

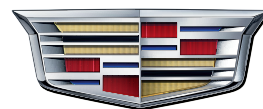
Executive

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Government passes oil & gas decrees

Parliamentary elections

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EDITORIAL

#210

Free minds of Lebanon, unite!

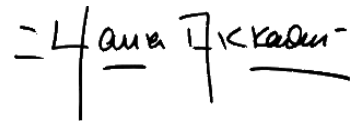
Our economy is in tatters, and we lack uninterrupted basic services like electricity, water and waste management. There is no acceptable explanation for why our country is near ruin. Fixing these problems is simple, and 2017 is our last chance to change course.

There are plenty of free minds in this country that understand how to create a Lebanon we can be proud of. A Lebanon where pro-growth economic policies are respected. Where the rule of law is respected. Where the environment is respected. There is no shortage of research penned by local authors with concrete, easy-to-implement solutions to this country's myriad problems. It's time to stop writing and start moving.

Webs of dependency created by the clientelist system in place seem finally to be weakening. The cost of struggling to survive in a broken country getting worse year by year clearly outweighs the benefits of low-wage jobs and the occasional table scraps. More people are seeing this at home. And those watching this final descent from abroad are at last getting angry enough to demand change as well.

Mismanagement is destroying this country. So many of us agree on this point and on the ways to move forward with creating a nation worth living in. Unity is our only option. As our corrupt politicians go about writing an electoral law aimed at keeping themselves in power, we must stand in opposition.

Those of us who have been calling for change – academics, NGOs, the media – have never succeeded in actually fulfilling our role of becoming pressure groups that force real change. That ends today. 2017 is our year. This election is our chance.



Yasser Akkaoui
Editor-in-chief

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Published by NewsMedia sal

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LAST MONTH

ZOOM IN



The relatives of Lebanese victim Elias Wardini, who was killed in an attack on the Reina night club on New Year's eve in Istanbul, carry his coffin during his funeral in Beirut on January 3, 2017.

Three Lebanese killed in Istanbul terror attack

Three Lebanese nationals were killed and six wounded in a terrorist attack in a nightclub in Istanbul shortly after midnight on New Year's Eve. Elias Wardini, Rita Chami and Haykal Mousallem had all been celebrating the new year at the Reina club when a gunman opened fire killing 39 revellers, 27 of whom were foreigners including Lebanese, Saudi, Israeli, Iraqi and Moroccan nationals.

The nightclub shooting was the first major terrorist attack claimed by *Daesh* in Turkey, on the back of a wave of attacks the previous year. Following a massive manhunt, Turkish authorities arrested the suspect behind the shooting, Uzbek national Abdulgadir Masharipov, on January 16, with local media since reporting he has confessed to the attack.

A Lebanese man, Ramzi al-Kadi was arrested on January 2, following a series of tweets about the attack in which he blamed the victims for being in a nightclub and consuming alcohol. Lebanese media also came under sharp criticism for their handling of the coverage of the attack, after local TV stations filmed the reactions of family members of the victims live.

Lebanese government passes long-awaited oil & gas decrees

On January 4, in its first meeting after securing parliamentary approval, the Lebanese government passed long anticipated oil and gas decrees that laid out the conditions related to the licensing round and detailed the model exploration and production agreement. Also announced was the formation of a ministerial committee to examine special tax provisions related to petroleum. With five blocks now open for bidding, the second pre-qualifying round is due to start at the beginning of February lasting until the end of March, with all prequalified companies - including those accepted back in 2013 - due to be announced by mid-April. The government hopes to be receiving bids by mid-September 2017, with agreements due the following month.

Judge orders temporary closure of Costa Brava site after bird scare at Beirut's airport

Judge Hasan Hamdan ordered the temporary closure of the Costa Brava landfill site south of



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LAST MONTH

QUOTE OF THE MONTH

“Call it what you want, it’s about keeping bad people (with bad intentions) out of country.”

President Donald Trump

Beirut on January 11, after fears were raised that the landfill posed a danger to the nearby Rafic Hariri International Airport.

Reports emerged the day prior that a minor incident had taken place during a plane’s takeoff, when it came into difficulty after allegedly hitting some gulls. Prime Minister Saad Hariri also ordered the immediate installation of additional ultrasonic bird repellers at the airport, amid concerns that the nearby landfill site was attracting too many birds to the area.

The controversial landfill was put under the spotlight in January, after some, including Druze leader Walid Jumblatt, claimed that its closure was a scam intended to help politicians make money off the ongoing trash crisis, while environmentalists were infuriated at reports of hunters killing birds in the area.

Judge Hamdan had allowed the site to be reopened after trash began accumulating in areas serviced by the landfill, prior to his final decision made on January 31, which ordered the permanent closure of the site within four months.

Lebanese security forces thwart would-be suicide bomber in Hamra

Lebanese security forces announced on January 21 that they had arrested a would-be suicide bomber moments before he was able to detonate in the Costa Coffee branch on Hamra street.

The incident took place around 9pm on a busy Saturday night, when terror suspect Omar al-Assi was allegedly detained outside the cafe

wearing an eight kilogram shrapnel-laden explosive belt. While initial reports were confused on the exact circumstances surrounding his arrest, security officials now say that Assi was shot in the leg, before being knocked unconscious by the officers that arrested him. He was taken to a hospital immediately following his arrest.


Assi, who hails from Saida in south Lebanon, has reportedly admitted guilt, after being indicted on January 27 charged with joining Daesh and conducting acts of terror. He is currently awaiting trial.

President Trump enacts travel ban

In his first week in office, newly inaugurated President Trump has signed a series of executive orders into effect, including a widely criticised travel ban on citizens of seven Muslim-majority countries and a halt on America’s intake of Syrian refugees on January 27.

The controversial move has caused travel chaos for citizens from Iran, Iraq, Libya, Somalia, Sudan, Syria and Yemen - including those with legal status in America - who have been detained in US airports, denied access to flights or forced to reroute flights home.

Trump’s executive order bans entry into - including transit through - the US, for nationals from the affected countries for the next 90 days, freezes the US’ refugee resettlement program for 90 days and indefinitely suspends refugee resettlement from Syria - although the administration has indicated that it will prioritize religious minorities, with Trump separately stating Syrian Christians would be given priority.

Several US judges have ruled against the order but the reality on the ground remains confused. Beirut’s airport is currently implementing the US travel ban, and on January 29 a Syrian Christian family were returned to Lebanon after being denied entry into the US. 

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LEADERS

GEOPOLITICS

Only change is constant

2017 looks set to continue the upheaval of the recent past

January 2017 was effectively world climate change month. Not the type of climate change that the world began to tackle at the COP21 conference in 2015 with the agreements made there. Rather, what took place last month was political climate change, and January 20 was the tipping point when the geopolitical climate irrevocably turned. It was the moment when the “American century”, which had long been fading, finally collapsed into the “me first” mentality.

