozen goods – with 95 percent

■ Today, most of the 40 plus farms we work with are small scale farms, from 1,000 to 10,000 square meters, so you don't have big operators at the farming level operating organic farms

of their items produced in Lebanon and the remaining five percent of goods, such as cocoa, quinoa and organic frozen chicken breasts, imported from abroad.

Having been credited with promoting the organic sub-sector in Lebanon, where fresh organic produce now has its own shelf space in supermarkets, EXECUTIVE sat down with the executive manager of Biomass, Mario Massoud, to understand how their business model works and how organic farming can help the development of the agricultural sector in Lebanon as a whole.

E Organic produce, largely due to its higher price when compared with conventionally farmed produce, is still somewhat niche in Lebanon. What drives the price up?

Today there are two main factors which affect the price of organic produce. The first is that the yield at the farm level is relatively low, which is normal for organic but can be improved through modern farming techniques which we should be applying. The scale of the farms is another issue. Today most of the 40 plus farms we work with are small scale farms, from 1,000 to 10,000 square meters, so you don't have big operators at the farming level operating organic farms. Also, most of the farms are multi-crop farms which reduces the risk of losing one's entire harvest, but at the same time drives the costs a bit higher. This affects the volume of crops produced, while the more volume is generated, the less costly the product will be.

E What is your target for closing the price gap?

Today, depending on the season and the crop, the gap varies between 50 to 300 percent price-wise. Ideally, we would like to have a gap ranging between 30 to 70 percent.

E Are you trying to add more farms to your portfolio?

We are adding three to five farms each year, and many of these farms are bigger in terms of farmed land. But when organic farming was launched in Lebanon, it was introduced to the very small farms so that they could generate value in their farms when competing with the bigger farms.

E Quality wise, how big is the gap between an organic operation and conventional Lebanese agriculture? Is there a prevalence of Genetically Modified Organisms (GMO) products used by Lebanese farmers?



Biomass operates the entire production chain from farming all the way to distribution

I don't know what conventional operators use and do. In my opinion, conventional farming should be more controlled, and you have different systems for conventional farming that should be used in Lebanon which allow for the use of chemicals and pesticides but in safer ways.

E How much has the overall market for organic foods developed in terms of total market share?

I don't have market share but I estimate it to be roughly five per million. I don't believe that we are in the 1 percent level yet.

E Can you specify the growth rates here at Biomass?

We've been growing at an average annual rate of 30 to 40 percent, which is especially interesting since there is a growing awareness of the benefits of organic produce among consumers. We're actually producing less than what the market is demanding

for organic products.

E On the margin side, for the farmer, how much can they expect in terms of percentage of the retail price?

It depends on the crop and the season. Today, we buy from the farmers at 50 to 300 percent more than they would sell in conventional farming produce.

E When you compare that to the cost the farmer has in raising the crop, how high is the cost of entry?

If you have virgin land, which has not been conventionally farmed before, the cost of entry is relatively low. There are no pesticides which means you don't spend on costly pesticides, so effectively it's cheaper since the farmer doesn't pay that much to enter. But since the yield generated is lower, it drives the cost up and the farmer also has to pay for the annual certification fee.

E Within the distribution chain, there is the component of transportation and storage where you wonder how hygienic they are, especially when you hear all the stories...

Our products are tested when we take them from the farmers and again when the product is sent to the supermarkets. We operate the entire chain.

E How much did you invest in all this?

The investment is quite big and until today not profitable. Our objective as a company is to grow the organic sector in Lebanon for companies like us to have a space in the food sector and be sustainable and profitable.

E So how do you balance your financing?

Until today we have raised several rounds of capital to finance the company and have just completed our second round of capital increase. We are also hoping to increase the volume at the production and export level to generate enough volume for us to reach profitability.

E Where does the increase in capital come from?

From investors. So far we haven't had any fund related to the company, though we have looked into [private equity] and venture capital funds. But the capital was mainly from private Lebanese and foreign investors who believe in the organic sector. We tell our investors that it is a long term project whereby we are creating an industry in Lebanon that was virtually nonexistent seven years ago.

E What is the growth potential of the market?

Back in 2010 when we started we were present

Agriculture

at not more than 20 stores. Today, we are present in 250 outlets divided between supermarkets, dedicated organic shops, delicatessens, small groceries, hotels and restaurants.

E *How much of the share is specialized restaurants and hotels?*

It's not big; they're 5 percent of the total market but they are growing. It is expensive to have all organic items in the kitchen, so what we are trying to do is create one dish in the kitchen that is organic or use a small number of ingredients; whatever is most feasible for the kitchen operator.

E *In terms of your exports, what are your current rations and potentials?*

In 2015 we exported 60 percent of our supply in value to the Gulf. We try to export to new countries, and exported once to France, but mainly focus on the Gulf. Export is a real issue with the Syrian crisis because of the extra rush on all the air freight cargo space making it difficult to find the space to export. We need this space because our products are fresh and so exporting is quite a challenge.

E *From your perspective, how much of a role could the organic sector play in Lebanon by the year 2020?*

We hope to get 3 to 4 percent of the market share, which is six times the growth of my current estimate. I believe there is a lot of room for growth in the organic sector in Lebanon. For the past five years, our role as Biomass was to introduce an organic produce sector to Lebanon and now we are moving on to the next step which is to make it more accessible.

E *At the level of integrated operators that have both farming and distribution, do you have competitors?*

We have competitors although we don't really believe we're competing since the market is growing and there is enough space for everyone there. There's a lot of collaboration between these operators, but you have companies other than Biomass producing organic.

E *Over 80 percent of cereals consumed in Lebanon are imported. On an overall agricultural level is there food security?*




Products are quality tested when received from farmers and again when sent to retailers

■ In 2015 we exported 60 percent of our supply in value to the Gulf

I think Lebanon can increase the contribution agriculture makes to the overall economy. There is a role for the government, which needs to make farms more modern and in line with international best practices and techniques, such as the use of pest control. I think it will result in a good economic model in addition to serving the Lebanese people's interests.

E *Are you exploiting yourself? Meaning the opportunity cost of how much more you would have made had you considered a career other than the executive officer of Biomass?*

I never thought that I would be in this role, but now I really believe in it and love it. It's a new challenge for everyone on the team because there's no organic expertise in Lebanon so we've created through trial and error and are learning from our own mistakes. It's also a challenge for all of us to succeed in what we are doing now and that's the exciting part. So, am I exploiting myself? Yes, I am. 

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Retribution over rehabilitation



Lebanon's police and judiciary have prioritized punishing drug users over providing the medical care that many desperately need

Drug use in Lebanon is said to be prevalent but remains difficult to define. An estimate from a 2012 report by the Institute of Health Management and Social Protection at Saint Joseph University in Beirut suggested that the “number of drug users in Lebanon ranges from 10000 to 15000 and that this figure is continuously increasing.” The leading drugs of choice are heroin, cannabis and cocaine, the report concluded, and statistics corroborate a high incidence of those drugs among arrested users. Looking at the statistics on user-related arrests gives a tip-of-the-iceberg snapshot of the problem but gaps in the data obscure its real size and challenges efforts to push progressive alternatives, like rehabilitating drug users instead of jailing them, forward.

When arrested, anecdotes by drug users describe maltreatment during detainment at the hands of the Lebanese police. One such story was recounted by Sadecc Choucair who admits, in his self-published book, he was under the influence of alcohol at the time of

his detainment – a fact that may have altered his recollection of the incident. In telling his story Choucair alleges entrapment and wrongful detention by the Internal Security Forces, Lebanon's national police, although Executive could not corroborate this.

On Christmas Eve 2013 Choucair was having drinks at his neighborhood watering hole when he received a telephone call from a close friend in search of a quick fix. In ten minutes I'll be there, the friend said, though Choucair had told him he wasn't carrying any weed. Not a dealer, Choucair was a university student that smoked recreationally with no prior run ins with the law. What transpired next, according to his recount, was less a friendly catch up and more an ambush planned by the authorities. The police arrested Choucair and hauled him down the street to

the drug unit's holding cells at Makhfar Hobeish (Ras Beirut police station). There, detectives questioned Choucair, coercing an admission of drug use and forcing him to spill the names of his dealer and others he knew who smoked.

Local advocates say Lebanon's drug control regime is repressive, the judicial process opaque, with little emphasis on harm reduction and quality of life for drug addicts. There are significant gaps in the data for several important indicators: the number of drug use-related prosecutions, the number of individuals incarcerated for drug offenses, the number of rehabilitated users, and the efficacy of treatment programs in terms of cost and success rates, and the effect of rehabilitation, instead of incarceration, on crime rates. While data for Lebanon is limited, studies from other countries show strong correlation that rehabilitating users is cheaper than incarcerating them, that crime rates drop when drug offenders are treated for addiction instead of sent to jail and that personal lives improve significantly when the government focuses on harm

■ Studies from other countries show strong correlation that rehabilitating users is cheaper than incarcerating them

reduction over criminal punishment. Advocates in Lebanon point to small victories that have advanced the issue but say significant obstacles remain.

ENTRAPMENT

Choucair's account falls in line with the findings of torture and abuse in Lebanon's police stations and de-

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Drug use

tention centers by the Human Rights Watch (HRW), a global watchdog. In a 2013 report HRW interviewed 52 individuals arrested for drug offenses, prostitution or homosexuality. The report highlighted personal accounts of aggressive interrogation tactics and mistreatment in the prisons – 19 of the interviewees, detained for drug use or prostitution, gave testimony to HRW while in pretrial detention. “Seventeen former detainees reported being denied food, water or medication when they needed it, or of having their medication confiscated. Nine individuals reported being handcuffed in bathrooms or in extremely uncomfortable positions for hours at a time. Eleven said ISF personnel forced them to listen to the screams of other detainees in an effort to scare them into cooperating or confessing. Twenty-one women we spoke with reported that police had subjected them to some form of sexual violence or coercion,” HRW found.

In response to allegations of abuse, the ISF in 2014 launched a pilot project to boost public trust in the police, revamping the image of the Ras Beirut police station, where the drug enforcement unit is headquartered, and introducing new training methods to the police force. The ISF also launched a complaint system for citizens to record ill treatment by the police.

But Karim Nammour, a lawyer and member of the Legal Agenda, a judiciary watchdog advocating for reform of Lebanon’s drug control regime, says the police’s reforms have not eased the heavy-handed tactics that drug users face. Users, Nammour says, are the weakest link because they often do not have the financial resources or political clout that others in the drug trade might leverage to avoid trouble.

To the police they are the low

hanging fruit in a drug version of the Garden of Eden, a quick score to pad the numbers for results. Nammour’s criticism lies in what he says is an imbalance in who is targeted and arrested and statistics from the drug enforcement unit of the ISF back up the notion that the police aggressively pursue drug users. In the last four years, 2012 through February 2016, the police arrested 11,038 drug users – 6,057 of those were for hashish use – compared to 2,169 street level dealers and 992 in-

■ Counting its victories where it can, the ISF and judiciary hit hardest at those who are weakest, throwing users down a deep hole they must climb out of

dividuals closer to the source (growers, manufacturers and distributors).

Then again the arrest numbers also suggest, as Nammour points out, a pervasive culture within law enforcement and the court system viewing drug use as a criminal offense instead of an issue of public health, in contrast to a global outlook that favors harm reduction and civil infractions over incarceration.

Counting its victories where it can, the ISF and judiciary hit hardest at those who are weakest, throwing users down a deep hole they must climb out of. From arrest through protracted legal battles in the courts the deck is stacked against users, particularly the more vulnerable of those who have crossed the invisible line into the dark world of addiction. They say they want to go to rehab but the system says no, no, no.

THINK OF THE MONEY

“In Lebanon it is not allowed to use or buy drugs,” says Colonel Ghasan Chamseddine, chief of the drug enforcement arm of the ISF. True, the use and possession of all narcotics is

against the law, not to mention the sale, distribution and production. But for users the law offers a path to avoid a criminal record and get the help they need to break addiction: rehab.

According to Nammour’s calculations less than 3 percent of the some 8,700 arrested drug users since 2013 were actually sent to rehab. The math is not exactly accurate, he acknowledges, because it is based on arrests rather than cases that are prosecuted. It is incredibly difficult to obtain statistics from the judiciary because access is limited (EXECUTIVE’s multiple requests to judiciary officials and to the Ministry of Justice were declined or remain unanswered). Most cases are sealed because they are ongoing investigations, are classified secret because of the nature of the investigation, or involve a minor. The judiciary also has no centralized information system so lawyers, like Nammour, must go to each court and build connections with clerks to obtain case information – it will never be accurate, he says.

There are findings of financial and societal benefits of rehabilitating drug users instead of sending them to jail. In Western countries studies have found the cost of incarcerating drug users greatly outweighs the cost of rehabilitating them. Data also show a correlation in a fall of crime rates when drug offenders are rehabilitated rather than imprisoned. But there are no figures available on the cost of incarceration in Lebanon’s prisons and there is also a dearth of data on the cost of drug rehabilitation provision to the country’s users and addicts.

A 2013 tally by the Central Administration of Statistics found Lebanon’s incarcerated population totaled nearly 73,000, up only slightly following the parliament’s ratification of law 216 in 2012, shortening the annual prison calendar to 9 months to ease overcrowding in the country’s 21 prisons, suggesting incarceration bills may be high [ed. note: the 2012 budget ceiling – Lebanon has not passed a national budget

Survival of the Fittest

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ADIR posted more than USD 11 million in profit for the year ended December 31, 2015, an increase of 13.74% from 2014 (or more than 25% in the past two years). This achievement was made possible by the Company's commitment to developing its most profitable insurance segments by setting well-defined goals and adhering to the highest standards of underwriting. For the third year in a row, return on equity amounted to more than 27%, while total assets rose 13.5% to reach over USD 256 million, reflecting the prudent but productive management for which ADIR has become known. At the same time Bancassurance – expansion of which is the Company's main strategic goal – continued to boost overall profit by generating high premium income.

In 2016, ADIR's primary target is to maintain a return on equity greater than 26%. Training will continue to play a key role, with retention operations designed to reduce cancellation ratios, particularly on protection contracts. In addition, special focus will be placed on enhancing the Company's share of wallet.

ADIR operates on the basis of powerful consumer orientation, a perspective made possible by allocating necessary qualified resources for every single task assigned. The Company tends carefully to the productivity of each employee, helps them plan their future career growth and offers them continuous training programs to improve their level of knowledge and expertise.

Management objectives also include additional refinements to standard procedures and improved system infrastructure, both of which will help increase the overall quality of service. These and other synergies will be developed with an eye toward building greater customer satisfaction in order to secure even higher retention ratios.



أنا مأمّن أنا أدير



Drug use



since 2005 – for the Ministry of Interior and Municipalities did not separate the expenses of the police force and prison system, it totaled almost \$535 million].

A 2008 Ministry of Public Health case study of drug rehabilitation treatment estimated some 1000 drug users were incarcerated (though not necessarily for drug offenses) at Roumieh prison, Lebanon's largest jail. But the study only noted the high financial costs of offering such treatment within the prison; it did not break down what those cost amounts were nor did it give a figure of the total amount needed. EXECUTIVE could not find the number of prisoners in jail for drug offenses, and the outdated studies do not allow a comparison of the cost of incarceration to that of drug rehabilitation.

In Western countries the financial cost of imprisonment is high. A 2012 study by the Vera Institute of Justice in the United States found, in a survey of prisons in 40 US states, the annual average cost to taxpayers was \$31,286 per inmate. A European Council survey of 47 of the union's prison administrations found that the average per day cost for each inmate in 2011 was 103 euros (\$116).

The National Institute on Drug Abuse (NIDA) in the United States estimated the average cost to rehabilitate heroin addicts with methadone treatment for a full year was nearly \$4,700

per patient. NIDA also found that in several estimates "every dollar invested in addiction treatment programs yields a return of between \$4 and \$7 in reduced drug-related crime, criminal justice costs and theft. When savings related to healthcare are included, total savings can exceed costs by a ratio of 12 to 1." Deloitte, a for-profit consulting firm, found a dramatic reduction in Australia of AUD 111,458 (\$84,604) in total financial savings when diverting drug offenders from prison to inpatient rehabilitation.

Correlations between rehabilitation and a fall in crime rates are also positive. For example, *The Economist* reported that Texas spent \$241 million in 2007 on alternatives to prison for nonviolent drug offenders, including rehabilitation treatment, and that in the period between 2003 and 2011 violent crimes dropped by 14.2 percent.

THEORETICAL ALTERNATIVES

Despite the found benefits, little has been accomplished to help users receive the treatment they need to break addictions and avoid prison time. Some users (there are few indicators other than anecdotal) who do go to rehab in Leba-

non do so voluntarily, before the police pick them up, at non-profit treatment centers like Skoun or Oum el Nour or with specialized practitioners in hospitals. Joseph Khoury, an addiction psychiatrist at the American University of Beirut Medical Center (AUBMC), says most of the users he treats come to him on a voluntary basis, instead of for court ordered rehab.