Under the phrase “American century”, which was coined in the 1940s by Time publisher Henry Luce, the United States switched from an attitude of keeping itself isolated from global affairs to an attitude of international leadership. The mission statement for this period in world history was perhaps formulated no better than by John Kennedy in his inaugural address – also on January 20, but in 1961 – when he said that Americans were committed to human rights and the spread of their founding ideology “at home and around the world”, famously stating: “Let every nation know, whether it wishes us well or ill, that we shall pay any price, bear any burden, meet any hardship, support any friend, oppose any foe to assure the survival and the success of liberty.”

Kennedy’s dream was for the glow of the American fire to “truly light the world”, and he followed up on his inaugural address with acts such as the creation of the Peace Corps, whose purpose was to promulgate American culture around the world. Exactly 56 years later, a week that started

with Donald Trump telling his supporters “I love you” on the eve of his inauguration saw Trump push forth his agenda to build a wall along the Mexican border and withdraw from the Trans Pacific Partnership (TPP), which was designed to form the largest trade region in history with countries around the Pacific Rim.

President Trump has left no doubts that his America wants to be first – not in shaping the world but in beating other nations in terms of wealth and in the competition for profits. In his inaugural speech, he claimed that two simple rules – “buy American and hire American” – would rebuild the richest nation on earth, to presumably be richer still. Highly publicized responses to his message ranged from fear to outrage both in Washington and around the world, testifying to the human propensity to react with shock and aggression to unwelcome changes.

Not everywhere, though. Whatever the messages might have been before his election, corporate America issued a strong and unmistakable “like” for the new president in the form of numbers. At the end of President Trump’s first week in office, the Dow broke 20,000 points for the first time in history. Buying stocks is the financial body language of investors, and US equities have been on the rise by over 10 percent since the days just before Donald Trump’s election win – symbolic global events such as these are part of the climate change with which the social, political and economic world orders are shaking.

Beyond the Brexit vote and the US elections, one can point to signals that worry many liberals throughout the world as signs for confusion and change. For example, last month’s endorsement by the Turkish Parliament

of a constitutional alteration that will further strengthen the powers of the country’s President. But if one looks carefully, the picture of the recent past is not as simple as a wholesale win of populism. Often, when nationalist politicians last year recorded wins in one country, populist notions were defeated in another.

From an Arab vantage point, perhaps more than Trump’s own plans for fighting *Daesh* and installing safe zones in Syria, the first week of the new Trumpist world order sent other actors signals to dress more warmly and brace for confrontations. Neighbors should generally expect chilly winds from Israel, where the regime in Tel Aviv had nothing more urgent to do than say “fuck global opinion and the UN Security Council” by issuing permits for new settler dwellings, first for over 500 units in oc-

■ The picture of a recent past is not as simple as wholesale win of populism

cupied East Jerusalem and then for 5,500 new units in the occupied Palestinian West Bank, as of February 1. (For other aspects of Israeli behavior, see book review, page 56).

The dogs of war in January also came barking from the second main global hotspot, North Korea, with allegations that the country’s version of “me first” would be to boost its nuclear weapons program to obtain a working nuke this year. Meanwhile, China is talking nice and has suddenly become a potential member of the TPP (that was originally intended to counter its Pacific Rim dominance), while at the same time remains undeterred in pursuing expansionist agendas overseas as well as nearby, for example in the South China Sea. Europe seems dismayed by having to



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LEADERS

bury the notion of transatlantic partnerships, which had been its anchor alliance in the American century, and is torn between two paths, one being more European self-reliance and integration as political union, and the other of turning increasingly toward Asia and the new heavyweight in the global game, China.

If this were an ambitious sci-fi novel about fictitious world history, the plot would now be thickening, and the next chapter would be predictable. China has risen – politically, financially, economically, morally and militarily, the plot would say. This would be a picture that had formed slowly over the years since Deng Xiaoping but which sped up in the recent past with the appointment of China's most recent paramount leader in 2012/13, with the 2016 creation of its Asian Infrastructure Investment Bank that rivals the World Bank, with its economic liberalization program, with its anti-corruption initiative, with its culture and families that are closer than those of many civiliza-

tions and with the launch of its first aircraft carrier that only in December left port for an initial training/show-of-force journey.

In the next chapter, the communist-capitalist Middle Kingdom would rule the world as a benign superpower that stands out among international trade blocs, while America is stuck in self-absorption and no longer interested in leading the world, Europe is tired and timid, and Africa, although hungry for a global role, is not yet ready. Others, such as Russia, India or Brazil will be too small to play in the global league.

But this is not a novel. All sorts of disruptions are likely in this extremely complex world. The only thing we can be sure of is that uncertainty is here and growing as the American century has passed a tipping point on its long slide. It will not run the world in the next chapter of history. However, nobody, can say how the next chapter will pan out.

What to do in times of uncertainty? Stay calm. Wise it is to stay calm. That means not acting rashly in business and investing and falling for fake news, propaganda or tweets pretending to present an authoritative view. Also, stick to a few rules. Rule one: Be watchful when a politician

■ Don't assume things will stay the way they were, change is [the] only constant

says "I love you". That could be the wolf's love for his sheep. Rule number two: Don't believe it if one player is perceived as the big honcho that will lead the world into a future of his making. The world is too complex for that. Rule number three: Don't assume that things will stay the way they were. Change is the only constant, especially this year. Rule number four: Don't predict 2017. Be careful when listening to any projection on economy, politics or social developments this year.

OIL & GAS

Precious momentum

Decrees passed and bidding set to begin – but we are not out of the woods yet

After nearly three years waiting, Lebanon's government is finally moving forward toward oil and gas exploration. In early January the Council of Ministers passed two necessary decrees that had been languishing in the desk drawers of the cabinet – one delineating the blocks in Lebanon's offshore waters and the other a model exploration and production agreement, and a tender protocol. At the end of last month the Ministry of Energy and Water announced a roadmap to complete the bidding round with licenses expected

to be awarded in mid-November.

The ministry also announced new companies would be allowed to prequalify and those that had in 2013 would remain eligible – so long as they still meet the criteria – and that five of Lebanon's ten offshore blocks will be open for bid with licenses to be awarded by mid-November (see Roadmap for licensing round, page 48). After passing the decrees and in tandem with the roadmap, the government announced its intention to join the Extractive Industries Transparency Initiative (EITI). The EITI is a global standard for transparency requiring a three-way partnership between the government, companies coming to drill for oil and gas and civil society. Licenses will have to be awarded to know which companies might join the partnership, but the gov-

ernment should set precedence now by publishing data points and other reporting indicators and civil society organizations should begin meeting to align their perspectives on transparency measures.

EXECUTIVE welcomes these announcements as positive steps forward, but we are not out of the woods yet and that is a troubling sign. As we've witnessed before, concluding the licensing round, and the process after, might not go according to the minister's plan. It will be up to the Council of Ministers to decide which bids are winners and once the licenses are awarded there are a number of decision points – like approving a development and production plan should a commercial discovery be made – that will require cabinet ap-

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LEADERS

proval. The current government's mandate is to oversee parliamentary elections scheduled for May and it is not yet clear whether the elections will actually happen on time. Elections could be delayed if politicians cannot agree on an election law – a deadline set for mid-February (see explainer on election law, page 18). But even if the elections happen on time there

is no certainty that the next government will be formed in a timely manner.

There is also no guarantee that the current minister of energy will remain in his post or that the next cabinet will be in position to sign contracts come November. There's a real possibility that the political paralysis the country has witnessed over the last couple years has not

gone away. Any lengthy delay in forming a new government following parliamentary elections – whether they happen on time or are postponed until Fall – could put Lebanon in the same position it found itself in 2013, where the country had no cabinet and no strategy, and was perceived to be an unreliable partner by exploration companies.

TRASH CRISIS

It still stinks

The new government cannot ignore waste management

Although holding timely elections, passing a budget at long last and moving forward with oil and gas exploration are all important for the country, the new cabinet must also adopt a sustainable, nation-wide waste management plan. It is welcome news that the Costa Brava landfill will be shuttered in four months, but that means the clock is ticking. When the Naameh landfill closed in 2015 with no replacement lined up, an environmental disaster ensued. The past must not be repeated. In late July 2016, the state was set to receive bids on

trash collection and treatment tenders for the Beirut and Mount Lebanon governorates (excluding the Jbeil district). To date, there has been no official announcement of the tender outcomes. Press reports suggest a company alleged to have political connections won all of the contracts (which should not be possible as the geographic area covered by the tenders was divided into different service zones), however observational evidence suggests the Averda companies Sukleen and Sukomi are still collecting and treating the trash of Beirut and five surrounding districts as they have been for some 20 years. Worse, in the rest of the country, municipalities and unions of municipalities are still left to handle trash on their own without the necessary financial resources the government is obliged by law to

provide through the Independent Municipal Fund. The consequence of this is the open dumping and/or burning of some 50 percent of the country's waste, according to Ministry of Environment statistics. Forgiving all municipality debts to Sukleen, as Parliament recently discussed, is a step in the right direction, but municipalities need regular and reliable cash transfers to properly plan their own waste solutions.

While various foreign donors (the EU chief among them) are earmarking – and have earmarked – funds for waste management in the rest of Lebanon, the government needs to integrate these facilities into a national waste strategy and ensure they are actually used and used properly. Good will from abroad helped build several wastewater treatment plants in the country but these are not being used because they are not connected to a wastewater collection network. This shouldn't happen in the solid waste sector too.

We need a new strategy and a nation-wide plan. This is not difficult to do. The government came tantalizingly close to a sustainable waste solution with contracts it cancelled within 24 hours of announcing winners back in August 2015. We could have had national waste management and waste-related infrastructure (sanitary landfills, waste to energy plants, composting and recycling facilities). Instead, we have the same old mess. If a new president has ushered in a new era, the results must be wide-ranging. Waste management cannot be ignored any longer.



Hunters shoot down seagulls that are attracted by the garbage at the Costa Brava dump, on January 14, 2017 near Beirut's International Airport.



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Stand up for Lebanon

No harm in prioritizing Lebanon as long as we remain part of the wider world

The first impulse in reacting to a proponent of the “me first” ideology is to respond in kind. America first practically screams for a reactionary response that simply says, No, my country first. Not America first, but Lebanon, Syria, Iraq, Iran, Jordan and so on. Self-affirmation has its appeal. It also has logic. Let’s face it: Orienting economic policies toward one’s own country, its people and their fundamental needs or desires is not all bad.

Of course that does not mean acceptance of exclusionary views or propositions underlined by the perspective of, “we must win and they must lose”. It would be idiotic to think that Lebanon, or any other country in today’s world, can thrive in isolation. The global destiny of people on earth is larger and more important than any zero-sum game plan of an individual nation. In this regard, it would certainly not be constructive to answer every idiotic measure with a similar retaliatory counter-measure.

If we agree to one part of a sentence from the January 20 inauguration speech of new American President Donald Trump, it is the confirmation “that a nation exists to serve its citizens”. But we insist that if we are to put Lebanon first, we do it right. We say it is right to put Lebanon first — only if it is understood that we must put nation over group interest, partisan loyalty to a community and individual identity.

We also agree that “it is the right of all nations to put their nation’s first”, but we will not relent in emphasizing what this means. Standing up for Lebanon absolutely requires,

without any negotiations, to adhere to the “enduring values of liberty and justice for all”; as AUB President Fadlo Khouri put it in a letter in response to Trump’s executive order barring entry to the United States for citizens of seven countries. EXECUTIVE agrees that it is time to show that, as Khouri wrote, “those values which unite us all as a human race are so much more powerful than all the factors that come between us”.

IMPROVEMENTS FOR THE PEOPLE

We will go further and say that it is not only education, but also immersion in business and economic activity that, when conducted ethically and properly governed, will put the people of the world on a more equal footing and recognize those values that every decent human being needs in order to thrive. We also insist that it requires the same ethical conduct from all Lebanese civil servants; those who want to play for power and real-politik have to abide by the rule that it is better to resign than to accept an evil in the state’s systems or grievous corruption in a ministry.

As a small country surrounded by powerful neighbors, standing up for Lebanon necessarily includes building not only a national and coherent identity, but also creating better infrastructures and better ties to important neighbors, including the country to our east with which we have the longest common border. Peace in Syria will be the best-case scenario for Lebanese prosperity, not a wall or even raising of invisible barriers against foreign labor.

For the past 25 years, Lebanon has suffered from a deplorable sense of inferiority and foreign dependency, and the people of Lebanon have

felt that their country was existing for the ruling class and not for them. Both things have to change by making Lebanon a better place to live in, and by consequently, allowing the country to become a source of justified patriotic pride for its citizens.

In the first instance, this effort must entail the adoption of an electoral law that can provide all citizens with a sense of representation. While the project of a perfect and 100 percent fair election law in this country, with its multi-tiered structure and diverse communities, could be a subject of eternal debate (see explainer on page 18 for the options), parliamentary agreement on a law will go a long way toward enhancing a sense of national ownership and identification with the nation among its first-time voters and slightly older populace with experience from previous parliamentary races alike.

Next, by focusing on national pride and its eternal counterpart, civil responsibility, it will be useful for Lebanon to concentrate on measures

■ Peace in Syria will be the best scenario for Lebanese prosperity, not a wall

that bring tangible improvements to all people, like investment in infrastructure. Lebanon needs more functional infrastructures in every respect: garbage treatment is perhaps the most urgent concern (see page 14), but so are power, information technology and telecommunications, housing, roads, bridges and alternative transportation systems, as well as soft infrastructures in government services and fundamental social safety nets, plus education, health care, pensions and so on.