The alternative of rehabilitation instead of jail time is but a theory. Since its ratification in 1998 this aspect of the law remains largely ink on paper. Nammour argues that prosecutors wrongly interpret the law when going after drug users. "The law states that a person using drugs, an addict – that's the term used – is to be penalized unless this person states that he or she wants to undergo treatment. So you have two components of the crime – being an addict or refusing to undergo treatment. If one of these components doesn't exist you don't have a crime," Nammour tells EXECUTIVE. He says their justification for arresting users is to generate leads gleaned from interrogating them, that prosecutors pit users and street dealers against each other to widen the cast of their net. Lumping users into investigations pervades the notion amongst law

■ Despite the found benefits, little has been accomplished to help users receive the treatment they need to break addictions and avoid prison time

enforcement and prosecuting officials that users are also criminals, Nammour argues.

Judges point out that users can receive rehabilitation treatment once their case reaches the court but Nammour says no, this is a wrong reading of the law that disincentivizes users from seeking treatment because it punishes them upfront. Rehabilitation is meant to be an alternative for drug users to avoid jail time, but because they are

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Drug use

used as bait they are not afforded this option until it is too late. “This person will feel that [they’ve already been penalized] and at the end of the case – this is a pattern I’ve seen in almost every case – they don’t want to go to rehab anymore. What’s the point? When we tell them the point is so that you keep a clean criminal record (because if you finish treatment the judge should close the case with no marks on their record), they’ll tell me that ‘I don’t care about my criminal record, I just want this over with. I don’t want to go through anymore,’” Nammour says. Faisal Abdullah, a defense lawyer, says he’s had clients that have been incarcerated multiple times only to later die of an overdose because they did not receive the treatment they needed to break addiction.

But referrals for rehabilitation are also hindered because the government lacks the ability to treat the large number of arrested users. Lebanon’s 1998 drug law established a Counter Addiction Committee (CAC) meant to identify user cases that qualify for rehab. Though the CAC is up and running it does not have the necessary means to be effective in providing the alternative to incarceration. “There are very real obstacles prohibiting the CAC from referring [users for rehabilitation] – to refer 3000 users per year, it’s a huge number,” Nammour says. For one the sheer number of drug users arrested per year overwhelms the committee. Centralized in Beirut, Nammour argues the caseload should be diffused across several committees spread throughout the country. But an appointment to the CAC is an unpaid commitment that piles an additional full time caseload on already overworked judges (the same is true for others appointed to the committee, government officials plus doctors and civil society representatives). That the committee hardly functions is

“a major gap” in the provision of rehabilitation, says Khoury, the addictions psychiatrist at AUBMC, a gap that “actually undermines its purpose because the government, the police or the legal profession don’t take this committee seriously enough.”

Then there’s the issue of too few treatment centers in the country. “Because the government did not accredit rehab centers – you have a committee created by the law that is completely

■ Last year the Ministry of Public Health published a five year plan to improve mental health care in the country, including substance abuse

disabled because it doesn’t have accredited rehab centers to send users to,” Nammour says.

LONG ROAD TO RECOVERY

Advocacy by civil society, led by the Legal Agenda and Skoun, has produced small but tangible victories. Last year the Ministry of Public Health published a five year plan to improve mental health care in the country, including substance abuse. The Ministry of Justice, the responsible authority, has accredited three rehabilitation centers to treat drug addiction but the spaces available are yet inadequate given the numbers arrested.

More recently, the Ministry of Public Health issued a memo (the ministry provided the memo but declined an interview request) directing the medical community to not call the police when overdosing users show up at hospitals. Allegedly, hospital administrators or their staff acted as a network of informants for the police, but Nammour could not provide evidence supporting this allegation citing fear of defamation lawsuits and EXECUTIVE was not able to independently corroborate the claim. On whether the ISF has informants in hospitals Chamseddine tells EXECU-

TIVE that, “No police [officers] from the drug enforcement agency are working in hospitals. I don’t care about arresting people overdosing, I care about their safety and their rights – we prefer they are treated to become well to avoid loss of life.” When the police are called about overdoses, he says, they are contacting nearby police stations and not his unit. Chamseddine also adds that hospitals are obligated, as per a 2006 memo by the general prosecutor, to call the police when a patient is a victim of crime, such as a gunshot wound. Nadya Mikdashi, Skoun’s executive director, points to the misinterpretation of this 2006 memo as enabling the reporting of overdosing patients. For whatever reason, calling the cops on patients, Nammour says, at least compromised doctor-patient confidentiality, a violation of Article 7 of their medical code of conduct (Lebanon’s equivalent of the Hippocratic Oath). In any case, the new memo from the Ministry of Public Health is a welcome step forward but one that Skoun says it will closely follow to observe its application.

Nammour says the way ahead is straightforward yet challenging – apply the law, focus on enabling the CAC and accrediting treatment centers so that users who need rehabilitation have a place to go. But the key area that would resolve a number of issues is the period when a drug user is arrested and investigated, where users become disillusioned with the system and first encounter the obstacles they must hurdle to avoid prosecution and receive rehabilitation treatment. “There is a lot of work to be done because we’re speaking about the most rigid part of the judiciary looking at drug users [as criminals],” he says. Short of decriminalization or full on legalization of narcotics, Nammour says Lebanon can best serve its drug using population by rehabilitating them and expanding harm reduction programs, an outcome that EXECUTIVE has previously advocated.





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Opinion

By Thomas Schellen

Way beyond cars and football

Seen from Beirut, the fallout from the Syrian crisis illuminates the lasting interdependence of orient and occident

It means one thing and one thing only when flags of many colors are hoisted on Lebanese balconies: football is imminent. Famed for one of the most consistent and largest shows of fandom for big football nations, the first diehard Lebanese fans of the Nationalmannschaft – a word which the most-watched Arab sport reporters here bark out with three exclamation marks as a mixture of a battle cry and endearment – have already put up German flags on their buildings in April, more than six weeks before the team managed by Joachim Löw will run onto the pitch in Lille for their opening game in Euro 2016.

These expressions of affinity recur with every World and UEFA Cup tournament and are as handy as they are rewarding when one seeks to illustrate the passion for the foreign in everyday Lebanese culture. One of the most attractive foreign identities during tournament seasons is the German one, even more so in tournaments where Brazil is not a contender. And it's not just the football in its proverbial roundness which evokes such fascinations. More specifically, the affinity hangs together with the admiration for German cars and for living or wanting to live in Germany. When one discloses German nationality in a casual conversation with a Beirutite it is the exception that the Lebanese partner would not refer positively to any one or all three of these purported denominators of shared interest.

As a rule in such conversations, there will be praise of a German-engineered product, of a presumed German

quality or virtue, and/or of Germany as destination or model of statehood and societal organization. Talk of the “ugly German” just doesn't happen and any criticism of country, politics or people is almost frighteningly rare in Lebanese society – and what makes the approval even more poignant is the sharp contrast to the eagerness with which the Lebanese criticize their own state and the vigor with which people from all strata readily and openly agree that the one human being not to trust, ever, is the average Lebanese politician.

SHARED CONCERNS

But while it is easy to speculate that romanticized Lebanese views of Germany may include a considerable dose of wishful thinking to compensate for perceptions of defectiveness in their own socioeconomic structures and hopes that are juxtaposed with systemic deficiencies in the organization of the state, getting hung up on the infatuations with German cars and football and the craving for Germanness may also distract from some areas of mutual interest that deserve greater attention.

The secular take on the ‘destiny’ topic is of course the Syrian crisis with its far-reaching implications for European Union member states and for the EU's entire Eastern Mediterranean neighborhood. As Germany's ambassador to Lebanon, Martin Huth, emphasizes in an interview with *EXECUTIVE*, the arrival of the Syrian refugee crisis in Germany in September 2015 came as a

surprise and demonstrated how “in today's interconnected world a crisis can happen in one part of the world and it almost immediately affects us in other parts of the world” [see page 48].

According to Huth, the current relationship between Germany and migrants and refugees has the three aspects of humanitarian aid, integration and control of people flows. The former two are a case study for how one should deal with migrants and refugees and the latter is a case study in the volatility of trying solutions to what many per-

■ Talk of the “ugly German” just doesn't happen and any criticism of country, politics or people is almost frighteningly rare in Lebanese society

ceive as an impossible – or unsolvable – quagmire.

If not by design or understanding but certainly by default, the crisis has put the German and Lebanese state actors into a joint venture situation of shared concerns. The same truth applies grosso modo to the entire community of European and Mediterranean states but the partnership of necessity between Berlin and Beirut reveals some very interesting behavioral learning potentials. That is to say, opposite characters in a team have to learn to work together.

And what partners dealing with high, albeit different, impacts from the Syrian crisis could be more opposite to one another than Germany, Europe's economic power player and a key policy influencer, and Lebanon, which combines small size with a minimal role not only in regional policy making but even in governing its own affairs to the point of living in a sorry state of political self-impairment? Immanuel Kant, the German philosopher who defined enlightenment as man's

emergence from self-induced tutelage (selbstverschuldeter Unmündigkeit), would not have approved.

THE MOST ORIENTAL OF ALL QUESTIONS

The European identity has been entwined since antiquity with the cultural DNA that was found in the eastern Mediterranean and the Fertile Crescent. Science, religion and culture of the two regions were linked inextricably and often it was European thinking and behavior that was fertilized from the Orient. Even after the power center of human development shifted to Europe, and during centuries when Eurocentric worldviews dominated historiography, the Orient was a canvas of dreams and a source of ideas. In the slightly more modern parts of history, for about the past 150 years, the Orient – understood from the European vista as the region beginning in the Balkans and stretching clockwise around the Mediterranean and into Asia Minor – became an area of increasing economic and political interests. The issue was known as the oriental question in the Prussian-denominated Deutsche Reich of the later parts of the 19th century, which German-Israeli historian Dan Diner described as the historical episode of the Ottoman Empire's decay and the impact thereof on European power constellations.

Up to the 1890s, it was a paradigm of German exterior policy to have no stake in the 'oriental question', according to a speech by Otto von Bismarck that the entire Orient was 'not worth the healthy bones of one single Pomeranian grenadier'. However, interests in commercial development, including armament deliveries and banking expansion, were growing and reflected in the establishment of German financial institutions in Palestine and trade depots in, among other places, Beirut. These interests were also evident through the humongous infrastructure

project of a railroad between Konya and Basra in the Ottoman Empire (the Baghdad Railway) that traversed Syria and Iraq, with a link to Damascus, and which was implemented on the basis of the German-engineered and funded 1890s Anatolia Railway project between Istanbul and Ankara and on to Konya. As German historian Gregor Schöllgen pointed out, the dream of the development of German interaction with the waning Ottoman Empire in the late 19th century even included ideas of settling German surplus population in Anatolia and Mesopotamia along the transportation artery.

Of course best-laid schemes have a tendency of going awry and the great railroad from Berlin or London to Basra by way of Mesopotamia was not a way to peace but an added trigger to the conflict that became known as World War I. This is of some relevance if one agrees with Diner's essay from 1995 that the oriental question was playing out in the same spaces as the late-20th century question about the definition of Europe – and, one wants to add, it seems that this definition of two separate spaces and competing identities is still in existence in the

■ In Lebanon, you find also the German teachings, technologies and even theology

21st century but is neither a religious (Islam vs. Christianity) nor a political or social question but a question about two identities, each of which is multi-tiered.

To quote yet another truism, opposites attract, all the more if there are hidden underlying similarities and affinities. In this context, what German journalist Manfred Lüders wrote in an essay for weekly *Die Zeit* in 2012 about orient and occident may very well apply to the relationship of Germany and Lebanon. Despite their shared cultural roots in Abrahamic origins,

historic exchanges and joint Mediterranean lifestyles, the interaction of occident and orient has become one of "twins who live in enmity". Lüders also argued, "In the images that both have of the other, each of them discovers the oppressed subconscious portion of the own ego and reacts in fear, through cultural stereotyping."

This is not to say that common economic ties are of no value. EXECUTIVE did, in fact, discuss resurging economic activities with Ambassador Huth, and is happy to note that not only will the embassy finally move closer to central Beirut – after a hillside hiatus of several decades – but it is also planning to enhance the interaction of Lebanese and German business, as well as the activities of the German-Lebanese Business Council.

It is, to use the example of German cars, true that vehicles branded in Stuttgart, Ingolstadt or Munich today are not the most sold makes in Lebanon, at a total share of newly licensed passenger cars at about 10 percent for example in the first quarter of 2016. But it is equally true that these makes dominate in the segment of premium cars to the point that more than eight out of ten vehicles sold by importers of premium marques were German. And there is so much more: from Germany to Lebanon there is beer and socks made in North Rhine Westphalia, trees and sweets (for Christmas) from Rhineland Palatine and Bavaria, trucks, reciprocating engines and so on. In Lebanon, you find also the German teachings, technologies and even theology. The open question is if the future will see more of a mutual traffic of goods, services and ideas. But for the moment, while this leaves plenty of room to bring greater rule orientation to traffic in the Lebanese capital and to engineer a boom in adaptiveness of behaviors in Berlin, it gives hope that the wait for the first kickoff at the Euro 2016 tournament next month will be filled with (moments of) Lebanese-German Gemütlichkeit. ■

By Thomas Schellen

Diplomatically speaking



EXECUTIVE met with Martin Huth, Germany's ambassador to Lebanon

E *In 2015, Germany experienced a sudden unexpected influx of migrants and refugees in large part due to the Syrian crisis and its effect on host countries, including Lebanon. As Germany has been trying to deal with the large number of people coming in, what will the political impact be and what are the current prospects for Syrians seeking shelter in*

Germany and elsewhere in Europe?

Allow me first to express my appreciation for EXECUTIVE Magazine. It was more or less by coincidence that I came across a copy of the magazine one or two months after I arrived in Lebanon [to take charge of the German embassy in September 2015]. I found a lot of interesting articles and

in-depth information, especially [concerning] the oil and gas sector. I was greatly intrigued by this.

When we talk about Germany and the refugee crisis, it is of course an ongoing process and an ongoing story. In the Syrian crisis we were dealing with what you may call a surprise factor. Refugees arrived most notably over the course of the past year when in September 2015 thousands of people were stranded on the German borders and, as our government was faced with these challenges, our chancellor, as you know, decided to open up the borders. It shows us that in today's interconnected world a crisis can happen in one part of the world and it almost immediately affects us in other parts of the world. One of the lessons to be learned for future crises is that you have to be able to anticipate them and be prepared for what might come toward you by building on previous best practices.

E *What has this surprise migration created in German society?*

I think it has brought out the best and the worst in some respects, and that is easy to see and understand. There was an enormous wave and readiness to assist in all quarters of society and there were outpourings of help and sympathy for the refugees. On the other hand, as the situation progressed and the influx increased, there were also concerns over whether Germany would be able to accommodate and integrate such large numbers that are arriving on short notice and all at the same time.

We now have about one million people who have entered Germany and of course not all will be able to stay. We still expect 500,000 to 600,000 people to gain access to Germany over this year. This of course poses a significant challenge but I see some hope on the horizon that eventually the conflict

in Syria will come to an end and lead to a situation that will enable Syrian refugees and migrants to return to their country. We believe that a large majority will want to return.

E How about those refugees who will want to remain in Germany?

The second area we are working on in Germany is the integration of refugees. Integration is a challenge that will not be achieved in a short time, and let us not forget that not everybody who is coming to Germany is from Syria – that is a misperception. But when it comes to Syrians there are a lot of people among them who are qualified and eager to work and who are willing to integrate.

One final point and one that you see here at the embassy is that every morning there are a large number of people who are waiting to have their cases processed; these are mainly people who apply for *Familienzusammenführung*, or family reunion. We have so far accepted 476,000 persons in Germany who are either refugees under the Geneva Convention or are registered as asylum seekers. People who have gained this status have a legal right for their children and their spouses to come to Germany [and, in hardship cases, their parents]. These people are now applying here for admission to Germany and we expect this to continue for some time because the registrations in Germany are ongoing and because of the decision taken in September of last year. I understand that this embassy will still be very busy until the end of next year processing those cases.

E But is it correct that this embassy is not an open window for any person arriving from Syria and saying, 'I am a refugee and want to apply to go to Germany'? People have to have a relation who is already in Germany in order to approach the embassy?

That is absolutely correct. People have to have this and specifically there is no way of applying for asylum

through a German embassy abroad.

E What about managing expectations in Lebanon that Syrians should go home and dealing with local perceptions that the United Nations and the European Union might want to resettle Syrian refugees in Lebanon?

As I have illustrated to you, Germany is doing a lot to receive refugees and migrants from Syria in the present context. As you raised the issue of Syrians being implanted into Lebanon, which is a topic that is raised very often during political discussions here, let me make it very clear: neither the UN nor Germany nor any other Western donor country that is involved in helping Lebanon does so with the objective of implanting Syrians in Lebanon. And we believe that Syrians themselves don't want to stay there longer than necessary.

E Turning to the topic of assistance, it seems clear that the financial commitments made during the Supporting Syria & the Region London conference in February of this year cannot be expected to be disbursed all at once or even as quickly as one might hope for from the perspective of humanitarian assistance and relief. Can you update us on the main points regarding German assistance to Lebanon under the London commitments?

Germany was co-host of the London conference and pledged 2.3 billion euros to improving the living conditions of refugees in the region. That relates to Lebanon, Jordan, Turkey and Iraq. Out of this amount, 330 to 350 million euros will go towards Lebanon in 2016 alone. We have an ongoing discussion with other donors about how best to go about using this money and an implementation mechanism that will allow us to oversee and control this whole process. This involves the UN, donors and the Lebanese side.