The educated Lebanese already know perfectly well that this requires

governance and holding our elected leaders to account. Have the Lebanese done so in the past 25 years? This is for our readers to decide for themselves. But let it be remembered that governance by principle and in line with best international practices will become even more paramount for Lebanon as now our long nascent oil and gas industry seems about to be born. (See leader and comment on pages 14 and 48)

COUNTRY BEFORE SELF


To make all this become a realistic possibility and not another pipe dream, Lebanese have to put Lebanon first in the sense of putting national considerations first, going beyond their communal, sectarian and geographic interests or clan loyalties. From the budget to empowering the public administration which has labored in a sorry state for too long (see [Ministry of Finance] Q&A on page 38 and story page 36), from infrastructure to planning the na-

tional economy (see interview with the Ministry of Economy and Trade page 30), and for further preservation of inner and outer security, Lebanese interest has to take precedence over group interests.

While enhancing infrastructures at home, the nation also has to watch its neighbors and the regional context. Whether we like them or not at this is our neighborhood and we have to live with all of them. What happens in Saudi Arabia, Kuwait, Qatar and the United Arab Emirates is very important to us, just as it must concern us how Mashrek or Near Eastern countries and their peoples position themselves. (See macroeconomic context story page 42).

Predictably, the slogan of America First, which was brought to the fore in Washington last month, immediately triggered responses like "Europe First" and "my country first" from around the world. Economics teaches us that a healthy measure of selfishness can be very productive, but it must be

balanced by integration into the next larger unit. This completes the circle. Confusion of individual interests and the larger good of the nation in Lebanon has in the past era obfuscated the path to a more prosperous and wholesome country. Now, at the pinnacle of the process of geopolitical power shifting, economic uncertainty and moral confusion, is our great chance to rise to a small but pivotal role in the center of new emerging relations between east and west, north and south.

From EXECUTIVE's perspective, we have a window of opportunity in the next few years to clean up and lower corruption in Lebanon, to fix our political systems and make them more efficient, to rebuild what is broken and add what is missing in our economic fabric, and to make people proud. In the end, standing up for Lebanon over the smaller interests of family or community will bring the greatest benefit if Lebanon also is integrated into the community of Arab nations and beyond. 

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Executive

How to have a fair election



Parliament is weighing different proposals

The goal of any electoral law in a representative democracy is fair and accurate representation. Many people in the country have argued that even with parliamentary seats divided among the country's different religious groups, Lebanon has not done well in achieving this fair and accurate representation with its own electoral laws. A long-standing allegation against Lebanon's political elite posits that those in power draft laws to keep themselves and/or their political parties in those positions. And for at least the past 12 years, politicians have debated more than ten draft laws aimed toward fairer representation, with little success.

Draft law discussions are currently raging among the country's various political parties, outside of both Parliament and public spotlight. Daily press reports offer hints as to the drafts being tabled, but no repository of draft law texts exists for interested citizens to examine the various ideas in detail. According to the current schedule (set forth in the existing electoral law from 2008), parliamentary elections should be held on May

21, and the law governing the polls should be agreed and published in the Official Gazette by late February. To help readers understand the various options available, EXECUTIVE will explain the current voting system, the systems allegedly under discussion, and a few other proposals that have been suggested over the years.

THE STATUS QUO

Electoral law 25 of 2008 saw Lebanon's 128 parliamentarians elected from 26 districts (*qada* being the Arabic singular). The law relies on a majoritarian seat allocation system, meaning the candidate with the most votes wins the seat. As an example, imagine a district with five seats: Two Sunni, two Maronite, one Druze. The majoritarian calculation system means that the top two Sunni candidates with the most votes get seats, as do the top two Maronite candidates and the top Druze candidate, even if all of those candidates individually only secure 33.3 percent or more of the votes in the district. The obvious downside of majoritarian systems is that it means a lot of wasted votes, for instance in our example, 66.9 percent of the voters in that district would be represented by MPs they didn't vote for.

FULL PROPORTIONAL REPRESENTATION

One way to mitigate the risk of minority rule highlighted above by adopting a seat allocation system based on proportional representation (PR), which roughly means that seats are allocated based on the percentage of votes received, instead of based on the "highest number of votes wins" principle currently in place. Moving to such a system would first and fore-

most mean electoral lists have to be mandated by law, which they currently are not, although in practice parties did form lists in 2009 and in previous elections. The legal mandate of a list is essential in a PR system. In Lebanon, while lists have never been a mandatory requirement under the law, as stated above parties have formed them in the past. However, because the lists are not mandatory under the current system, voters do have the option to "mix and match" between or among the lists, depending on how many there are. For example, in 2009 the Free Patriotic Movement list in Metn was "broken" by Michel Murr and an ally, who proved more popular than candidates on the FPM list for the same seats. It's worth noting that under a full PR system, voters would lose the option of mixing and matching, instead they would be required to vote for only one list.

In a PR system, the number of seats in a district are allocated to the number of lists based on a threshold (number of votes cast divided by the number of seats), meaning seats are allocated among the top vote-getting lists in proportion to the number of votes for each. Lists with a low amount of votes (say one or two percent of the total, although the exact percentage is determined by the aforementioned threshold) would not be given seats.

In general, there are two types of PR systems, closed list and open list. A closed list system means the party whose candidates form a list gets to choose which candidates are actually elected based on the seats granted to the list through voting. An open list system means voters cast two ballots: first choosing a list and then an individual candidate (this is called a

preferential vote, and the number of preferential votes that individual voters can cast varies around the world, i.e., one or more preferential votes per voter). List votes are used to determine how many seats each list is allocated and candidate votes are used to determine which candidates are elected (the method of distributing candidates varies and can impact which candidates are elected, see infograph page 22).

Based on past draft laws, interviews with politicians and a civil society group, as well as press reports, it seems that Lebanon would opt for an open list system should it adopt either a full or partial PR seat allocation system. This makes sense if the past is any guide. In many countries with PR, lists are formed by separate parties (meaning if there are five parties with various popularity in a district, there will be five lists). However, given the demographic mix of the country's various districts (none are one hundred percent populated by a single religious group) and support (in some cases) for more than one party among members of the same religious group, lists in Lebanese districts tend not to reflect a single party but rather an alliance of parties. To illustrate, imagine parties A, B, C and D are popular in a district. Instead of four party-specific lists, Lebanese voters will often be faced with either one list including all the parties or two lists (A+B as list one and C+D as list two, for example). Open lists make this tendency for district-by-district alliances possible, whereas closed lists do not.

HYBRID PR-MAJORITARIAN SYSTEM

At time of writing, local press was abuzz with speculation that, should a new electoral law be agreed, it will likely mix the two aforementioned systems (i.e., some MPs would be elected based on top vote getters being awarded seats and others would be elected based on PR). In such a

scenario, the country would likely be divided into two "levels" of districts: smaller districts more reflective of the qada for majoritarian allocation, and larger districts reflective of country's five traditional governorates (*mohafaza*, the Arabic singular) for PR allocation. Such a hybrid system was endorsed in 2006 by a commission that was tasked with drafting a fairer and more representative electoral law and appointed by the 2005 Fouad Siniora government shortly after elections that year.

SIZE MATTERS

The size of a district and how many seats it is given are important for fair and accurate representation. Consider, for example, districts as they were during the 2009 election. If one divides the number of registered voters in a district by the district's number of seats, clear differences emerge in how strong of a "voice" individual voters in each district have in Parliament. Looking at the extremes, the district of Keserwan has five seats and 89,228 registered voters (meaning each MP represents 17,845.6 voters), whereas the district of Bint Jbeil has three seats and 123,396 registered voters (meaning each MP represents 41,132 voters).

An ideal electoral law would distribute seats more evenly based on the number of registered voters in a district. Additionally, in a PR system, the larger the district, the more accurately PR will reflect the will of the voters. Imagine a district with three seats and five lists. It's likely that only two or maximum three lists will be allocated seats. In a ten-seat district, it is possible that all five lists would get at least one seat.

LOCAL VS. REGIONAL

As district sizes get bigger, however, minority influence on the outcome can still diminish even with

a PR or hybrid system. For example, imagine a PR district for North Lebanon (including the districts of Akkar, Tripoli, Minnyeh-Donnyeh, Batroun, Koura and Bcharre). Based on the 2009 voter roles, this North Lebanon district would have 679,699 registered voters. If 60 percent turned out, that would leave 407,819 votes in a district with 25 seats (assuming each district's 2009 seats were added together). The PR seat allocation threshold, therefore, would be 16,312 votes for a list to be allocated one seat. Imagine a very popular local candidate (Candidate A) in one district can only make alliances with very unpopular candidates from other districts to form a list. Imagine Candidate A's list ends up receiving only 14,000 votes,

■ Lebanon would opt for an open list system should it adopt either a full or partial PR seat allocation system

90 percent of which come from his or her home district. Candidate A does not get a seat under the pure PR system, and the voters in his or her district feel they have no representation in Parliament.

SECTARIAN SENSITIVITIES

Imagine we add the sectarian dimension of Lebanese politics to the above example. If Candidate A is of a religious community with a minority of voters compared to the overall North Lebanon district, not only do local voters feel cheated out of their candidate, but will also most likely claim that another religious community has usurped their rights by electing an unpopular candidate to represent members of their religion. This was the argument in the three election cycles after the Civil War, while Lebanon was still under the influence of its larger neighbor. Christians complained districts were drawn in such a way that non-Christian voters

Electoral law

2009 ELECTORAL DISTRICTS

<i>Districts</i>	<i>MPs</i>	<i>Voters</i>	<i>Voters per MP</i>
Keserwan	5	89228	17845.6
Jezzine	3	54188	18062.666
Beirut 1	5	92764	18552.8
Koura	3	57794	19264.6666
West Bekaa	6	122487	20414.5
Metn	8	170744	21343
Zahleh	7	158005	22572.14285
Chouf	8	181949	22743.625
Bcharre	2	46422	23211
Aley	5	116181	23236.2
Zgharta	3	71035	23678.3333
Tripoli	8	196149	24518.625
Jbeil	3	75582	25194
Beirut 3	10	252165	25216.5
Baabda	6	151590	25265
Beirut 2	4	101787	25446.75
Baalbek-Hermel	10	255637	25563.7
Saida	2	53859	26929.5
Marjayoun-Hasbaya	5	138844	27768.8
Batroun	2	58444	29222
Zahrani (Saida villages)	3	92995	30998.333
Akkar	7	223538	31940.42857
Menyieh - Donniyeh	3	97352	32450.6666
Sour	4	153060	38265
Nabatiyeh	3	121912	40637.3333
Bint Jbeil	3	123396	41132

Source: lebanonspring.com via elections.gov.lb

were the ones electing Christian candidates. This argument surfaced in some districts in 2009 as well because some districts have religious minority voting blocks large enough to tip the scales in one direction or another (i.e., the argument goes: If only Christians voted in district X, Candidate A would have won, but the Sunni voting block swayed the contest for Candidate B).

OFF THE TABLE

The fear that sects would not be able to elect their own candidates gave rise in 2012 to the so-called “Orthodox Law”. Under this law, which is no longer under consideration, according to press reports, Lebanon would be represented by only


one district and each sect would vote for its own candidates. This law did not envision taking a census to actually determine how many members of each sect are currently living and voting in Lebanon, rather it adopted the same seat distribution for sects used in 2009. Less in-your-face was a proposal by the Lebanese Forces (since abandoned) that would have created several non-contiguous districts to group sects as constituencies, effectively getting close to what the Orthodox Law proposed via a different route.

THE “ALSO-RANS”

Another option would be dividing Lebanon into 128 districts, which would favor local candidates with

a strong following. As each district would only have one seat, this could, in theory, be a majoritarian seat allocation system. However, it is still vulnerable to creative district drawing that might end up with voters feeling disenfranchised. The reverse would be having the entire nation as one electoral district with each voter getting 128 votes. This would work against strong local candidates with limited national recognition. Yet, another choice is the single, non-transferrable vote. Under this system, voters get only one vote. The 128 candidates with the most votes are elected. This system makes it especially tricky for political parties to maximize their number of seats, especially in the Lebanese context, where parties tend to have a few very well-known stars. These party stars could attract the most votes from party supporters, leaving the party with fewer seats than it would have had under a different system.

POBODY’S NERFECT

There is no global best practice for designing an electoral system, and voters across the world wake up after election day feeling disappointed, or worse (just ask American supporters of Hillary Clinton, who won the popular vote for president in November 2016, yet had to watch her rival Donald Trump be sworn in as president on January 20). No matter the system used, the potential for minority voices being silenced and results being skewed, either by drawing districts in a certain way or outright vote buying, always exists. A voting system arguably “works best” when it has the most buy-in from the electorate. It’s a worrying sign that discussions of electoral reform in Lebanon are happening behind closed doors. More concerning is the possibility that a relatively complicated law will be adopted with very little time to explain how it works to voters — surely a recipe for feelings of exclusion. 



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Electoral law

By Matt Nash & Ahmad Barclay

1

THE BALLOT

A scheme for voters with a proportional representation system

LEWISIDE ELECTION 2017 - 1 MPLE BALLOT

Place an X in the box next to the candidate of your choice.
 (You vote counts for both the candidate and the list.)