On the other hand, we are putting some focus on certain deliverables that we would like to see from the Lebanese side; one of them relates to waiving or significantly reducing the registration fee for refugees and another relates to possibilities for opening the job market for Syrians in Lebanon, because as part of this money we have a special initiative for creating job opportunities for Syrians. For that to be successful you need some openings, notably

■ Germany was co-host of the London conference and pledged 2.3 billion euros to improving the living conditions of refugees in the region

in the work intensive sectors like agriculture and construction, where there are some difficulties here in Lebanon. These things have to happen in parallel so that the funds can be put to best use and that is what our country and the Lebanese are focusing on.

E The disbursement period for these funds will be from when to when?

I cannot answer fully when the flows will commence and how they will be implemented. I think \$20 million has been made available already with the [International Labour Organization] and other first amounts may have been authorized in other areas, but things will certainly get moving over the next weeks and months. We have to do our part and act as quickly as possible.

E Lebanon as a country of course has not just entered German awareness since the refugee crisis, even without reminiscing as far back as when Kaiser Wilhelm visited Baalbeck in 1898 and made a statement about those magnificent ruins. When it comes to the development of economic and social relations between the two countries, what are your priorities?

In fact, [when talking about touch

Q&A

points in history] we can even go back to the 12th century when the body of Frederick Barbarossa was buried in various places and his heart was to be taken to Jerusalem, though according to lore it made it only to the town of Tyre and is actually buried in the cathedral, which I visited [in mid-April].

In terms of current economic relations, I think we benefit from the good reputation of our products. A special example is a type of Mercedes car from the 1970s, known as the *Strich Acht Mercedes* (W 114/115 model series). They feature in every Lebanese film and documentary about the civil war, probably because the trunk was so large that you could transport all kinds of things across the Green Line. These cars are in service until today and have become somewhat synonymous with Lebanon. I actually own a very nice one myself but didn't bring it to Lebanon.

The love of German products is very much alive in Lebanon and there is a huge network of German company representation here. Lebanon also, until very recently, used to be a springboard for exporting these goods into other countries of the region, to Syria but also to Iraq and the Gulf countries. All of this is in the hands of very competent and clever Lebanese businessmen who again prove that in a situation where the state is notably absent, they can still make their living and the economy flourishes more or less rather independently from the political quagmires.

E How does this economic relationship look in terms of numbers and potentials?

We have an exchange of about 700 to 800 million euros in trade from Germany to Lebanon. From the German perspective this is not a huge figure but given the size and population of Lebanon, I think it is quite noteworthy and we are number four in the Lebanese import statistics.

Exports from Lebanon to Germany are only about 40 to 45 million euros per year and mostly agricultural products and there is probably room for improvement. I think we should be more interconnected not just for the exchange of goods but also for services, knowledge about technology, et cetera. An important link in this regard is trade fairs. We have a very unsatisfying level of attendance at the German trade fairs, even the very big ones. Take for example the (biennial) IFAT trade fair for waste management and sewage technology, which is coming up at the end of May. The topic is very important for Lebanon but our visa records showed only two registered visitors from Lebanon [in 2014]. According to our records, we had about 6,500 visitors to German trade fairs from Lebanon [in 2014] and about 90 who attended trade fairs [as exhibitors] with a stand. This can be greatly improved and extended. We will take a hopeful step in this direction now by boosting the capacities of the Lebanese German Business Council (LGBC) to

■ The love of German products is very much alive in Lebanon and there is a huge network of German company representation here

provide information and assistance on business with and in Germany and on trade fairs. This service was offered previously by the embassy when I first worked here about ten years ago [but] was removed due to budget reductions, and inserting such capacities through the LGBC will move us forward.

An important area to mention in current economic activity is the re-vamping of electricity generation capacity. [One part of this is] through the refurbishing of power stations in Jiyeh and Zouk Mosbeh by a Danish-German consortium in which the German company MAN is providing turbines and I just saw these huge diesel genera-

tors, each with 18 cylinders, powering away at full speed in Jiyeh.

E Have you seen these generators running?

Yes. These [power generation] capacities should go online very soon.

E Is the embassy able to help specifically with the reputation development of German products in Lebanon when there is increasing global competition for German brands from Korean or Chinese makers?

We offer possibilities to promote our goods and we do that at our annual exhibition on the Day of German Unity [October 3] but I want to add that German cars, for example, don't compete in the same market segment as Kia. We have Audi, Porsche, Volkswagen, Mercedes-Benz and BMW present here and they are very, very successful. Whether German washing machines face serious competition in Lebanon from other brands, I guess that is the case, but that is a market issue. Coming to our reputation: it builds on the solidity and the value-for-money reputation of our products and on other factors too, such as that we were not a colonial power in this region and that we have a strong cultural presence. Sometimes we don't advertise ourselves sufficiently so people say what Germany is doing in Lebanon is one of the best kept secrets in Lebanon.

E Marketing is not always seen as the German forte.

Marketing is important, especially in our day, and we should apply the saying that we have in Germany, which is, *'Tue Gutes und rede darüber'* [do something good and talk about it].

E Are you hoping for more marketing of Germany in Lebanon then?

We are taking a first step with the LGBC and I am ready to listen to any proposal from within or outside of the LGBC that takes us further. Another thing that is important is to move the embassy. We are rather removed from central Beirut. Fortunately now, after more than 25 years of relative isolation



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Q&A

at what was supposed to be a provisional solution in Rabieh since 1988, I am happy to say that probably by the end of this year we will move into our new premises much closer to downtown Beirut and this should also give more prominence to our presence in the country.

E *There have been aspects of cost-cutting on the German side that impacted the presence, whether it was the Goethe Institute in Tripoli or the LGBC, but there were continual elements such as technical assistance and vocational training programs. Is the greater attention awarded to Lebanon under the current crisis providing some benefits in terms of funding for German presences?*

As one of the things you mentioned, we should certainly try to reach out to other regions of the country. Lebanon is a small country and it is therefore not that difficult to look at centers outside of Beirut, notably Tripoli and perhaps Sidon and Tyre.

E *And you have already visited those regions.*

The recent visit to the south underscored the importance of developing that region. We should be reaching out there as well. In Tripoli there is now a focal point of the Goethe Institute with the Safadi Foundation but there is room for more. But when it comes to directly assisting Lebanon, let us not forget that Lebanon is not a low income country. The average income is quite high when compared with less or least developed nations. When we talk of helping Lebanon what really needs to be done is to overcome the current political crisis and that is what should put Lebanon again on a good footing. What we have been witnessing is unfortunately a prolongation of the vacuum and the paralysis and a general unwillingness to overcome this. There is no abyss, but the absence of the state and its institutions that are really working in the service of the Lebanese citizen is a great deficit of this country, and I can only repeat what I said on other

occasions: you can only help a country to the extent that it is willing and able to help itself.

E *You used the word unwillingness. Do you think the Lebanese political class have an attitude of unwillingness or are they not even aware of the importance of properly functioning institutions in order to be engaged in international discourse and exchange?*

It depends on who you speak with. I think that the primary function of a state to look after the welfare of its citizens is a notion that is not necessarily shared by every Lebanese politician. A very concrete example is the presidential vacuum when, every so often, you hear people tell you that the president of Lebanon traditionally was not chosen by Lebanese but was preordained and chosen by outside countries beforehand – and that right now the situation is so difficult that we need a green light for a solution from Riyadh, from Washington, from Tehran, from who knows who, to agree on a new president and we can't do anything. At that point I always inject into the discussion that the Lebanese should turn this around and agree on a president first and then the green light will come as well.

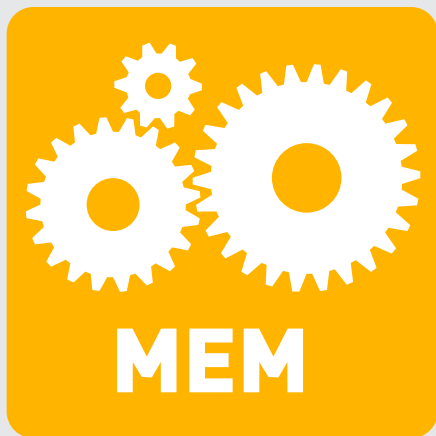
E *It seems to me that Germany, back when I was growing up, was mired in geopolitical dependencies larger than those of Lebanon but the issue of sovereignty or the will to elect the people's representatives in national parliament was not diminished by our geopolitical dependency.*

That gives me the opportunity for a closing remark that is very important to me. All of us know that if we look back at our childhood and try to imagine the Germany that we grew up in and compare it to our country today, we must say that our country has undergone an enormous trans-

formation. In this region, we always talk about stability, but the understanding of stability is very often limited to preserving the status quo in the sense of saying *al-amn wal istikrar*, security and stability, in the sense of having state security and no criminality. However, this is the twenty-first century and we live in an interconnected world. What does stability mean in this context? I think real stability, no longer means this kind of static stability, but rather it has to be some kind of dynamic stability – a stability that allows for the ever-happening transformation and change that takes place in every society. What is key to achieving this notion of dynamic stability is in my view one simple thing: participation in constant discourse in a society. We

■ What really needs to be done is to overcome the current political crisis and that is what should put Lebanon again on a good footing

need a political class that is ready to tackle the challenges of society but is doing this on basis of a participatory dialogue with the population. That is why invigorating the Lebanese Parliament is so important. How can a country function if there is no parliament and no discussions? As societies have to renew themselves all the time, populations have the responsibility to actively participate in challenges that have to be mastered. In Germany there have been so many challenges; we can talk about the refugee crisis, about reunification, about the euro and the European process – all these have been accompanied by heated debates and elections and this for me is the core element for ensuring a degree of stability – and I think the same applies to Lebanon as well. This society is ready and willing to participate in dialogue and discussion of all issues. ■



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Berytus Nutrix Legum, or Beirut as cradle of the law in its Latin expression, has lost all meaning in times such as these, when our national institutions have become decrepit due to the decay of the political culture of the ruling class. As a result, local authorities (municipalities and federations of municipalities) are one of the few remaining legitimate institutions in the country, making it even more crucial, for the future of democracy in Lebanon, to hold the municipal elections in their due phase.

It is in the name of democracy that Beirut Madinati (Beirut My City) has emerged as a political campaign to run in elections for the Municipal


Council seats in Beirut. The negligence of past municipal councils in managing local prerogatives and taxpayers' money has for many people engraved the idea that municipalities have little to no power and that decisional mechanisms strictly lie at a national level. This is simply not true.

The Municipal Act governing the organization of municipalities in Lebanon (Decree-Law 118 dated 1977 and amendments) lists an impressive set of prerogatives. The "Municipal Council shall be in charge, without limitation" of the budget, loans and donations, as well as "planning, improving and expanding the streets, establishing gardens and public places... establishing shops, parks,

racing places, playgrounds, toilets, museums, hospitals, dispensaries, shelters, libraries, popular residences, wash houses, sewers, waste drainage and others" and much more in terms of transportation, economic development, education, culture and heritage.

With over 800 million dollars in budget surplus admitted by the present mayor of Beirut in EXECUTIVE magazine in December 2014, and regardless of the transfers of the problematic Independent Municipal Funds, very little was actually invested in the city's livability and the well-being of the people.

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working, studying and transiting in the capital, Beirut Madinati has presented an alternative to those inefficiently running the city, in order to restore the municipality's prerogatives. To that end, this political campaign, led by independent and non-partisan citizens and supported by a multitude of experts and specialists, has developed a comprehensive municipal program and vision for the city.

Concretely, this will mean establishing a suitable working relationship with the governor (or *mohafez*), the actual head of the executive authority in Beirut – a unique configuration unlike the other municipalities in the country. What is considered by many an obstacle to implementing projects in Beirut in fact simply represents the result of a lack of political will in building professional institutional bridges between the different offices that should be cooperating for the benefit of public interest in the capital. If elected, a Beirut Madinati-led Municipal Council would adopt decisions and regulations in line with the current law and legislation, aimed at achieving local human and socio-

economic development, all of which do not constitute any grounds for obstructive strategies by the governor who is bound by law to enact the public good.

On the level of economic development, a Municipal Council run by Beirut Madinati elected officials would work on confronting the growing rate of unemployment and urban poverty. In the short term, the Municipal Council would institute a lasting communication channel with

■ The Beirut Madinati campaign is out to convince the 470,000 Beirut registered voters to upset the power balance at the local level through the vote

inhabitants' representatives through existing condominium committees and to-be-established neighborhood committees, thereby voicing priorities and specific needs in terms of social and economic development.

In the long run, throughout the six year mandate, improving basic infrastructure in areas such as roads, traffic safety and housing needs, highlighting cultural and natural landmarks (Dalieh for instance), restoring public spaces and green areas, and establish-

ing community centers and public libraries will create jobs in both public and private sectors and stimulate the local economy and cultural enhancement. The municipality will also contribute to reducing the cost of doing business in the capital, especially for young entrepreneurs and start-ups in strategic sectors (tourism, technology, ecology, etc.) through the provision of quasi-free and subsidized working sites. Commercial streets with local shops, merchants, craftsmen and artisans will be supported through urban design planning strategies providing sidewalks, parking spaces and a comprehensive public transportation system that will greatly improve access and mobility to these areas. Fiscal incentives, lawful and possible within existing mechanisms, will also relieve some costs for the private sector entities sharing the municipality's vision for a sustainable and greener Beirut.

The Beirut Madinati campaign is out to convince the 470,000 Beirut registered voters to upset the power balance at the local level through their vote. By focusing on dealing with the daily problems of the people in the capital through responsible, transparent and participatory means, the campaign aims to purge the realm of local governance from controversial and divisive issues that capture the entire attention and interests of both the March 8 and March 14 political formations and beyond.

It is time for an independent generation of political militants to step up in order to tend to the basic concerns of the citizens that keep being disregarded by those in charge (the waste crisis being the most recent illustration). Beirut Madinati aspires to contribute to the emergence of a new Lebanese breed of respectable and up-right policymakers, achieving a better future for the next generations in Beirut and the country. ■

KARIM EL-MUFTI is director of the human rights law clinic at Sagesse University and a member of and advisor to Beirut Madinati.



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By Mona Sukkarieh



A national oil company for Lebanon?

A premature and incomplete debate

It's been three years since the nascent oil and gas sector in Lebanon was brought to a complete halt.

The relative success of the pre-qualification round in 2013 brought the sector to center stage and contributed to the hype surrounding it. But the pre-qualification round was not followed by a tendering process. Instead, this was put on hold for a variety of both rational and irrational reasons. No licenses were awarded. No exploration was conducted. Not a single discovery was made.

Yet, the oil and gas debate in the country appears to be oblivious to these realities.

Conferences abound, though on a much smaller scale than a couple of years ago, and instead of investments and grandiose ambitions, we are left with capacity building and activism. Nearly every university in the country has launched new majors to prepare the Lebanese youth for work in

the country's petroleum industry. The first batch of graduates will soon enter a market which is completely void of a petroleum industry. But, perhaps the strangest debate in town, the one attracting all the attention in the past weeks and months, is the question of whether or not Lebanon should establish a national oil company (NOC) and when, for the sooner the better.

TAKING A STEP BACK

Article 6 of the 2010 Offshore Petroleum Resources Law provides for the establishment of an NOC "when necessary and after promising commercial opportunities have been verified." The law includes a degree of prudence that is welcome, though the article is now being associated with conspiracies alleging that it intends for petroleum activities to favor the private sector at the expense of the nation's wealth. Calls for establishing an NOC years before any verification is possible

is at best questionable and raises fears that the company would face the same crippling challenges most other public institutions in Lebanon have long suffered from: patronage and mass-staffing, at the expense of productivity.

The debate lacks a strategic vision. And, as is the case with public institutions in Lebanon, particularly those operating in a lucrative sector, these are regarded more as tools of political influence rather than instruments intended to effectively implement a particular policy.

It is not enough to call for the establishment of an NOC at this stage, though it is not a complete anomaly to establish an NOC prior to any oil or gas discovery. But there is a series of questions that must be carefully considered, particularly at the pre-discovery phase.

CRUCIAL QUESTIONS

What will the NOC's mandate and objectives be? This could range from



the relatively reasonable to the very ambitious, and may require revising the legislative framework, with inevitable interferences and stalling whenever deemed necessary by one or more political sides. Is there a risk of institutional proliferation? The multiplication of institutions all addressing the same issues without a clear division of roles and responsibilities cannot guarantee a sound management and presents the risk of duplication of work. It is also important that ambitions are realistic and match the resources available, so as not to disappoint.

Does it have the capacity to carry out its mandate? It is critical to understand the time and resources needed to develop the required capabilities, and factor in possible hurdles. It is also important to be fully aware of the weaknesses, and resist the urge to brush them off, by, for example, claiming that we can seek the services of the talented Lebanese diaspora. Experience shows that the “Lebanese diaspora” argument is used more frequently than are the actual services of said diaspora.

How large will its workforce be and what will the hiring process look like? In Lebanon, it is very hard to resist clientelistic tendencies and the urge of mass-staffing public institutions. Some of those calling for establishing an NOC at this stage have a poor record in this regard.