LIST 1		LIST 2		LIST 3	
Shia 1	X	Shia 1	X	Shia 1	X
Shia 2	X	Shia 2	X	Shia 2	X
Shia 3	X	Shia 3	X	Shia 3	X
Sami 1	X	Sami 1	X	Sami 1	X
Sami 2	X	Sami 2	X	Sami 2	X
Mawalla 1	X	Mawalla 1	X	Mawalla 1	X
Mawalla 2	X	Mawalla 2	X	Mawalla 2	X
Druse 1	X	Druse 1	X	Druse 1	X
Others 1	X	Others 1	X	Others 1	X
Others 2	X	Others 2	X	Others 2	X

For illustrative purposes, Executive created a 10-seat district (though proportional for the districting, balance in Lebanon with more Christians and 124 jobs an "other" category were in same race and make the numbers easier to work with. Our district has 345,000 registered voters of which 211,000 cast votes.

In election day, voters were given a pre-printed ballot in the voter booth and instructed to cast two votes: first for the list of candidates they liked best, second for the candidate they liked best on that list. This is a proportional vote in that candidate preferences are used to help choose which candidates on a list get elected.

2

THE RESULTS

With votes are cast, two numbers are important for distribution seats. Total votes cast for a list determine how many seats a list is allocated. Proportional votes for individual candidates determine who from a list gets sent to parliament. Candidate rank order is based on proportional vote totals across all lists from highest to lowest and used in distribution scheme C (see on scale next).

Rank	LIST 1	Votes	Rank	LIST 2	Votes	Rank	LIST 3	Votes
1	Shia 1	21,306	15	Shia 1	14,104	16	Shia 1	110
2	Shia 2	21,309	16	Shia 2	521	17	Shia 2	105
3	Shia 3	21,067	18	Shia 3	8,081	18	Shia 3	113
4	Sami 1	11,401	7	Sami 1	11,830	17	Sami 1	135
14	Sami 2	1,419	17	Sami 2	1,501	25	Sami 2	343
13	Mawalla 1	6,117	16	Mawalla 1	1,816	9	Mawalla 1	9,118
18	Mawalla 2	1,417	14	Mawalla 2	6,081	8	Mawalla 2	10,147
11	Druse 1	1,411	4	Druse 1	15,302	10	Druse 1	16
21	Others 1	1,410	23	Others 1	911	13	Others 1	6,114
21	Others 2	1,414	19	Others 2	3,002	15	Others 2	6,119
Total votes		170,000	Total votes		111,000	Total votes		52,000

3

PROPORTIONAL CALCULATION OF SEATS PER LIST

Seats are allocated on a proportional basis with respect to lists that receive more votes than the threshold of "total valid votes / number of seats" in the district. If the percentage achieved otherwise, remainder seats are allocated to lists according to the highest number of valid votes. List 1, List 2

THRESHOLD CALCULATION

Total votes = 713,000

Threshold = 71,300

(= votes / 10)

	LIST 1	LIST 2	LIST 3
Total votes:	124,000	71,000	58,000
Total votes / threshold	1.75	1.00	0.81
Full constituency seats	5	3	2

4

DISTRIBUTION OF SEATS BY LIST & CONSTITUENCY

While it may seem complex, the method for which candidates are chosen is if the list's allocated seats can have an immediate majority under the district, or require because of the remainder seats each of district list. If a candidate is elected in a seat based on their list's number of proportional votes, their size relative "balanced" when seats are distributed because all seats for lists or persons have been allocated. If a candidate is "skipped", the next highest ranked list from that list is given a seat from district. Below:

SCENARIO A. LIST BY LIST

All seats are distributed to the list with the most votes first. Therefore second and then the third. In our example, this means the three and four seats candidates with most proportional votes in district seats, because of remainder seats: threshold.

1	Shin 1	
2	Shin 2	
3	Shin 3	
4	Sumi 1	
11	Onze 1	List 1 complete
4	Onze 1	Seat under full
5	Shin 1	Seat under full
7	Sumi 1	
14	Marvella 2	
15	Marvella 3	List 2 complete
8	Marvella 2	Seat under full
9	Marvella 3	Seat under full
13	Others 3	
15	Others 3	List 3 complete

SCENARIO B. PROPORTIONAL DISTRIBUTION

Seats are distributed among the lists pro-rata in a proportional order starting with the list that received the highest votes. The "other" candidates with the most proportional votes are then given a seat from the district.

1	Shin 1	
4	Onze 1	
8	Marvella 2	
2	Shin 2	
9	Shin 3	List 3 complete
9	Marvella 1	List 3 complete
3	Shin 3	Seat under full
6	Sumi 3	
7	Sumi 3	List 2 complete
11	Onze 3	Seat under full
12	Marvella 1	Seat under full
18	Marvella 2	Seat under full
29	Sumi 2	Seat under full
21	Others 2	
22	Others 1	List 1 complete

SCENARIO C. SEAT BY DISTRIBUTION

Candidates are ranked from highest to lowest based on their proportional votes, regardless of list. Seats are then distributed based on rank, according to the number of seats a list is entitled to and the proportion of votes. In this scenario, the "other" candidate from the most preferred votes does not get a seat.

1	Shin 1	
2	Shin 2	
3	Shin 3	
4	Onze 3	
5	Shin 3	Seat under full
6	Sumi 1	
7	Sumi 1	
8	Marvella 2	
9	Marvella 1	List 3 complete
10	Shin 3	Seat under full
11	Onze 3	Seat under full
12	Marvella 2	Seat under full
14	Marvella 2	Seat under full
16	Marvella 1	Seat under full
17	Sumi 2	Seat under full
18	Marvella 2	Seat under full
19	Others 2	List 2 complete
20	Sumi 2	Seat under full
21	Others 2	List 1 complete

By Thomas Schellen

A full load of plans to spur on the economy

Interview with Minister of Economy and Trade Raed Khoury

If there is unanimity concerning Lebanon, it is that the new government signifies a chance to put the country on a new track that will create prosperity and inclusive growth for Lebanese society. At the same time, it

is widely agreed that the regional and domestic challenges are significant. Not least among these challenges is the task of holding fair parliamentary elections, as well as the need to return to organized budgets, improve infrastructure, invest in the economy and achieve continuity in government. These challenges are all surmountable, but they all have to be tackled. To inquire about governmental plans and strategies for the improvement of the economy, EXECUTIVE sat down with the new Minister of Economy and Trade (MoET), Raed Khoury, who is a member of the Change and Reform bloc. The interview took place right after the January 14/15 Parliament session, which focused on the rent law (discussed further in a Q&A on page 28), among other issues.

In elaborating on economic policy priorities, Khoury starts by explaining that the ministry is currently engaged in both short-term and long-term planning involving other government ministers. Some points in this plan “relate directly to the Ministry of Economy and some are related to the whole government,” he says, explaining, “The government has assigned a number of ministers to form what is called the Economic Committee in order to address the macroeconomics of the country.”