What are the resources needed to carry out its role, knowing that it will have limited revenues in the pre-discovery stage? It is critical to understand the financial requirements and have the means to meet them. At the pre-discovery stage, and with little (onshore) to no (offshore) exploration activity, expenses must be kept under control.

What guarantees are the propo-

nents proposing to alleviate fears that this company would not be mismanaged or would not dry up public funds? Following the experience of *Electricité du Liban*, the Lebanese are traumatized and their fears need to be addressed. If recent experience with Lebanese public companies is an indication, there is a real threat that an NOC would suffer from the same problems plaguing other already established companies. These include mass staffing, at the expense of quality (rendering the overall work less efficient), and possible cor-

■ Maybe what is needed more than a national oil company at this stage is for professionals and specialists in today’s oil and gas industry to set the framework for a national debate

rupt practices. Are there any valid reasons to believe the management of this company will be an exception?

A GENERATIONAL CONFLICT?

Finally, it’s worth noting that those that are most active in calling for establishing an NOC all belong to a certain generation that has experienced the past ‘glories’ of nationalization in resource-rich countries. However, today’s context is fundamentally different than that of the 1960s and 1970s. Maybe what is needed more than an NOC at this stage is for professionals and specialists that have a relevant experience in today’s oil and gas industry to set the framework for a national debate.

Establishing a national oil company is not intrinsically a bad idea. But for it to work, the subject deserves to be addressed from all angles and for all the aforementioned questions to be much more carefully considered. ■

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

VERTICA REALTY GROUP



THROUGH THE EYE OF AN EXPERT

Home Insurance Overview

Home insurance protects your financial interests and grants you the peace of mind if your home is damaged due to a covered peril. A peril is anything that causes damage or injury or loss such as environmental disasters, accidents, fire, theft, etc.

Benefits

The biggest benefit of home insurance is the protection of your property investment. When you get the right coverage and a good policy for a low annual rate, you won’t have to stress and worry about any incident that can damage your property.

Things to do before signing a home insurance policy

Get different quotes from different companies for comparison. Read thoroughly and understand the terms & conditions of each policy. If needed, get the advice of your legal consultant.

Coverage

Home insurance policies differ as they’re catered to the individual’s unique needs. But you can benefit from coverage options to protect:

Property: The insured property, construction, content.

Liability: Third party liability protection, neighbors recourse, co-owners recourse and tenants liability

Perils: Fire, lightning, explosion, natural disasters, residential water damage, theft, jewelry robbery, loss of rent, etc.

Mohamad S. Sinno,

Managing Director

VERTICA Realty Group

Have a question, contact us: info@vertica-me.com

By Thomas Schellen

ANATOMY OF AN INSURANCE SECTOR

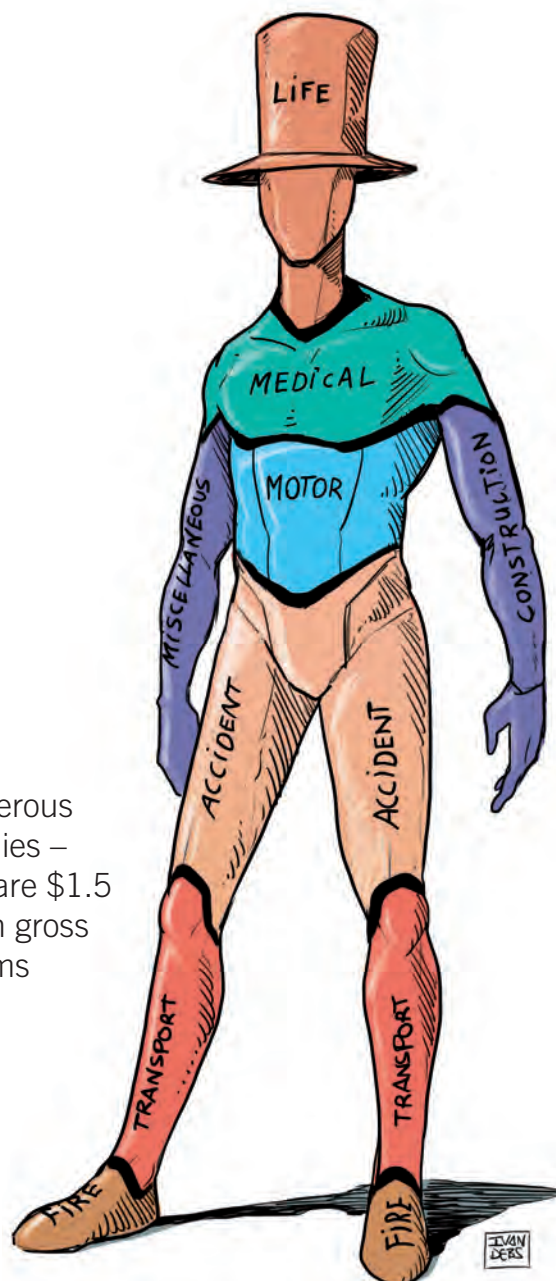
Industry still has room for growth and improvement

The Lebanese insurance industry is enigmatic in the sense that numerous companies – 50 – share \$1.5 billion in gross premiums but that not one of the companies is listed. For a considerable time – at least in the era of the current insurance law which was updated almost 20 years ago – the country's insurance sector has also been characterized by a dichotomy between on the one hand being among the largest insurance industries in the Arab world in terms of insurance penetration, meaning the role of insurance in percentage of gross domestic product, and on the other hand being overshadowed by commercial banks in their contribution to jobs and to the economy in general.

Insurance providers count among the pillars of developed economies because of their stewardship of the people's pension money and thereof resultant long-term investments. This role of institutional investors is largely absent from the Lebanese market as the Insurance Control Commission (ICC) noted in its recently published annual report for the sector.

Additionally, the Lebanese insurance market has seen numerous opportunities for development that have not been utilized. As insurance executives confirm, passing interests in the newer lines of business

■ Numerous companies – 50 – share \$1.5 billion in gross premiums



LEADING UNDERWRITERS BY BUSINESS

Business Line	Life Insurance	Group Policies Medical	Individual Policies Medical	Motor Comprehensive	Motor TPL Bodily Injuries
Total premiums*	426	255.1	179.6	233.2	56.4
Largest provider	Alico (79.3)	Medgulf (77.7)	Bankers (30.6)	AROPE (26)	Liberty (12)
2nd largest provider	Bancassurance (60.5)	AXA Middle East (34.3)	AXA Middle East (20.9)	Libano-Suisse (23.8)	Security (5.8)
3rd largest provider	Allianz SNA (58.1)	Bankers (28.3)	Fidelity (18.4)	Bankers (19)	ALIG (4.2)

– whether insurances in case of riots and civil commotion or unrest (which are types of property covers), kidnap and ransom policies, or liability insurance for directors and officers of companies – are specialties that do not gain more than fleeting demand in Lebanese and regional markets.

Some insurance innovations will make their way into the Lebanese market – whether because of the internet of things, the shift of economies (and of economic confrontations) in the digital and cyber security world or because of the issues related to our climate and need of insuring alternative energy generation and preservation.

LIFE, MOTOR, MEDICAL DOMINATE

According to the records published by the ICC, the number of insurance providers which underwrite risks in the six different categories that require licensing under the existing law ranges from 45 in general accident insurance (which includes motor and medical) to 10 in credit and zero in agricultural underwriting. For life insurance, 36 companies are licensed of which all but a handful of firms can act as composite companies that offer non-life coverage alongside their life insurance licenses.

However, for the time being the Lebanese market is still best described in terms of the market shares for the different insurance volume specialties, namely motor and health insurance in the non-life or general sector and life insurance with the varieties of protection only, protection with savings, and unit-linked (with risk participation) lines. Life, motor and medical insurance account for around four in every five dollars in coverage sold by insurance providers in the local market.

It is instructive to see that in the life insurance sector the split between the three sub-specialties is tending toward growth of protection-only policies which, according to the ICC, rose from 9.4 percent to 11.3 percent of total premiums written in the years 2010-2014. Protection-only covers played main roles in bank-induced insurances of loan takers in the retail segment. Over the same time period, the issues of wealth-building insurance through protection-cum-savings contracts stayed comparatively stable,


whereas unit-linked products saw both fluctuation and degradation as uptake of such contracts fell to 8.1 percent in 2014, compared with 9.9 percent of the market in 2010.

DEMAND STILL LIMITED

From an operational perspective, the demand for life insurance is therefore a reflection of investment needs in the rather limited segment of society where such needs are present and on the other hand the needs and realities of people in the wider Lebanese economy, which in recent years suffered a downturn from the growth of incomes that was seen in the period prior to the outbreak of the Syrian crisis and other crises affecting Lebanon.

This also correlates with the growth concentration in general, or non-life, insurance lines where the five years from 2010 to 2014 saw a shift to medical insurance as the number one category in written premiums, moving ahead of motor insurance where demand for vehicles stayed buoyant but customers often opted for new cars that were less costly in acquisition, upkeep and maintenance, including insurance. Fire insurance saw increases amidst new ministerial scrutiny over policy requirements for enterprises but other branches of general insurance, including professional liability and similar covers, did not witness expansions that would have been intuitive in markets with more developed frameworks and stronger economies.

According to the annual report on the sector, it is now possible to see which companies exactly are leaders in underwriting of the various business lines (see tables).

The market is served largely by three types of companies: local firms that associate with international companies, local firms that are owned by local banks and firms that are local and independent. The local firms serve the long tail of the market while firms with regional or international ties often have stronger opportunities for product diversification and size-wise development. The question is what insurance companies are financially secure (see story page 64) and how to encourage greater financial and operational transparency of insurance companies in Lebanon. 

Motor TPL Material Damages	General Accident	Fire	Transportation	Miscellaneous, Civil Liability, Contractors All Risk, Credit
46.9	73.4	105.7	42.5	55.4
Bankers (5.3)	Alico (18.8)	AXA Middle East (13.2)	Bahria (7.9)	LIA (7.3)
AROPE (3.7)	Allianz SNA (5.6)	Bankers (10.1)	AXA Middle East (4.9)	LCI (credit: 6.2)
Fidelity (3.2)	LIA (4.8)	LIA (7.5)	ALIG (4.3)	Bankers (4)

All figures in million USD*

Source: Insurance Sector Annual Report 2014 by the Insurance Control Commission, Ministry of Economy & Trade

Insuring growth



With the conference of the General Arab Insurance Federation on the agenda for the month of May, EXECUTIVE sat down with Fateh Bekdache, general manager of AROPE Insurance.

E *Can you confirm data suggesting that AROPE Insurance maintains a leading role in underwriting comprehensive motor insurance, meaning insurance that covers the risks of owning and operating a car?*

Yes, and we are the most profitable company among composite insurers which provide both life and non-life insurance, as per the 2014 Annual Report published by the Insurance Control Commission (ICC) on the Lebanese insurance sector.

E *Would you update us on the company's results for 2015?*

If we talk about consolidated figures, we had \$109 million in gross premiums with \$19 million in profits. Our shareholders' equity stood at \$126 million. The group is healthy.

E *Did you see any particular changes in your market share?*

We can't tell yet, but I think that we are still leaders in motor insurance and one of the major players in life insurance. Our business is growing across the board, despite what is going on around us. There were some impacts that we had to adjust to in 2015, such as the central bank circulars that mandated borrowers to put down 25 percent of any loan as well as the premium [of insurance related to the loan]. This led to a small regression in our life

insurance portfolio but this will be better over the years to come, because the business is now more sustainable.

E *Banks also now have to offer loan customers a choice of five providers for the insurance that secures their loans. How did this innovation impact you?*

This is a good thing. Banks have to offer more choices to their clients and for us at AROPE it was a win-win situation, because while other insurance companies are on the list [at our parent bank, BLOM] we are on the lists of other banks.

E *In its recent annual report for 2014, the ICC showed separate but very similar underwriting results for compulsory motor insurance in the two coverage areas of bodily injury, which has been imposed since the early 2000s, and material damages, which is quite new as a requirement under the 2013 traffic law. Are the growth rates aligning?*

As you know, the only cover that was compulsory was for bodily injury. One of the articles in the new traffic law mentioned two years ago that insurance against material damages was required and we started to finalize this but there was no decision to go ahead with implementation.

E So it is still not enforced?

No; all relevant decrees have not yet been issued.

E You are bank-owned. Is the expansion into other countries driven by BLOM Bank?

As you know, we are in Egypt with life and non-life insurance. We usually follow in BLOM's footsteps.

E Apart from risks such as the currency risk, the Egyptian market has a large share of local insurers. How does this work for you?

What you are saying is 100 percent right but to look at it from the other side, before we arrived, there were companies in the market [which invested in Egypt]. Our penetration is good, there is a problem with monopolistic and big properties, which is not our cup of tea. Our strategy is to go toward personal lines – such as life insurance, medical, personal accident, all these policies which we love to sell. And we follow BLOM's footsteps and we go after their customers.

■ I think we are still leaders in motor insurance and one of the major players in life insurance. Our business is growing across the board, despite what is going on around us.

E Would AROPE aim to become more of a regional company in its profile? Do you have a strategic aim on

how much of your business should be generated outside of Lebanon?

We were aiming to have a company that is bigger than the one we have in Lebanon when we entered Egypt. Our business plan was based on personal lines and bancassurance and when the government changed, the central bank stopped bancassurance agreements and it wasn't until 2014, a year and half ago, that they issued a decree on how to do bancassurance. We applied and waited for the approvals and if I'm not wrong, we started selling the bancassurance [in Egypt] by the end of 2014.

E Do you have a current target on how much of your revenue you want to generate outside by 2020?

If you asked me this question in 2010, it would have been much easier to answer. It is no secret that we had a lot of ambitions. Now, with everything that is happening around us, you have to be very careful. Play it by ear.

E We talked some years ago about the role of insurance regulators and the need for a unified MENA market to make it easier to do intra-regional activities. Is this happening?

I can tell you that things are much better now in Lebanon [as far as dealing with regulators], because things are run very smoothly and we have new instructions every few days, which is good as long as they are good instructions. ■

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Executive



How secured is the Lebanese insurance sector?

Reviewing the providers from a financial perspective

The insurance penetration rate in Lebanon for 2014 was \$557 premium per capita or 3.3 percent of GDP and very low for personal lines. Hence, there is much room for growth. However, if the insurance sector continues to grow without enforcing the appropriate solvency adequacy and corporate governance reform, the possibilities of default would certainly increase.

Vulnerabilities of insurers to default are not automatically tied to the size of the company but such risks do increase when insurers lack transparency in their financial disclosures and operate below the size thresholds that commonly define viable providers. The World Bank pointed this out in December 2013 in a technical note on the Lebanese insurance sector. “Small insurers, family owned and operated, might well be more like family brokerage firms in other jurisdictions, with limited risk retention and a focus on simplest low risk products,” said the World Bank’s market and risk-based review, which overall highlighted potentials in the sector and noted the good quality of supervision.

Since the publication of the above mentioned World Bank’s technical note, the Lebanese insurance sector has not seen major changes to its structure – with 50 active companies, there are still more providers than the underlying economy appears to justify, especially when noting that economic growth in the past few years was impeded by external and internal factors. However, the Insurance Control Commission (ICC) as supervisory authority has since that time enabled analysts and market participants to gain a much improved view of sector companies by releasing the revenue accounts in addition to the balance sheet information on a company level in the Annual Sector Reports for 2012, 2013 and 2014.

FINDING TRANSPARENCY

On the basis of its own methodology and analysis of Arab insurance companies in the annual Digest Arab Insurance Rating (DAIR) and in the ICC annual reports, the company i.e. Muhanna rating services is now able to shed light on the Lebanese Insur-

ance market in comparison to the insurance sector in the Arab World that is covered in DAIR. We present these findings that are based on the companies’ 2014 audited annual accounts, noting that DAIR has obtained most of the 2015 figures but we have limited the period of comparison to the years 2012-2014 in order to coincide with ICC’s most recent annual report.

This brief, which was prepared for EXECUTIVE as an exclusive contribution, covers the 50 Lebanese insurance companies. It is important to note that 11 companies out of the 50 are referred to as “transparent companies” for the purpose of this article (see figure 1), since they voluntarily made their annual audited accounts public well before the ICC started fully disclosing company results with the publication of its annual report in 2013.

In analyzing all the companies in the Lebanese insurance sector, we defined three categories in which companies are clustered for the purpose of this article: transparent, unrated but secure, and unrated and uncertain (see figure 2 for the number of companies in each category).

Although 60 percent of the insurance companies in Lebanon fall within the uncertain range, 80 percent of the insurance coverage in 2014 originated from secured insurance companies as far as their financial strength are concerned. This should give some comfort among the insured. It is worth noting that the largest 10 Lebanese companies dominate the market with a 64 percent market share.

The satisfactory proportion of insurance business by secured companies notwithstanding, the large number of unsecured companies, 31, (see figure 3) – meaning providers which a full rating would place below investment range – brings attention to the importance of introducing transparency among the Lebanese insurance companies. Based on the ICC reports, the i.e. Muhanna rating services has rated the 39 companies which do not voluntarily publish their accounts. However, in the absence of full disclosure of the audited accounts, we have refrained from publishing the results in DAIR. We urge the insurance companies to respond to this concern for transpar-

ency and make their complete audited financial statements public, including their income statements, revenue accounts and notes.

Financial Highlights on the insurance companies in Lebanon:

Total shareholders' equity of the 50 Lebanese companies amounted to \$1.053 billion in 2014 against \$981 million in 2013, an increase of 7.4 percent. Total Net Premium Written amounted to \$1.15 billion in 2014 against \$1.1 billion in 2013, an increase of 4.2 percent. As a result, the risk of underwriting exposure measured by net premium written over shareholders' equity for the Lebanese companies reached 109 percent in 2014, similar to the 110 percent figure in 2012. The rate in Lebanon compares positively with the Arab World average of 176 percent (see figure 4). However, the Arab World average is distorted by the underwriting exposure of four companies with extremely high rates of this risk. If we exclude the four outliers, the Arab World average would stand at 117 percent.

The insurance business is unlike any other business: as the risk expires, the collection of premiums becomes harder. Hence, bad debt or inadmissible assets are common among companies with Premiums Receivable in excess of 30 percent. In this context, it needs to be pointed out that Premiums Receivable for the cluster of companies labeled "Rest - Uncertain" represent 44 percent of Gross Direct Premiums, which is well above the average ratio for the two other company clusters and the sector overall (see figure 5).

While the Management Expense Ratio is reasonably stable over the 3 years, it was noticed that the cluster of companies labeled "Rest - Uncertain" are spending more than double on their Management Expenses when compared with the secure and transparent companies (see figure 6). This could be for two reasons; the first is due to the economy of scale since most of those companies have very small portfolios. The second, since all the companies are family-run insurance companies, the structure of expenses is set by the owner/management.

Although it is imperative to separate the cost of doing life insurance business from the non-life business, the data provided proved difficult to analyze bearing in mind the existence of composite companies. In spite of that, it is clear that the acquisition cost among the non-life companies in the "Rest-Uncertain" cluster is well above the others in Lebanon (figure 7).

CAPITAL VS. EQUITY

The following table sheds some light on why very small insurance companies still exist in the current business environment (figure 8).

The World Bank's comment on the current insurance solvency position in the insurance sector in Lebanon is to the point: "Solvency margin requirements are out of date and low by international standards. Local and foreign insurers and reinsurers (if any) are subject to the same minimum capital requirements. At 2.25 billion Lebanese Lira (\$1.5 million), the absolute minimum is not out of line with international norms or a barrier to entry. An out of date solvency margin requirement at 10 percent of premium is required. As part of the future development of the sector, a more risk based regime should be explored. Initially, this could be developed as a risk assessment tool for the sector and the ICC before it is implemented as a solvency regime under a revised insurance law with appropriate transitional arrangements."

So, it is not the capital requirements which count but rather the shareholders' equity. The difference between the policyholders fund and the shareholders fund should be in access of the solvency requirements in order to allow for all the risks associated in calculating the provisions, as well as to allow for the company to grow or to close down. In short, the shareholders of the insurance companies have co-owners i.e. the policyholders.

Thirty-five Lebanese companies, which constitute 70 percent of the Lebanese insurance market, and 55 Arab companies, which represent 36 percent of DAIR, have shareholders' equity that amounts to less than \$25 million. It is unfortunate to note that three Lebanese companies have a negative shareholders' equity. In addition, 15 Lebanese companies, which represent 30 percent of the Lebanese market, have shareholders' equity between \$25 million and \$300 million.

As the World Bank commented, "it is not necessary to reduce the number of insurers to unleash further development," we were reminded of sector development in one European country, Denmark. Denmark, with a similar population to Lebanon, is home to over double the number of insurance companies, yet it is a solid, well developed and properly managed insurance market. At the same time, consolidation has streamlined the Danish insurance market since the country felt the impacts of the global financial crisis in 2008/2009. Due to the crisis and as a result of the low interest rate environment, the number of insurance companies operating in Denmark declined from 174 at the end of 2008 to 115 in 2013. Compared with best practices and country examples such as Denmark, the Lebanese insurance sector can still cover much ground.

*Ibrahim Muhanna is the managing director of
i.e. Muhanna & co (Actuaries & Consultants)*

Insurance

NUMBERS & FIGURES

FIGURE 1: RATING OF THE 11 LEBANESE INSURANCE COMPANIES IN DAIR

<i>The 11 Companies rated in DAIR</i>	<i>2014 Rating</i>
CLA - Crédita Libanais d'Assurances et de Réassurances	A+
UCA - United Commercial Assurance	A+
LIA Insurance	A
ADIR	A
Al-Bahriah Insurance & Reinsurance	A-
Arabia Insurance	A-
Medgulf	A-
Assurex	BBB+
The Lebanese Credit Insurer	BBB+
Victoire Insurance Company	BBB-
ALIG - Arab Lebanese Insurance Group	BBB-

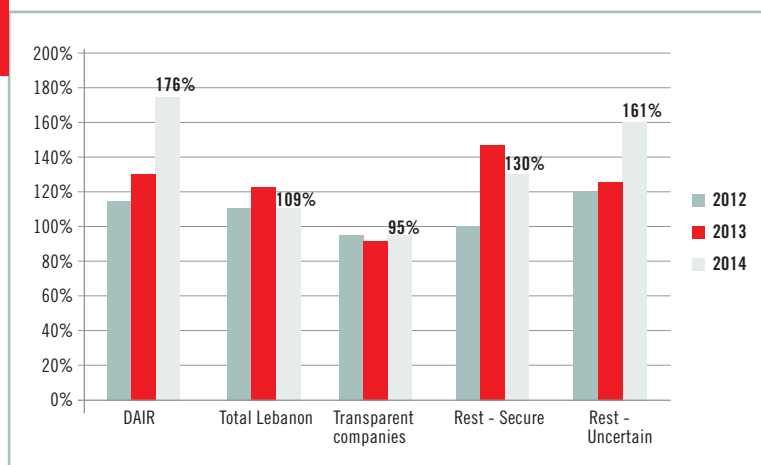
FIGURE 2: RATING OF THE 39 LEBANESE INSURANCE COMPANIES NOT RATED IN DAIR

<i>Number of Companies within the different rating ranges</i>	<i>2014 Rating</i>
8 companies	BBB
14 companies	BB
8 companies	B
9 companies	CCC
8 companies	secured
31 companies	Uncertain

FIGURE 3: CATEGORIES AND NUMBERS OF INSURANCE COMPANIES

	<i>DAIR</i>	<i>Total Lebanon</i>	<i>Transparent Companies</i>	<i>Rest - Secure</i>	<i>Rest - Uncertain</i>
Category	Companies rated In the 14th Edition of DAIR	The 50 Lebanese companies	The Lebanese companies rated in DAIR	The secure Lebanese companies not rated in DAIR	The unsecure Lebanese companies (Lower than BBB) not rated in DAIR
Number	152	50	11	8	31

FIGURE 4: UNDERWRITING EXPOSURE (Net written premium over shareholders' equity)



■ Total shareholders' equity of the 50 Lebanese companies amounted to \$1.053 billion in 2014 against \$981 million in 2013, an increase of 7.4 percent

FIGURE 5: NET PREMIUMS RECEIVABLE OVER GROSS DIRECT PREMIUM FROM 2012 TILL 2014

<i>Net Premiums Receivable / Gross Direct Premium</i>			
	2012	2013	2014
DAIR	21%	22%	20%
Total Lebanon	31%	31%	33%
Transparent Companies	18%	20%	25%
Rest - Secure	14%	14%	17%
Rest - Uncertain	44%	44%	44%

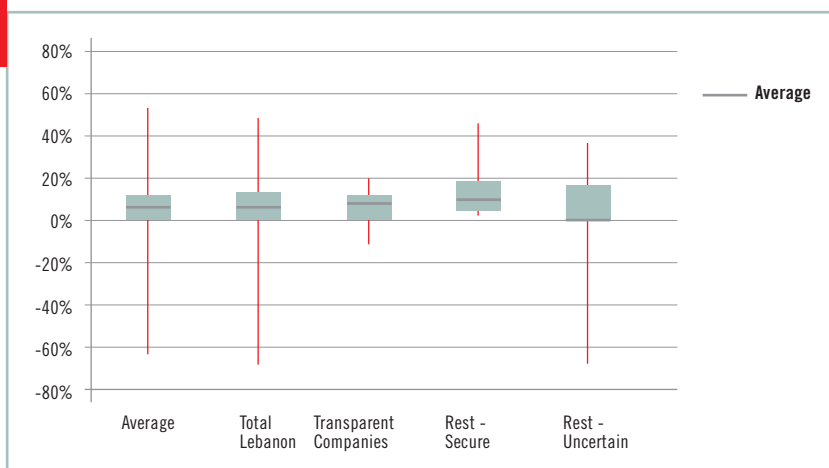
FIGURE 6: MANAGEMENT EXPENSE RATIO FROM 2012 TILL 2014

<i>Net Premiums Receivable / Gross Direct Premium</i>			
	2012	2013	2014
DAIR	27%	30%	28%
Total Lebanon	33%	33%	34%
Transparent Companies	18%	20%	22%
Rest - Secure	22%	22%	22%
Rest - Uncertain	44%	44%	44%

FIGURE 7: ACQUISITION EXPENSE RATIO FROM 2012 TILL 2014

<i>Acquisition Expense Ratio</i>	<i>Life</i>			<i>Non-Life</i>		
	2012	2013	2014	2012	2013	2014
DAIR	15%	14%	13%	11%	12%	12%
Total Lebanon	19%	19%	20%	27%	27%	27%
Transparent Companies	13%	12%	13%	21%	21%	21%
Rest - Secure	20%	20%	21%	12%	12%	12%
Rest - Uncertain	26%	26%	26%	30%	30%	31%

FIGURE 8: UNDERWRITING PROFIT OVER TOTAL REVENUES FROM 2012 TILL 2014



■ Thirty-five Lebanese companies, which constitute 70 percent of the Lebanese insurance market, and 55 Arab companies, which represent 36 percent of DAIR, have shareholders' equity that amounts to less than \$25 million

By Matt Nash

Going it alone, together



Lebanon's co-working landscape is changing

Samar Ibrahim doesn't like her current office. Since February, necessity has forced her into a small space in the bowels of ABC Mall, Ashrafieh.

She suggests meeting for an interview instead at Urbanista on the top floor. It's fitting that she's chosen a coffee shop as a setting – she sounds like her own ideal client. Ibrahim manages the temporarily closed Coworking +961, a shared workspace. An 11-year-old concept with activism in its genesis mythology, co-working is gaining popularity from Los Angeles to Singapore and even boasts its own unicorn in WeWork (valuation as of writing: \$16 billion).

DISRUPTING WORK

In 1989, Mark Dixon observed demand. The official Regus story has it that Dixon saw so many people in Brussels working from coffee shops and hotels, he opened a serviced office business. The idea was simple: the professionally homeless (be they travellers in town for a few days, the self-employed or a small business who cannot afford a long-term lease) need a professional place to work. A private desk (or desks, depending on the size of the venture), shared office equipment, meeting rooms for rent, flexibility and reduced overhead costs were the main value propositions. And it worked. Regus went public in 2000 and reported

1.9 billion GBP (\$2.77 billion) in group revenues for 2015. In 2005, Brad Neuberg was working for a startup company out of a Regus location and thought of a way to change the model: socializing. He called it “community” in a 2012 interview with *Deskmag*, a publication that dedicates most of its coverage to Neuberg's increasingly successful concept. He was pitching work meets activism in a casual setting with a startup mentality, not a business center with beanbags and an open bar. When a reporter with the left-leaning US magazine *The American Prospect* covered co-working in 2007, there were but 12 or so co-working spaces globally (all in the US, compared to the estimated thousands around the world today). The author described a social movement, not a business model. Taking a dig at ‘fly-by-night commercial co-working spaces,’ the author questioned how long the “communities” being created would remain authentic, warning that “relentless commerce is the solvent that loosens the ties that bind us.”

The “community” aspect of co-working is still an integral part of the concept. A “Coworking Manifesto” – which explains that the people who use these spaces “envision a new economic engine composed of collaboration and community, in contrast to the silos and secrecy of the 19th/20th century economy” – continues to garner signatures, but disdain for the co-working space as a profit center seems to be on the wane. There's no shortage of advice online about how to make a co-working space commercially viable. Karly Nimmo, founder of a failed space in Australia, offers concise guidance on the importance of marketing: “Build it and they will come is bullshit,” she writes on *Deskmag.com*. Lying just below the surface of Nimmo's advice is again the notion of creating the right sort of “community” for the space one is operating.

As for interior design, co-working spaces tend to be open plan. The “community” is all about mingling, sharing ideas, networking and, for some, generating new business. Many spaces bill



TO HYPHEN OR NOT TO HYPHEN

There are many co-working proponents whose blood will boil when reading this article. Both *EXECUTIVE*'s in-house stylebook and the much more influential Associated Press (AP) stylebook call for spelling co-working with a hyphen. True believers argue the hyphen should go. As Carsten Foertsch – founder of *Deskmag* (see article) – argued in 2011, “the voluntary nature of coworking requires it to be differentiated from the relationship between two involuntary co-workers,” i.e. people working for an “old-fashioned company” with a “contractual obligation” to work “alongside people they would rather not be with.” He ended his argument with a tweet readers could send AP demanding a change.

Co-working spaces

themselves as ideal launching pads for startups and a market study on nurturing the “knowledge economy” in a region of the US state of Wisconsin argues that co-working spaces are integral to building an entrepreneurship ecosystem. Co-working is part of the “new economy.” The “sharing economy.” Think Uber and Airbnb.

THE BUSINESS SIDE

As a business model, both co-working spaces and business centers are at least partially a real estate proposition. The owner of an office can potentially earn more from the property by renting small portions of it – say 5 square meters per desk – to a large number of separate clients on a short-term basis than renting the whole space to one client on a long-term basis. Consider a simplified, hypothetical example: EXECUTIVE found a 200 sqm office for rent in Verdun on ultimatebrokerage.com. It's listed at \$45,000 per year. If the owner rents the office to one client for five years, the property will generate \$225,000 in steady, fixed payments over the course of the lease. If our property owner divides the space into 25 co-working spots available for \$350

per month (ignoring for the moment alternate revenue streams), in five years it could generate \$525,000 if operating at full capacity. The cashflow is not as stable, and that last “if” concerning operating at full capacity is a big one at the very heart of a co-working space's commercial viability. Flexibility is a big co-working selling point. One can rent space by the day, month or year, particularly helpful for startups that may have fluctuating space requirements in their first few years or for those new companies that are not even sure they will exist next month or next year. Clients can pay for “undedicated space” – meaning there might not be an open desk to

use – or spend a bit more on dedicated space. Many co-working spaces offer private offices as well, and are accessible 24/7. This flexibility is a draw for clients, but a risk for space operators.

FUZZY NUMBERS

Popularity of the co-working concept is undoubtedly growing. *Deskmag* produces a yearly “Global Coworking Survey” launched in 2011. The 2016 edition forecasts the number of co-working spaces worldwide to surpass 10,000 by the end of this year. Considering there was exactly one back in 2005, that's arguably impressive growth. We must add, however, that *Deskmag* does not regularly publish a methodology for its survey, so EXECUTIVE is not certain just how “global” the survey really is. It also doesn't include a margin of error, nor are the exact same questions repeated year-on-year. For example, one of the most interesting questions (Is your co-working space profitable?) seems to have been

■ Slightly over 70 percent of surveyed co-working spaces self-reported reaching profitability after “more than two years in operation”

asked only once in 2012 for the survey's second edition. The one-time result, however, is promising. Slightly over 70 percent of surveyed co-working spaces self-reported reaching profitability after “more than two years in operation.” Respondents also noted that around 40 percent of their revenues came from services other than a desk with an internet connection (events, tickets to events, rentable meeting rooms and food and beverages, for example). In reporting the results of this one-time line of survey questioning, *Deskmag* notes it only offers data from privately held companies – meaning that even if the respondents were known, their answers

could not be verified. Anyone trying to argue for the profitability of the model, however, would no-doubt skip the survey results and point to the outlier: WeWork. Founded in the US in 2010, the company closed a \$430 million investment round in March, according to the Wall Street Journal, that will help it push into Asia.

CO-WORKING IN THE LOCAL CONTEXT

To date, co-working spaces have not been widely profitable in Lebanon, but part of that is by design. Ibrahim, manager of Coworking +961, explains that the company is a partnership between the Bader Young Entrepreneurs Program and the MIT Enterprise Forum for the Pan Arab Region. She says Coworking +961 is more about serving the country's entrepreneurship ecosystem than being a successful business in its own right. At the end of January, the venture left the building near the Sursok Museum it had been renting since July 2013 in search of more stable lease conditions, she tells EXECUTIVE. They found a new, 250 sqm spot in Saifi Village (on the edge of the Beirut Central District) with a five year lease and expect to open after around \$50,000 in renovations are finished, Ibrahim adds.

AltCity – which used to operate a co-working space in Hamra – also recently closed its doors. While founder David Munir Nabti was not available for a full interview, in a brief exchange he offers: “[Co-working spaces are] great for the community and the [entrepreneurship] ecosystem, but it's hard to make them profitable.”