“It is a special political opportunity that the country should take advantage of. The priorities of the new cabinet lay down the basis for the medium-

to-long-term future of Lebanon,” he adds. In reference to a set of prepared answers to questions that EXECUTIVE submitted in advance of the interview, he then outlines economic and general policy priorities as comprising four important pillars in the short-term; the electoral law, budget approval as a starting point to improve Lebanon’s financial conditions, agreement on a plan for rehabilitation of Lebanon’s depleted infrastructure and appropriate management of the oil and gas sector.

Elaborating in more detail on each pillar, he emphasizes that the electoral law is an urgent issue given its importance in reviving constitutional authorities and national confidence. The adoption of a budget should entail decisions on several levels, including; redirection of expenditures toward sectors where Lebanon has a competitive advantage to create balanced and sustainable growth, tightening the revenue collection processes to avoid incurring any losses and to ensure social equity by the appropriate distribution of revenues among Lebanese citizens, adjusting the wage bill in the public sector – which accounts for more than 30 percent of total spending – and rectifying what he called the “peculiar transfers” to Electricité du Liban, ideally through a public-private partnership deal for operating the power utility and addressing the issue of public debt, which is growing. “In fact, public debt has exceeded \$74.5 billion to date,” he stresses.

According to Khoury, the plan to rehabilitate Lebanon’s infrastructure needs to tackle problems comprehensively, such as the waste crisis, shortcomings in the supply of water, road, air, maritime and urban transport, telecommunications and energy. It is im-



portant in the context of infrastructure development “to highlight the private public partnership law,” he adds.

For the fourth pillar, proper management of the oil and gas sector, the minister takes the view that development of this sector “opens the page for a new era of economic prosperity and will aid in limiting the deficits in Lebanon’s public finance”. This makes it paramount to push to advance the file on the energy sector and to invest every effort in ascertaining that appropriate planning for this new sector is carried out, he says.

From Khoury’s perspective, the recent governmental visits to Saudi Arabia and Qatar make it evident that this new government has been implementing positive decisions since its formation in December. He attaches particular importance to the visits in the context of the issuance of the oil and gas decrees, for rebuilding regional confidence in the Lebanese economy

A white door with a gold handle. A red rose with green leaves is tied to the handle. The rose is positioned diagonally across the handle.

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LEGAL FRAMEWORK

When asked what the MoET would hope to achieve within the current cabinet's term of little more than three months, he responds that he expects the current cabinet to work longer than that and be in charge for between six to nine months. "This is still very short. There are some quick wins that we need to put in place at both the ministry level the country level. It would also be an achievement if we can implement a long-term macroeconomic plan," he says, before going on to specify that the economic vision and strategy would be based on a socio-economic developmental perspective and encompass a range of initiatives from attracting new Foreign Direct Investment (FDI) to the creation of a better business climate and diversification of the economy by way of supporting innovative sectors through small-and-medium-sized enterprises (SMEs) and startups.

For attracting FDI, the minister envisions special incentives for investments originating in the Lebanese diaspora. Regarding enhancing the business climate, he points to the importance of avoiding unpopular austerity measures and the need to amend laws and update the legislative framework. "Several economic sectors are relying on the ratification of several draft laws by the Parliament in order to enhance the business environment. These laws include; a public-private partnership law, a bankruptcy law, a competition law, a secured lending law, a commerce code and so forth," he says.

Calling it of great concern that Lebanon is ranked only 126 out of 189 countries covered by the 2017 edition of the World Bank's Doing Business Report, Khoury sees it as a priority to update the country's consumer protection law and the laws relating to protection of intellectual property, just as

much as improving the national trade balance by spurring Lebanese exports. To achieve the latter, he calls for strengthening existing trade relations, opening new markets and concise targeting of the Lebanese diaspora.

Markets of importance to Lebanon cited by Khoury in this regard include West Asia, the EU, Africa and the Mercosur common market in South America. In countries around the world, it will be important for Lebanon to collaborate with the private sector, mainly with the chambers of commerce and private economic entities.

As far as strengthening consumer protection at home, he aims to enhance the role played by the Consumer Protection (CP) Directorate at the MoET, especially with regards to monitoring the quality, safety and validity of local and imported products. Calling the CP Directorate's role "critical" for the benefit of the Lebanese, he says positive repercussions of stronger consumer protection activities will affect many sectors from hospitality to healthcare and agro-industry.

A final action point on the minister's mind is mitigating the socio-economic impact of the refugee crisis and spillovers of the ongoing Syrian conflict. MoET's goal here entails following up on the management of the crisis to alleviate the repercussions on Lebanese host communities and Lebanon's social structure, Khoury says. He points to competition between Lebanese and Syrian labor for low to high skilled jobs and also at the level of micro to small enterprises, in addition to unemployment that has climbed to more than 25 percent in general and 35 percent among youth.

Asked what the MoET plans or projects for the next few months are in relation to the insurance sector, which is under its supervision, Khoury refers to acting head of the Insurance Control Commission (ICC), Nadine

Habbal, as the person with the most expertise on the subject. As she talks to EXECUTIVE, Habbal emphasizes that the ICC had a very fruitful year in 2016 and was recognized in a recent report by the International Monetary Fund's Financial Sector Assessment Program as "instrumental in maintaining the [insurance] industry in a generally sound situation".

Addressing ICC plans for the coming months, she lists four major projects, "First, the organization of the compulsory [Third-party Liability] motor insurance policy, which can be ranked as first priority because of the new [traffic] law. We need to abide by this law and have a standard policy covering both bodily injuries and material damages. The second

■ Khoury sees it as a priority to update the country's consumer protection law

project will be the organization of medical insurance benefits. We want to have a standard policy with minimum benefits and we want to interfere in the pricing strategy. We have to impose minimum pricing; this will aid the policyholder in having the right coverage [in combination] with an acceptable price. Next is quantifying and managing the risks of an earthquake. We also aim for creation of a framework of soft loans that will act as incentives for mergers and acquisitions in the insurance industry." She concluded that achieving these four goals within five or six months would be significant and regarded as an institutional success for the ICC.

In addition to elaborating on the MoET strategy for the coming months, Khoury kindly responds ad-hoc to several questions by EXECUTIVE (see Q&A on page 28), addressing issues from real estate to banking and the ministry's relationship with Banque du Liban, Lebanon's central bank.

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The economy

Q&A RAED KHOURY

In addition to outlining the perspective on economic policy and immediate action priorities at the Ministry of Economy and Trade (MoET) (see page 24), Minister Raed Khoury provided EXECUTIVE with his professional and personal views on specific laws and important issues.