Richard Azoury, head of Solidere's business development unit, tells EXECUTIVE that the real estate company's co-working space – Cloud 9 – is typically not even self-sufficient. It covers its own cost at 100 percent occupancy, he says, noting that is “very rare,” with occupancy typically around 70 percent. The space holds around 50 people, he says. Profitability of Cloud 9 is not exactly the goal, he explains. The space is limited to

DOWNTOWN BEIRUT HAS A NEW LANDMARK

GS opens a flagship outlet in the heart of Beirut



GS brings a new shopping haven to the heart of Beirut, opening their flagship store in Downtown. A fashion landmark made up of almost 2,500 square meters of retail space, the building offers an entire unique shopping experience.

In the heart of the fashion capital, GS Downtown spreads across 4 floors, showcasing apparel, footwear and accessories collections for the entire family. Kids can discover their fashion styles on the underground level, while fashionistas are created on the ground floor and men build their signature styles on the first floor.

As for the second floor, it is home to latest addition, GS Storey. Launched for the first time in Lebanon, the concept offers shoppers the coolest home décor pieces from international brands. GS Storey also offers a unique platform where local and international talents can showcase their work in a modern and urban space.



Commenting on the occasion, Mr. Jamil Rayess General Manager of HST Co. stated: "In order to sustain a business, growth must be constant, and this is something that we pride ourselves with. We continuously seek to expand and enhance our portfolio in order to uphold our leading position and better cater to our clients."

"Downtown Beirut was an ideal location for our flagship store, as a key shopping center in the heart of the capital. It is also the prime location to expand into new sectors and launch GS Storey," he added.

GS continues to be the leading closet of choices, with new additions to its offerings season after season.

Co-working spaces

small companies or individual workers in the information and communication technologies (ICT) field and aims to be a home to startup companies that grow into businesses that require more traditional office space (ideally in a Solidere property). Walking through the all-but-deserted Maarad district of Downtown (surrounding the parliament and, since the middle of 2015, accessible only via military checkpoint), Azoury argues that the empty street-level storefronts that used to house restaurants and shops could be a techy business hub. While the prospects of that happening any time soon look remote, it's the argument you might expect from a real estate company. Mohamad Rabah, general manager of ZRE, makes the same argument. ZRE manages the Beirut Digital District (BDD), and Rabah sees the same kind of pipeline potential in a co-working space. That said, the district currently does not offer any co-working space. He explains that ZRE left the management of co-working in BDD to Berytech, ZRE's partner, along with the Ministry of Telecommunications, in the development. Instead of opening a co-working space in BDD, Berytech used the space to open Speed@BDD, a startup accelerator, Rabah says. Berytech operates its own co-working space outside of Beirut – the Digihive – but the person responsible was not available for an interview. That said, in an email exchange to try arranging a meeting, EXECUTIVE did learn that “Digihive as a concept is being relaunched by Berytech.”

NEW ENTRANTS

Up in Byblos, Tarek Matar is soon to launch a new co-working venture called “Neopreneur.” And he speaks the social movement language as well. Referring to friends with entrepreneurial enterprises, he says the co-working space idea was

born in part because, “they want an open space to share ideas and discuss.” He's renting space in a hotel with the aim of hosting a co-working space alongside a hybrid incubator/accelerator for startups. Three new companies are already onboard to join, but he insists the space is “a social initiative. The model of co-working isn't profitable. You can't make a high return on investment. You barely break even. But the programs are profitable.”

Some beg to disagree. While recognizing the need to create a vibrant community, profit and scalability are key deliverables for Zina Dajani, co-founder of Antwork – a new co-working space set to open this summer on Spears Street, near the Ham-

■ “As more new startups were coming up, the real estate [market] was not responding to the needs they had.”

ra district. Antwork is a member of the DNY Group, of which her husband Tarek is chairman. The new co-working space has a long-term lease (10 years, renewable for another five) and anchor clients from DNY Group that will take up “30 to 40 percent” of the 5,200 sqm. These anchor clients will help limit the volatility risk inherent in such a venture, let Antwork start with “a healthy cash flow,” and provide “traction” for the space, she explains. Investment into the space (which includes renovation and some new construction) should be recouped in the middle of year two, Dajani estimates, citing WeWork in describing Antwork's growth plans (being present in 20 countries in 10 years). And unlike many of the local co-working spaces that came before it, Antwork will understand the opportunity to make a little more.

“All our services are revenue streams,” Dajani says.

THE MORE THE MERRIER?

Reliable statistics, as always, remain a problem in Lebanon. Dajani sounds a bit like Regus' Mark Dixon when talking about the growing number of Lebanese working from coffee shops and new startups being created with support from central bank circular 331. She admits she has no hard numbers on Antworks' potential client pool, but it doesn't phase her. Middle East Venture Partners – which is managing a \$70 million fund of 331-compliant bank money – invested in DNY Group, so she believes this relationship may help feed clients into Antwork and the anchor clients – themselves all startups – she thinks will help kickstart the community Antwork wants to create. Dajani comes from a real estate background, and offers market insight she says also plays in the space's favor. “As more new startups were coming up, the real estate [market] was not responding to the needs they had. One of which is the agility, the quick access to more or less space when you need it,” she says. This agility is exactly what co-working spaces offer and why they are arguably ideal workspace models for young companies.

Solider's Azoury and ZRE's Rabah are less convinced. Azoury says he simply hasn't seen a big enough boom in new startups to justify the creation of significantly more co-working space in Lebanon. Rabah declares, “Do we need 10 co-working spaces? No.”

Facts on the ground, of course, will prove who's right on the demand side, but there appears to be no disagreement on the overall purpose of these spaces. While EXECUTIVE did not ask if they read it, everyone interviewed for this article seems to agree with the first two sentences of the “Coworking Manifesto”: “We believe that society is facing unprecedented economic, environmental, social and cultural challenges. We also believe that new innovations are the key to turning these challenges into opportunities to improve our communities and our planet.” ■

Eden Park

P A R I S



By Matt Nash

Strategies to survive the real estate sales slump



The chairmen of Plus Holding and Sayfco Holding talk property promotion

The disruption was illuminating. When the knock first came, Georges Chehwane tried not to interrupt his interview with EXECUTIVE. The matter, however, demanded the chairman of Plus Holding's attention. A client wanted to buy an apartment in a building Plus Properties is promoting, but needed flexibility in payment scheduling. It wasn't long before Chehwane was standing, shaking the client's hand. "*Mabrouk*," he said.

"So that's how it's done?" EXECUTIVE asks the man who only moments before was lamenting the slow pace of sales on the local real estate market. "You have to," he says. Plus Properties is promoting four developments at the moment, in addition to constructing the company's own projects. Why do developers come to him to market their apartments? Chehwane cites his company's old-school marketing machine. He

doesn't do digital because he doesn't see the value in it at the moment. "There's a lot of competition. Everyone's going digital."


For Chahe Yerevanian, chairman of Sayfco Holding, Facebook is a money-maker *par excellence*. The pride in his voice is clear when he mentions the one-page case study Facebook wrote in 2012 about the \$25 million in sales Sayfco generated exclusively from the social networking site for its Crystal Towers project, one of the few developments the company built itself. Yerevanian explains that of the 30 or so projects Sayfco has been involved with since 2004, it directly owned and developed land for only five (and was a partner in the land ownership on an additional two). Yerevanian's model focuses on being a service provider. For 8 to 10 percent of sales revenue (plus a 30 percent bonus for sales above the pre-arranged target), Sayfco provides landowners with a development concept and markets the project. He claims the model is almost zero risk, but admits only 99 percent of the projects that he took on under that model will be completed. There's reputational risk, and he says it has made him much more diligent when taking on new clients. He laughs when EXECUTIVE asks about rumors the company is in financial trouble.

"I've heard I'm bankrupt," he says, jokingly. "Or hiding in Brazil." The slowdown has hurt, he admits, but insists the company is strong. Like Chehwane, Yerevanian says Sayfco benefited from a Banque du Liban circular from late October 2015 allowing for companies with cashflow problems to restructure their debts. Unlike Chehwane, Yerevanian says the process was painless. (The Plus Holding head

contends that the banks are "not being very flexible" and says a union is needed to strengthen the developers' hand). Aside from the debt restructuring, Yerevanian says he's currently raising capital to help Sayfco expand into Saudi Arabia and the United Arab Emirates. Yerevanian says that in late 2015, he became Sayfco's only shareholder after buying out his brothers, amicably. He plans to sell 50 percent of the company to unnamed silent partners for an undisclosed amount. Yerevanian wants Sayfco to be a global name in real estate development. He plans to grow the brand over the next five years and will only then begin thinking of floating a percentage of Sayfco.

Chehwane is similarly focusing on expansion at the moment by building in Cyprus, where he says margins are similar to Lebanon. But he also stresses the importance of diversification. A new member of the Plus Holding family should be coming soon, he says. Time does not allow an in-depth discussion but the project, Green Plus, will be well outside the real estate domain. It's a hydroponics venture in the United Arab Emirates.

To survive as developers in Lebanon, Chehwane and Yerevanian agree it's all about delivery these days. Chehwane admits it's increasingly tough, however, and says he uses barter over cash whenever he can. While the number of real estate transactions is up 25.6 percent in the first two months of 2016 compared to the same period in 2015, a return to the boom days seems a distant possibility.

"Right now, we just need to get the buildings up," Chehwane says. "It's in everybody's interest for projects to be completed." 



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THE EVOLUTION OF THE LUXURY SUV

NEWEST SELECTIONS IN THE LEBANESE MARKET

Words by **Olga Habre**

In a mountainous country of bumpy pavements punctuated with potholes, durable cars matter. Maybe that's why over the years the Lebanese have grown increasingly fond of sturdy Sports Utility Vehicles. Today's versions are not the same breed of heavy-duty off-roaders as their predecessors, and the SUV of the future may not be an SUV at all. In fact many vehicles are hard to classify as they bridge gaps and refuse to be pigeonholed into categories, with car makers often preferring the term "crossover" or denying labels altogether. But as these vehicles continue to evolve

past their original purpose – to go off road – several innovative new super-luxury models are being introduced internationally and in Lebanon, adding layers of luxury, technology and capability to our daily drive. 2016 is proving to be the year of the upscale SUV, with more and more deluxe vehicles entering the market. While we already know and love the Porsche Cayenne and its younger sibling the Macan, the BMW X5 and X6, Mercedes-Benz's range of Gs and GLs, Audi's Q line, Cadillac's crown jewel the Escalade and Japan's Lexuses and Infinitis, there are new contenders cruising into the



MASERATI LEVANTE

Named after a strong Mediterranean wind, this beautifully-designed SUV marks a turning point in the Italian car maker's more than 100-year-history. As striking on the inside as it is on the outside, the Levante is immediately recognizable as a Maserati, paying aesthetic tribute to previous models with its flowing silhouette, combined with newfound off-road durability. Stylish, passionate and comfortable, it's the quintessential Italian.

Starting price tag: \$112,000



JAGUAR F-PACE

To celebrate its 80th birthday Jaguar gave itself and everyone else a one-of-a-kind birthday gift: the F-Pace. The luxury brand known for its old-school elegance and refinement has launched its first ever SUV, and it's every bit the Jaguar. Advertised as "the world's most practical sports car", it fuses traditional Jaguar craftsmanship applied to the real world, with safety features and innovative in-car entertainment for a powerful SUV with family usability.

Starting price tag: \$90,000



BENTLEY BENTAYGA

The Bentayga preserves all the the timelessness of a Bentley in a bigger, better model that takes the brand into a new segment. With a remarkable W12 engine, exquisite attention to detail and the integration of new technology, the opulence of the car makes it a true Bentley experience. Said to be the first in its class, the fastest and most luxurious SUV ever built, the Bentayga was officially launched worldwide in October 2015, and arrives in Lebanon in May.

Starting price tag: \$355,000

"The true secret of happiness lies in taking a genuine interest in all the details of daily life." **William Morris**



LAND ROVER EVOQUE CONVERTIBLE

While some luxury car makers are just entering the SUV segment, the iconic Land Rover is setting itself apart by adding a new, topless dimension for an unequaled drive. The first of its kind, Range Rover Evoque Convertible creates a new vehicle category, retaining the elegant Land Rover aesthetic and tough persona that drivers can enjoy with the roof down. Ideal for the long sunny Lebanese summers, the new model will be available locally by mid-summer.

Starting price tag: TBA

SUVS OF THE FUTURE

ROLLS ROYCE

It won't be out until at least next year but the long-awaited vehicle (rumored to be called Cullinan) will undoubtedly be impressive. Rolls Royce is avoiding calling it an SUV at all, instead saying it's a high-bodied 4x4 based on its Phantom model. The price is expected to soar higher than any previous vehicle in the category, in typical Rolls style.

LAMBORGHINI

Not to be left behind in the super-SUV race, Italian sports car maker Lamborghini has created not only a concept SUV dubbed Urus, which is said to go into production in the coming years, but will also reportedly create a whole new category with what is said to be the world's fastest off-roader.

ASTON MARTIN

Could James Bond soon be driving an SUV? 007's current sports car maker Aston Martin debuted its first concept SUV, the DBX, at the 2015 Geneva Motor Show, putting forth an impressive electric all-wheel-drive GT crossover prototype set to be produced by 2020.



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"The true secret of happiness lies in taking a genuine interest in all the details of daily life." **William Morris**

GET UP TO SPEED

LEBANON'S NEWER, BETTER, FASTER, STRONGER SUPERCARS

Words by **Olga Habre**

With so much going on in Lebanon's automotive industry this year, these are some quick news-bites on the best sports cars in the land.



Two new Lamborghinis were launched by local dealer Saad & Trad in April: the Huracan Spyder LP 610-4 is a striking convertible, while the Huracan LP 580-2 features new front and rear bumpers, rear grills and exhaust pipes.



A new version of an icon entered the game as Porsche debuted its latest 911 range in April. The new 911s, both coupe and cabriolet, include Carrera, Targa and Turbo models, which come in new colors including Graphite Blue.



The expert team at RYMCO, Lebanon's Nissan distributor, took on the challenge of creating one of the fastest supercars in the world, a locally tuned 1,000HP Nissan GT-R sportscar. Though it's not for sale, it was a proud moment for the company to finally reveal their labor of love in March.




The new Aston Martin DB11, first introduced at the Geneva Motor Show in March, will make its debut in Lebanon with local distributor Tewtel Group this November. The new car is bold, fresh and distinctive in terms of design, the first product launched under the company's "Second Century" plan.

Lebanon's distributor for Audi cars, Ets. F. A. Kettaneh, introduced the second generation of its R8 supercar in April, sans launch event, as the entire allotment of cars for Lebanon was sold immediately. This must tell you something about the car which also won World Performance Car 2016, the fourth time it has won at the World Car Awards.

The sixth generation Chevrolet Camaro is also set to launch in 2016, with no official announcement on exactly when.

Ferrari's local distributor Scuderia Lebanon is set to debut the 488 Spider for the local market and promise another launch later this year.

Regarding BMW, there has been no confirmation yet on whether the German giant will release its i8 supercar in Lebanon, but many hope the supercar makes a local appearance. 

"The true secret of happiness lies in taking a genuine interest in all the details of daily life." **William Morris**

A CHAT WITH MARKUS LEITHE

IMPEX'S AWARD, CHEVROLET'S NEW MODELS AND
GM'S ONGOING TRANSFORMATIONS

Words by **Olga Habre**



IMPEX awarded the Grandmasters award by GM

even years after General Motors filed for bankruptcy in June 2009, the automotive giant is alive and well, having undergone a massive transformation that turned its fate around. Local distributor of GM brands Chevrolet and Cadillac, IMPEX, just won the prestigious General Motors Grandmasters Award for the fifth time. Managing Director for Commercial Operations at GM Middle East, Markus Leithe, visited Lebanon in April with other GM executives to bestow the award and launch the 2016 Chevrolet Spark and Cobalt. In his position Leithe oversees the UAE, Kuwait, Bahrain, Qatar, Oman, Iraq, Jordan, Lebanon, Afghanistan and Yemen – definitely a diverse group of markets for a single region. EXECUTIVE sat down with Leithe to ask just how far GM cars will take us into the future.

Why was IMPEX awarded the GM Grandmasters award? What does this mean for IMPEX?

It's first and foremost a prestigious award. On a yearly basis we have the Grandmasters Award [competition] and we've been doing it for many years. It's based on criteria such as sales results and customer satisfaction. We are awarding the best of the best so it's tough criteria, not just numbers; you need to do more than that. IMPEX has done a really good job in achieving this. There are three other [dealers] that won the award regionally, one in Oman and two in Saudi Arabia, but the award is not just for the region. It's a global award and that's why it's so prestigious, because only a few in the world can win.

Executive



Young Lions Winners announced The best of Lebanese advertising talent



The winners, Elie Nasr and Dina el Khoury



1st runner up, Joseph el-Hajj Assaf and Maher Dahdoh from Blitz



2nd runner up, Andrew Assi and Nour Akar from Leo Burnett



Young Lions Competitors

Executive Magazine, the country representative for the Cannes Lions Festivals, in cooperation with the IAA Lebanon chapter (International Advertising Association) and AA (Advertising Association) were pleased to announce on April 20, 2016 the winners of the Young Lions Print Competition, Elie Nasr and Dina El Khouri from J. Walter Thompson Beirut.

Running for a second year, the Young Lions Print Competition challenged 28 teams of young professionals, aged 30 and under, to create a print ad based on a brief by the "Lebanese Autism Society – LAS" which urges people to donate to the charity and help enhance the lives of individuals with autism. Participants were briefed onsite

at the American University of Beirut and then given 7 hours to develop their print ad. The Young Lions Print Competition jury was composed of head creative directors of advertising agencies.

The winners, Elie and Dina, will represent Lebanon and compete internationally at the 2016 Cannes Lions Festival from June 21 to June 27, having been granted an all-expenses-paid trip, including flights on Air France, accommodation and a full week delegate pass to the festival.

Among the outstanding entries in this year's competition, Executive would also like to highlight the 2nd place winners, Joseph El Hajj Assaf and Maher Dahdoh from Blitz, as well as the 3rd place winners, Andrew Assi and Noor Akar from H&C Leo Burnett.

Our thanks go to all the participants and partners who made this year's competition a success, including Choueiry Group, Fortune Promoseven, Grey Worldwide, Impact BBDO, Intermarkets, J. Walter Thompson, H&C Leo Burnett, Lowe Pimo, Memac Ogilvy, Publicis, Rizk Group, Spirit, Young & Rubicam, Communic8, the American University of Beirut and Air France our official carrier for supporting young talented professionals. As a result of their support, young Lebanese creatives were given a great opportunity to demonstrate their talents and the winners will be able to fly to Cannes Lions Festival.

With the challenging times that Lebanon is facing, Executive Magazine perceives the importance of promoting – with courage, imagination and optimism – the creativity that sustains, invigorates and enriches our lives, and we will continue in our efforts to do so.

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"The true secret of happiness lies in taking a genuine interest in all the details of daily life." **William Morris**

GM has seen a massive transformation since its 2009 bankruptcy. What were the pillars of this transformation?

I think very often people get too satisfied and don't challenge themselves anymore and this was one of the reasons [for the bankruptcy]; we were so involved with ourselves that we didn't look at what was happening out there. We were always proud to be the biggest [automotive company], but size alone doesn't help you survive at the end of the day and it took us a long time to realize that you also need to make money.

I think it was a good thing, a very rough spot, but also a very healthy one. We learned modesty and humbleness again and started to look into how things need to be done differently. We hired many people from outside and kept the really good people that were within GM, and we listened to these people.

I've been with GM since 1998 and the difference that we see since the bankruptcy – it's a completely different company. The way we did business then is 180 degrees different from the way we are doing business now. We are way more accountable, we are really listening to the customer – it's not a tagline. We are really focusing so much more on what is the right thing to do, the right product we need to bring out.

For example look at the Cobalt. We didn't plan [to market] this vehicle for the region at the beginning, but then we realized that we have a small country called Lebanon and people here are different from the people in Dubai. They don't have the [same] income, they don't want big cars, they want smaller cars that have all the comfort and features of a big, expensive car. These are the ways in which we have become more detail oriented. We listen more. In the past this wouldn't have happened.

A car is no longer just an engine on four wheels. What kind of new technology is Chevrolet introducing?

The way we've used cars in the last 50 years will be completely different from what we do in the next few years. What we will see is a huge paradigm shift: autonomous driving, electric cars, car sharing – this will all happen 100 percent. For us it's important that we are a part of this change. And again, this shows you the new GM [strategy], maybe we can't do it all ourselves but we need to insource those people from somewhere else.

GM global is buying a lot of companies, a lot of start-ups with young, smart people who are more advanced in that regard; Lyft is one of them. Just because you're big and successful today, doesn't mean you will be in a couple of years. That's the key focus for us and you'll see it with [car] technology, it starts with small things like Bluetooth, Apple CarPlay, all these features that are very important for connectivity. People today are demanding [to be connected] and we need to make sure that we can enable that.

Electric cars are also very important. We don't have them here for the region, but on the global level in the United States we are very successful with the Bolt, so we are on the forefront. This region is a little bit different because it's an expensive technology and in the GCC region you have climate issues; the efficiency of electric cars in a hot or cold climate is not as good as it is with gas-fueled cars. Plus in the GCC gas is cheap so why would you buy [an electric car]? We are looking into bringing some of these cars to this region, especially Lebanon and Jordan, but there's nothing we can announce yet.

How does Chevrolet compare to other car manufacturers in terms of road safety?

We have a lot of technology now that not only keeps you in the lane but automatically stops [the car]. You can [activate] cruise control and if the car in front of you stops you will stop without any doubt. Even if you're driving regularly you get an alert and it will stop you so the chances of having an accident are becoming fewer. That technology makes it very easy to make a really safe car. We don't have it in the very small cars yet but the new Malibu [to be launched soon in Lebanon] will have it.

Why choose a Chevrolet?

The edge is always the design of our cars. We have very good ratings for our emotional design. If you have the right passion you will want to design beautiful cars and this is exactly what we are trying to do. We make beautiful cars that people like to be in, while still having all the rational reasons to buy the car. We have really good value in our vehicles, we have a good idea of what people want and we make sure that they get what they want at the price they are prepared pay. Technology is one of our key areas, not just for the sake of technology but technology that means something for people: things like a cooled glove box, which is very easy to make and

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"The true secret of happiness lies in taking a genuine interest in all the details of daily life." **William Morris**

you can store your drinks and chocolates inside. We also have all the safety features that are important to us; they are expensive to produce but we want our drivers to be safe in their cars. Fuel economy is something that we are strong on too. I think there's a lot that we are doing really well and better than our competition; it's never one thing, it's a comprehensive product.

Which are the most popular models?

Here in Lebanon it's small cars like the Spark and Cobalt. Regionally there's the Cruze and Malibu sedans, and big SUVs like the Tahoe. In the GCC in particular pick up trucks are doing very well.

Are there any specific challenges in the Lebanese market?

In Lebanon the challenge is always the import tax system. It means people can't buy new cars. I see a lot of old cars on the road, and I think it's not safe for people to be in cars that old and it's not good for the environment. It's something we all have to live with but it's a decision made by the government and we respect it.

The Lebanese market is also very different from the market that I deal with in the GCC, where [they buy] big cars, fuel cost is low, and many people are quite wealthy. In Lebanon you have different requirements: mountainous areas, cold winters, fuel is expensive and people's income is not as high in the GCC.

I wouldn't necessarily call these challenges, you just have to listen to the customers and make sure to provide the right product. Again, the Cobalt is the perfect example. I wouldn't bring it to the GCC because the market is not there, but here there is a market and it can become very successful. The Cobalt is bigger than the Spark. The Spark is the smallest Chevrolet we have but it's actually the biggest in its category. Compared to the old Spark, which was a very small car, the new Spark is bigger, with a bigger engine and the features are much more advanced.

How are sales in the region?

At the moment it's a little bit tough. We are still rising, but it's not like in the last few years when everything went up. We need to work a little bit harder now but we are still doing really well.



The 2016 Chevrolet Spark and Cobalt models

Are you applying any new strategies moving forward?

We need consistency in our strategy and I think in the past we changed our strategies too quickly. Now we have a good idea of what we want to achieve and how we can achieve it so there's no reason to move away from the current strategy. We are on the right track but the market is a little tougher now than it was a couple of years ago. Chevrolet's slogan "Find New Roads" is more than a tagline, it's the way we want to think, look for opportunities, see what we can do better or differently, without saying everything needs to change for the sake of change. We are trying to bring more vehicles that fit the market well; we want to have the right portfolio. Customers are not the same everywhere and their requirements are very different, not just around the globe but also within our region.

How does the Middle Eastern market compare to the rest of the world?

It's very different. The significant difference in the Middle East is in the oil prices, it's something that's very particular to this region. On the positive side fuel price is not that important for the customer in the GCC and they can afford big cars. At the same time the impact of the oil price on the overall economy is huge, even for Lebanon because of all the expats living in the GCC and all the money that flows back into Lebanon. This impact is very strong and you see [the effects] immediately; when oil prices drop, investment drops, people don't get raises, there's less employment.

There's never a bad market, just a different market. You need to have different strategies and I think we are doing that well.



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ARCHITECT RABIH GEHA DESIGNS TO DISCONNECT

CREATING NEW CONCEPTS AND EXPERIENCES FOR LEBANON

Words by **Olga Habre**



a

rchitect Rabih Geha designs more than buildings, he creates escapes. Be it a giant container filled with music and light, a traditional garden hangout, a little haven of baked delights or an after-hours speakeasy, Geha's concepts are appealing in their distinctiveness and simplicity.

Escape is a recurring theme across his diverse portfolio. One of Geha's most recognized projects is Uberhaus' new indoor hotspot in Beirut's Waterfront District. Geha says the place is all about the music and, although set in the middle of Beirut's business district, it's the opposite of its serious surroundings. On the outside it's essentially a pile of containers in a parking lot, but inside, rows of overhead beams form the ribcage of a giant steel whale. The club, with its flashing lights, pulsating sounds and hypnotic aura,

plunges enthusiastic adults into the journey of a beloved childhood story, inside the whale from Pinocchio. "I came up with this idea because when Pinocchio went to search for Geppetto he discovered a new world inside the whale. It's about trying to disconnect from the everyday world, work and problems, and discover a new dimension. It's a childhood memory," he explains.

Going back to childhood is definitely a comfortable place to escape and this theme is seen again in Geha's Villa Badaro, a former residence that was transformed into a charming bar-restaurant last year. "There's a garden and we tried to recreate authentic elements. The front steps are a shared space and you can sit around the fountain and have a drink. It's like grandma's house," he says. As one of the few remain-



Uberhaus' indoor venue design is inspired by the whale from Pinocchio



Off & On, a hidden Beirut party spot

"The true secret of happiness lies in taking a genuine interest in all the details of daily life." **William Morris**



Charming Villa Badaro retains Beirut's traditional architecture style



Villa Badaro's bathroom is lined with red velvet walls, a contrast to its traditional atmosphere



ing stand-alone houses in Beirut, Geha jumped at the idea of working on such a rare project. The exterior of the simple, beautiful villa was largely untouched during the conversion, while interior walls were stripped – with a lot of patience – of seven layers of paint to reach the very first coat, and left at that. "I wanted to leave the villa intact and respect the memory of the place," he says, adding, "It's a duty, not for me just as an architect, but the entire city should be working on keeping what's left of Beirut." The spacious, lush courtyard was enhanced with vibrant motifs, seamlessly bringing together architecture and design. "I'm a strong believer in global design and I don't think you can dissociate these elements. I like to take projects in their entirety, including interior, landscaping, everything," says Geha.

He insists on working around themes, infusing a conceptual identity but also taking note of the space and its purpose. As the architect behind *Beurre*, an upcoming French bakery in Saifi Village which will bake using luxurious French Isigny butter, he was inspired by bread. "I like the color of the bread," notes Geha, adding that he wanted to emphasize each creation made by the Lebanese chef behind the project. Describing the small space with high ceilings as clean, neat and minimalist, he is using natural materials like wood and stone, and installing little shelves to display dainty cookies and refined pastries. "I had never done a bakery before so I researched how you actually make bread because I wanted to see what bread is, to get some notion and get inspired. You need to research every project from zero and this is what makes

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"The true secret of happiness lies in taking a genuine interest in all the details of daily life." **William Morris**



Beurre will provide French bread made with luxury French butter

my job interesting and challenging," he explains.

Geha is also behind Beirut's best kept underground secret – the ultimate escape, where nothing is what it seems. Known only to a few elite partygoers, Off & On is an innocent barbershop by day, but at night that's just a facade. A secret door and a short climb later, you are in the middle of a pitch-black party, engulfed in thick beats. Once your eyes adjust to the darkness, details appear: carved walls, sophisticated leather sofas and smooth marble. Not for the faint of heart, the party only starts after last calls everywhere else. Geha says it was a fun project and part of the fun was keeping it a secret: "It's been open for over a year in the middle of downtown, the core of the city, and till now people don't know it exists."

Up next, he's designing Off & On's summer rooftop in the Beirut port district. He's also working with the Four Seasons Beirut to design a local branch of 40 Kong, a Dubai favorite established by renowned nightlife brand The Crystal Group, set to open in 2017. In the meantime, he's creating a pop-up lounge on the roof of the hotel for this summer. Venturing into a completely new sphere, Geha is designing U Energy's new 1200 sqm gym complex in Hazmieh, set to open in fall 2016.

Most of his projects are executed at record speed, but he says when you work with people who are ex-

cited about what they do, everyone gives their all. Geha, the only architect in a family of notary publics, says, "I love my job. This is my drive, what makes me wake up every day." After receiving a Bachelor of Architecture from the American University of Beirut and a masters at École Nationale Supérieure de Création Industrielle Paris, he returned to his homeland in 2006 to open his company, Rabih Geha Architects. Today he works with a team of four architects and designers, and feels lucky they have such a great bond. Geha has also been teaching at Académie Libanaise Des Beaux-Arts (ALBA) for the past ten years. "It's a give and take relationship [with my students]; I teach them as much as I can but sometimes I have students who do amazing things and inspire me," he says.

Above all Geha loves to collaborate with people who are equally passionate about their work. "None of these places could have been done without amazing teamwork. This is how you end up with great projects, when everybody does their part to create something special," he says. His designs, both in theory and in practice, are undeniably special, adding a variety of flavors to Beirut, whether that means preserving a rare bit of heritage or creating a new world for those that need a quick getaway.





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"The true secret of happiness lies in taking a genuine interest in all the details of daily life." **William Morris**

YOU ARE WHAT YOU WEAR

MIREILLE KORAB, HEAD OF BUSINESS DEVELOPMENT AT FFA REAL ESTATE

Mireille Korab does it all and looks good doing it. Not only is she a senior executive at FFA Real Estate, secretary of the board at the Real Estate Developers Association of Lebanon and a board member of the Syndicate of Real Estate Consultants, Korab also works with the Beirut Institute think tank and several NGOs and sings every Sunday at her church. Above all this, she is a mother of two.

How do you manage your busy life?

If I don't do many things at once, it's boring – I'm very active. It's challenging but if you have the will you can manage. I definitely have major help from my parents, in-laws and husband. Monday to Friday I'm at work and I have to focus so there are no distractions. On weekends I change my hat and I play mommy. Things change but you adapt, it's part of life. Even though I'm very committed to my work, everything is secondary when it comes to my kids.

Scarf, Gucci

It's my latest birthday gift from my mother-in-law, it has all the colors I love and I love it!

Bracelets

I definitely have a corporate image but suits are not fun so I have to cheer them up with funky accessories. I love jewelry and I've always worn a lot of it. Two of the bracelets are my kids' names, the others are just designs. Another bracelet looks like Cartier but it's black rubber.

Is it hard being a woman in a male-dominated environment?

I'm always surrounded by business people, mostly older men, and unfortunately many don't take women very seriously from the start. I love the challenge and I love my field. It's about having substance, being sure of your knowledge and knowing how to carry yourself.

Necklace

My accessories reflect the fact that I'm a mom, the week-end side of me. This was a gift from my best friend and it has the name of my sons, Nicolas and Sherif, engraved on it. I never take it off no matter what I'm wearing and I feel like [my sons] are with me all the time.

You work with NGOs too?

I'm very excited about Teach for Lebanon these days. I volunteer with Caritas. I also try to promote the Children's Cancer of Lebanon because my sister had cancer when she was young and they treated her. I know how amazing and dedicated they are so we both strive to do what we can for them.

Wolf ring

I saw the ring at one of my favorite shops in Milan and fell in love with it but didn't buy it. After thinking about it all day I raced back from outside Milan just to buy it before the shop closed because we were traveling the next morning. I fought for it and I wear it every day.

Suit

There aren't too many women in my field so it's important to keep my attire professional – but I can still be myself in subtle ways. If you're a successful woman in a field other than fashion you can still be fashionable.

Shoes, Dior

Do you shop often?

I never go out just to go shopping; I either need to buy something or I buy impulsively. My husband works a lot in Milan so I often shop there.





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place in the heart of Beirut's foremost business and leisure area: Downtown's Zaitunay Bay.

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- Health products, personal care
- Furniture and home renovation ideas
- Clothing, gadgets, watches and accessories
- Financial institutions
- Travel and tourism



BUSINESS ESSENTIALS

Company Bulletin

■ On April 7, **Haigazian University** hosted the second oil and gas student conference-debate organized by **Front Page Communication** in collaboration with **Forum for National Dialogue** and **Lebanese Broadcasting Corporation**, emphasizing the importance of good governance and proper legislation in the Lebanese oil and gas sector.

■ Lebanon celebrated local and international designers at the fashion week event **La Mode A Beyrouth** held from April 19 to 23 at **Forum de Beyrouth**.

■ In April the **Consolidated Contractors Company** and **Al-Iktissad Wal-Aamal** launched the annual **Said Khoury Award for Entrepreneurs and Innovators** among Arab youth, which will be given to four entrepreneurs chosen every year by a jury committee of managers, businessmen and consultants.

■ **Ericsson** demonstrated how advanced technologies can improve Qatar's utilities, transport and public safety at the first Ericsson LTE Towards 5G Forum for the public sector which was held in Doha, Qatar, on April 17.

■ The 23rd edition of **HORECA**, the annual trade show for the hospitality and foodservice industries, ran from April 5 to April 8 at **BIEL**, bringing together more than 385 exhibitors and 15,000 visitors.

■ The **AMIDEAST/Lebanon** advisory board hosted its first fundraising gala dinner since its launch in 2010 at the **Phoenicia Hotel** in Beirut on April 8, in the presence of 500 prominent political and social figures.

■ With a total of 32 awards, **LG Electronics** was recognized for its industry leadership in design at this year's **Red Dot Awards**.

■ **Samsung Electronics Co., Ltd.** announced that it won 38 iF design awards, including one gold award, at the **iF International Forum Design Awards 2016**.

■ Under the patronage of the Lebanese education minister, **Junior Chamber International Beirut**, in cooperation with the **UN Information Center in Beirut**, organized a three-day education fair entitled "After School: What's Up?" for high school students in Lebanon at the **UNESCO Palace** from April 14 to April 16.

■ **Gefinor Rotana Hotel** partnered with nonprofit organization **LOYAC** on April 11 to raise awareness about health and food safety issues for students through an event titled "Our health is our wealth," at **Lycee Minette Modern School**.

■ For the third year in a row, Lebanon has the number one market share for **Samsung** mobiles in the world. According to market researcher **GFK**, Samsung Mobile has 71 percent market share in Lebanon, making it the leading country for market share in terms of quantities sold worldwide.

■ **City Centre Beirut** launched the spring-summer 2016 collection during the fourth consecutive edition of its fashion week event, inviting more than 60 brands and designers to showcase their latest collections.

■ After the success of the drama therapy initiative with prisoners in both Roumieh and Baabda prisons, **Zeina Daccache** has prepared a new play "Johar...Up in the air" with mentally ill inmates and those with life sentences, with performances at **Roumieh Prison** on May 11, 12, 18, 19 and 25.

■ **Alfa**, managed by Orascom Telecom, inaugurated the visually and graphically rehabilitated psychiatric

service at **Hotel Dieu**, a project that took place as part of the "Alfa 4-Life CSR" program, in collaboration with the hospital administration and the **Francophone Association for Mental Illnesses**.

■ The largest integrated IT service provider in China, **Digital China**, and the service assurance and cybersecurity solutions market leader **NETSCOUT SYSTEMS, INC.**, have officially entered into a strategic partnership.

■ On Friday, April 1, the **USAID**-funded Capacity Building Program (BALADI CAP) graduated ten civil society organizations that recently completed a targeted two-year capacity building cycle.

■ On March 22, 2016, **VOX Cinemas** celebrated its third year of achievements and success in Lebanon with the premiere of the blockbuster movie "Batman v Superman: Dawn of Justice".

■ **Euromoney** will return to Beirut on May 31 for the second **Euromoney Lebanon Conference** with the theme of Revitalizing Capital Markets for the Digital Future.

■ **CMA CGM**, a world leader in maritime transport, invited high school students on April 12 to immerse themselves in the world of shipping to help them discover an activity which forms an integral part of their history and geography curriculum.

■ The new spring/summer 2016 collection by **adidas StellaSport** has been released, with a range of apparel, footwear and accessories.

■ **Henley & Partners**, the global leader in residence and citizenship planning, has announced its plans to open an office in Beirut, marking their second office in the region after Dubai.

■ **Sanofi** and the **Lebanese Society of Allergy and Immunology** held a media briefing session to address the rise of allergies among Lebanese this spring season; data shows that more than 30 percent of Lebanese suffer from all types of allergies due to overall warming trends, high levels of pollen and increased pollution.

■ **Pepe Jeans** held an event at their branch in **Dunes Center Verdun** on March 31 where supporters could donate an old pair of jeans to **Caritas Lebanon**, a non-profit organization that strives to reduce poverty and exclusion, and receive a 35 percent discount on the spring/summer 2016 collection.

■ The **Minister of Economy and Trade** Alain Hakim inaugurated the official launch of the **Ajialouna** digital donation machines, 20 of which were distributed to commercial centers and hospitals around Lebanon.

■ **Starbucks** partnered with **Bayt.com** and **Education For Employment** to organize the Middle East and North Africa (MENA) region's largest training workshop on CV writing on April 18, which took place simultaneously across 30 **Starbucks** stores in ten MENA countries.

■ In London, **Huawei Consumer Business Group** unveiled the Huawei P9 series smartphone, the result of a collaboration with camera brand **Leica**, and the TalkBand B3, a minimalist wearable device.

■ For the fifth consecutive year, the United Arab Emirates has been named as the country in which most Arab youth would like to live, according to the findings of the annual **ASDA'A Burson-Marsteller Arab Youth Survey** released on April 12.

■ **Speed@BDD** officially launched its second acceleration program with seven selected start-ups on April 11, at **Junkyard**, Mar Mikhael, in the presence of investors, key startup

ecosystem players and media representatives.

■ **Ford** recently tested Fusion Hybrid autonomous research vehicles at night, in complete darkness, showing how the company's use of LiDAR sensor technology and 3D maps work in conjunction to allow vehicles to drive without headlights on.

■ On April 9 the city of **Byblos**, with support from **100 Resilient Cities**, released the first resilience strategy in the Middle East, with five strategic pillars that will address the city's physical, environmental, economic, societal and political difficulties.

■ On April 6, 2016, **Abela Freres** celebrated the launch of the French brand **Talika** in Lebanon.

■ More than 200 students attended the "Embracing My Mental Illness" event held on April 1 at **Haigazian University**. Organized by **Embrace Fund** at **AUBMC** in collaboration with Haigazian, it is the third event in a series of talks aimed at raising awareness about mental illness in the Lebanese community.

■ **Rasamny Younis Motor Company sal**, the exclusive distributor of Nissan in Lebanon, unveiled the locally tuned 1,000 horsepower **Nissan GT-R** during an event that took place on March 19 at the RPM track in Mtein.

■ On April 7, a representative of the telecoms minister inaugurated the Middle East and North Africa's online, mobile & console games conference, **MENA Games 2016**, organized by **International Fairs & Promotions** at the **Train Station** in Mar Mikhail, with the official support of **Alfa** and the **Lebanese Broadcasting Corporation International**.

■ With summer holidays approaching, **British Airways** offered discounted fares in April from Lebanon to London, Europe and North America with travel valid until 30 November 2016.

■ **Panasonic** has announced its new DSLM (Digital Single Lens Mirrorless) camera DMC-GX85, in the LUMIX G range, which incorporates a host of advanced technologies and practical functions in a compact body.

■ The new 2016 **Ford Explorer** has been named "Best Midsize SUV" at the prestigious **Middle East Car of the Year Awards**.

■ **T. Gargour & Fils**, the exclusive agent of **Mercedes-Benz** in Lebanon, received the Best Customer Activation Award for its Mercedes Benz visa card from **Bank Audi** during a ceremony held in Dubai.

■ Lebanese bank **SGBL** signed a new partnership agreement with global payments technology company **MasterCard**.

■ At **Baselworld 2016**, among the 105 new **OMEGA** timepieces presented, one of the biggest highlights for the brand was the roll-out of six new Master Chronometer movements.

■ **Breitling** highlighted their new pilot captain's watch, the gold Chronoliner, as well as the diver's timepiece Superocean 44 Special, which guarantees water resistance to a depth of 1,000 meters.

■ Swiss haute horlogerie brand **Audemars Piguet** celebrated the unveiling of their new lounge for Art Basel's 2016 shows at **Art Basel** in Hong Kong, with a VIP party on March 23, 2016.

■ Four global container shipping lines, **CMA CGM**, **COSCO Container Lines**, **Evergreen Line** and **Orient Overseas Container Line** signed a memorandum of understanding on April 20, 2016, to form a new alliance enabling them to offer competitive products and comprehensive service networks covering major trade routes around the world.

BUSINESS ESSENTIALS

Company Bulletin

■ **Saad & Trad sal**, the exclusive dealer of **Lamborghini** cars in Lebanon, launched the two new Lamborghini sports cars, the Huracan Spyder LP 610-4 and Huracan LP 580-2, at **Le Yacht Club** in Zaitunay Bay, Beirut.

■ **ELIE SAAB** is pleased to announce the launch of its bridal line, **ELIE SAAB Bridal**, with a selection of styles available immediately in stores and the entire collection to be presented in October 2016.

■ The **Maserati Levante**, the first luxury SUV by **Maserati**, made its world premiere at the **2016 Geneva Motor Show** and has now arrived in Lebanon.

■ **Bank Audi** achieved a favorable performance in the first quarter of 2016 in line with the set targets whereby consolidated net earnings reported a growth of 10.1 percent relative to the corresponding period of last year, rising to \$110 million, of which 54 percent from entities outside Lebanon.

■ The new Porsche 911 range has arrived at **Porsche Center Lebanon** showcasing cutting-edge technological advancements with more power, refined design and increased efficiency.

■ On April 21 **King Food sal**, the **Burger King** brand franchisee in Lebanon, revealed the "King Of The Roads", a 9-meter long mobile truck with the full menu that delivers anywhere on Lebanese soil.

■ **BeitMisk**, under the patronage of the Ministry of Tourism and in partnership with **Banque Libano Française**, launched the third edition of the **Summer Misk Festival** on April 21, with an exciting program from June 30 to July 3.

■ **Data Consult**, an information & communications technology company with a multi-regional footprint across

the Middle East and Africa, has acquired **Worldnet**, a workspace virtualization and cloud solutions provider in the region.

■ During a press conference held at its head office in Bab Idriss on March 30, **Bank Audi**, in partnership with **MasterCard** and **Visa**, launched e-commerce and mobile commerce security tools under the slogan "Online Payment Security... A Way Forward".

■ The new **BMW M2 Coupé** makes its debut as the **MotoGP Safety Car** in Qatar; the BMW M Division starts its 18th year in a row as partner of MotoGP organizer **Dorna Sports**.

■ The **BMW Museum** in Munich is bringing a century of company history alive with the exhibition "100 Masterpieces. BMW Group – 100 years of innovative strength and entrepreneurial courage", which will run until September 2017.

■ According to the Purchasing Managers' Index survey conducted in March, sponsored by **Blominvest Bank** and compiled by **Markit**, the level of output in the private sector economy decreased to the greatest extent since January 2014.

■ **T. Gargour & Fils**, the exclusive agent for **Mercedes-Benz** in Lebanon, recently supplied **Middle East Airlines** with a fleet of Atego trucks for its catering unit.

■ According to **Saxo Bank's** quarterly outlook for global markets, political uncertainty and the rising anti-establishment sentiment seen around the United States election and in the run-up to the Brexit vote in June are two of the major risks facing financial markets in the second quarter of 2016.

■ The first round of the **World Class Competition**, organized by **Diageo**, kicked off on March 30, 2016, with

Lebanon's leading mixologists creating tasteful cocktails at **Amarilla pub** in Mar Mikhael.

■ **Byblos Bank** launched the first solo exhibition of **Carmen Yahchouchi**, winner of the 2015 **Byblos Bank Award for Photography**. Titled "Beyond Sacrifice", the exhibition ran from April 13-17.

■ Food and spirits brands distributor **G. Vincenti & Sons** organized a glamorous evening at Pavillion Royal in **BIEL** to launch the **Courvoisier** cognac's "Toast of Paris" campaign in Beirut.


■ **Nissan** set the **Guinness World Records** title for the fastest ever drift with a speed of 304.96 km/hr and 30 degree angle using a specially-tuned MY16 Nissan GT-R at the Fujairah International Airport, UAE.

■ **Byblos Bank** has been selected among 10 international banks to participate in the pilot phase of the implementation of SWIFTSmart, a new e-learning platform by **SWIFT**.

■ Offering a potential solution for the shortage of affordable housing in urban living space, **MINI** presented the **MINI LIVING** installation during the **Salone del Mobile 2016** in Milan.

■ **Samsung Electronics Co., Ltd. MENA** announced a new partnership with **MBC Group** to use their video-on-demand platform **SHAHID** to bring the latest Arabic entertainment content to Samsung customers for a three months' free trial period.

■ **MEC MENA** was named media agency of the year at the **Festival of Media** awards in Dubai on April 20.

■ From April 5 to May 14, every new cardholder of **AIR FRANCE KLM – BANQUE LIBANO-FRANÇAISE** Visa Card will double their welcome bonus miles to travel to the destination of his choice. 

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12-13 May	ARAB ECONOMIC FORUM Al Iktissad Wal Aamal Group	+961 1 780 200; forums@iktissad.com	www.iktissadevents.com
18-19 May	THE SIXTH RISK MANAGEMENT ANNUAL FORUM Union of Arab Banks	+961 1 377800; uab@uabonline.org	www.uabonline.org
19-20 May	MIDDLE EAST SOCIAL MEDIA FESTIVAL Right Services	+961 5 951343; info@mesmf.com	www.mesmf.com
20-29 May	BEIRUT DESIGN WEEK MENA Design Research Center	+961 1 249 082; participant@beirutdesignweek.org	www.beirutdesignweek.org
24-26 May	GENERAL ARAB INSURANCE FEDERATION GAIF	+961 5 956957; info@gaifbeirut2016.com	www.gaifbeirut2016.com
DUBAI			
2-3 May	MIDDLE EAST INVESTMENT SUMMIT Terrapinn Middle East	+971 14440 2500; enquiry.me@terrappinn.com	www.terrappinn.com
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LAST WORD

By Sami Halabi

The fear of an empty plate

Food insecurity is on the rise for many in Lebanon

There is an old Lebanese saying for reassurance in troubled times. For years, comparatively well-off people have told others, especially children, that *'ma fi hadan bimout min el jou'* (no one dies of hunger) when they complain excessively. While that may be true for some, five years of a refugee crisis coupled with long-standing structural issues are threatening that age-old adage and the confidence that buoys it.

UNSETTLING STATISTICS

Food security exists when all people, at all times, have physical and economic access to sufficient, safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life. People may not know it, but Lebanon has entered a new phase of food insecurity and, while malnutrition is not yet a problem, food security has been falling across the country. According to the latest figures from the United Nations, the proportion of Syrian refugees who are food secure has fallen from 32 percent in 2013 to 11 percent in 2015. Out of an estimated 1.5 million Syrian refugees in the country, only 165,000 have stable access to nutritious food.

With poverty rates increasing from around 28 percent in 2004-2005 to around 32 percent by 2013, according to several estimates cited last month by the World Bank Group, there are indications that the Lebanese are also becoming more food insecure. The latest figures from the UN Food and Agriculture Organization show that around 11 percent now cannot access their basic food consumption needs, 31 percent do not have access to healthy food and 49 percent are worried they will not have enough food to feed themselves over the course of the year.

Of course, one only needs to walk into the supermarket to understand why this is happening. In 2008, food inflation rose 18.1 percent. From 2008 to 2013 food prices rose some 45 percent. Obviously this looks bad for a government who is supposed to protect the food security of the country. But instead of using their authority to regulate food prices or creating more job opportunities, the government re-indexed inflation in December 2013 and voila, they now claim that inflation (and food inflation) is in negative territory and prices are falling.


GOVERNMENT INACTION

To be fair, global food prices fell by 0.95 percent in 2014 and 0.64 percent in 2015, but that is also related to today's low oil prices, the relatively strong dollar and stunted economic growth, all of which bode well for inflation. Prices are sticky for the same reason they have always been; we live in a country where price fixing and oligopolies are rife and there is no national economic vision.

Government subsidies on bread production have already proven ineffective and disproportionately beneficial to those with more income, not the poor who need the most support. Lebanon also never really benefited from the fruits of free trade because the World Trade Organization accession was halted once oligopolists realized obligatory competition regulation would run contrary to the moneyed interests that keep prices up and wages stagnant. At the same time, Lebanon threw open its doors to foreign food imports through both bilateral and multilateral trade agreements. Now we are up to 80 percent import dependent for our food, while our agricultural sector is in retreat.

Being physically able to bring in more food over the past years allowed our country to adapt to more than 1.5 million new mouths to feed. Yet, as those mouths become more food insecure and food aid dependent, the government also restricts them from working or possessing assets that can help them feed themselves. Restricting refugee labor is considered a sound policy to the extent that it can protect employment opportunities for unemployed Lebanese citizens. However, requiring refugees to abandon their refugee status and become sponsored migrant workers to perform menial jobs is a narrow-minded and zero-sum proposition when those restrictions increase food insecurity.

Instead of forcing Syrian refugees into informal labor and exposing them to abuse, a more intelligent and humane policy would be to allow them to work alongside Lebanese in agriculture. Permitting refugees to own assets that are used in agricultural production would strengthen food security in the country and produce more jobs for everyone. At the same time, Lebanon needs to stop being complacent about food security. The government must devise an integrated Food and Nutrition Security Strategy which rationalizes trade, market and production against resources and actually implement it.

Lebanon cannot wait for another food price shock to compel the government to act. People have already started to go hungry, and soon they may turn angry. 

Sami Halabi is Co-Founder of Triangle Consulting and recently co-authored a Strategic Review on Food and Nutrition Security for ESCWA and WFP.

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