E *If we take a look at specific laws that are on the agenda at this time, the rent law sticks out. It was a topic in Parliament this January and is an urgent topic on the minds of the population both the side of tenants and the side of landlords. When putting them into a macroeconomic context, how important are laws like the new insurance law that has been debated for years, or modernized laws on restaurants and hospitality demanded by that industry, or the rent law that has been highly contentious? What is the most important law from the ministry's perspective?*

All of them are important but the rent law is very important for [a number of] different reasons. First, it will create fairness in how people are treated, which is important for the socioeconomic environment. Second, it creates stability in the real estate market in terms of prices, etc. Third, it also helps in creating more turnover and demand in the real estate sector, which will attract foreign and Lebanese investors to buy and sell [properties], creating a market.

E *The usual assumption is that confidence is a key factor for economic development. If investors don't have confidence in the legal framework of a country, they are very hesitant to invest in an area like real estate.*

True.

E *In order to encourage inflows of Foreign Direct Investment (FDI) into real estate, and also encourage local Lebanese to invest, what can the ministry do in terms of building confidence in this market?*

We have some input for the law itself from our side, and we can also try to think [in line] with [Banque du Liban, Lebanon's] central bank. We have not yet looked into it, but there could be a project with the central bank for incentives that are geared toward this legislation in order to create what I have said before. It has to be with the central bank in terms of subsidies. Also, as the Ministry of Economy, we have a role in supervising the implementation of the law in terms of prices.

E *So in this regard and with regard to Consumer Protection Laws, the function of the Consumer Protection Unit at the MoET will be crucial?*

Exactly.

E *Do you have a plan to enlarge the functionality of the Consumer Protection Unit to a greater level?*

We are now studying the capacity [needed] for accompanying this law and will have our opinion later.

E *The time frame for this cabinet is limited by elections later in 2017. Is it true that there is no visibility at this time as far as the next cabinet after parliamentary elections, or is there already some agreement or personnel arrangement for the next cabinet as far as ministerial positions?*

On positions, no. So we don't know if I will stay or not. But whether I stay or go, I am part of a political party that is involved in putting together an economic plan and agenda for the country. I will be part of this regardless of my position, because I am directly involved in this and I will continue to [be].

E *That is good to hear. Prior to the 2005 elections, EXECUTIVE made the rounds with most political parties in Lebanon to inquire about their economic perspectives. There was an almost total absence of party programs as far as having an economic platform. Is it different today?*

First of all, concerning our political party, we have finalized an economic plan, and it is already on the table. We are now in the process of communicating this plan to other parties and developing a common paper that will be adopted as a roadmap for the future. So in this regard, I can tell you, yes, we have done something. We have been working on this plan for the past three months and have finalized it internally. Now we are at a stage of communicating with other parties and reaching agreements with at least three or four major parties in order to roll it over.

E *It is my understanding that the Lebanese constitution calls for implementation of meritocracy in filling positions from the president on down but all throughout the past 25 years we have been hearing people allege that wasta is more important than merit in getting a job in public administration. What can be done to create a stronger image that people are placed in positions because of merit?*

There is a process involving the Civil Services Board which does examine people for their qualifications. When they pass [applicants] will see what vacant positions are to be filled in the government and we as ministers will have our say. We will interview them and take [the applicants] we want. I can't tell you how to change the image but there is a process and there are exams. Wasta might come into play when two people have the exact same level of qualification and compete for the same job, but there is a process.

E *It seems that it was often difficult to attract qualified people to top positions because the remuneration in the private sector is much better.*

You are right. For very high-caliber people the private sector is more competitive when you compare remuneration. But there is stability in the public sector and this weighs in because in the private sector a company can fire someone if the company is not doing well, whereas in the public sector it is difficult to fire people. There are also some institutions within the government, like the United Nations Development Programme (UNDP) or some semi-government entities, where the remunerations are higher and more flexible. There are ways to overcome the situation but in general the salary in the public sector is lower than in the private sector.

E *The insurance sector is an important sector under your supervision and the minister of economy has a role in the development of the insurance industry. Do you think that the combination of regulator and supporter of development is a good thing in the hands of one ministry, or should the regulator be independent from ministerial decisions?*

We are debating now if the [Insurance Control Commission] should be under the Ministry of Economy or should have more independence. I am the kind of person who believes that it should be more independent but again, once it is independent, the ICC's role would be more supervisory than promotional regarding insurance companies. The regulator's first role is to protect the sector, its second role is promoting it. What we care about is that an insurance company does not lose money and shut down. The regulator doesn't care if it makes a million dollars or \$10 million. And what we also care for is ensuring the fair treatment of clients, etc. But in terms of the ministry's role, I believe the ministry has to work hand in hand with the regulator in order to carry out some elements of promotion as well. I am also thinking about something, that I will not talk about now, in order to promote the insurance companies to make them healthier and more developed.

E *So whether the scenario would be to keep the ICC under the ministry or independent, there would be a focus on the development of insurance?*

Yes, of course.

E *In terms of banking, many international voices – not least the World Bank – have for the last five or six years spoken with some criticism of quasi fiscal policies being exerted by Banque du Liban (BDL). One of the major issues in Lebanon was the inability to create effective fiscal policy on part of the government. As a person coming from the banking field, how do you see the relationship between MoET, BDL and the banking industry?*

You are right in saying that the banking sector and BDL have played a role in regard to fiscal policies. This is for two reasons. The central bank has been working in a healthy way, unlike the government, which has been interrupted many times by inability to form a Parliament or cabinet – you know the story. The second reason is because the central bank has tools, [meaning] mainly it has money which it can control to enact fiscal stimulus. The government, including my ministry, does not have the financial capability to support or subsidize anything in the economy like the central bank can do with regard to the housing sector, for small-and-medium-sized enterprises (SMEs), for energy and many other sectors. After

■ I personally made it a point to separate the two things by resigning from my position as chairman of a bank [when appointed minister]

all, the central bank is supervising more than \$160 billion in deposits in commercial banks and it is a wealthy institution. Going forward, we will take some of the burden from the central bank by working hand in hand with the central bank in putting more fiscal laws and regulations into place, but the stimulus will still come from the central bank.

E *The political game between monetary policy and fiscal policy is considered to involve some competition based on divergent interests of the fiscal and monetary authorities.*

Not in Lebanon. The central bank is playing both roles.

E *So this will continue for the coming years?*

It will continue for a long time, yes, because the fiscal situation is not healthy at the [level of] government. We have debt and a negative balance of payment, our budget is running every year in minus, so we don't have many tools.

E *When people are appointed to public positions, one often hears in other countries that they step back from their private business because of potential conflict of interest between public and private functions. Can you say what you did in this regard?*

I am not sure if regulations force [disassociation from their private business] on ministers or deputies in Lebanon. However, I personally made it a point for myself to separate the two things by resigning from my position as chairman of a bank in the private sector. I resigned on the day after I was appointed minister of economy. It was my personal decision. ■

The administration's missing cogs



Worrisome vacancies in senior positions

Try driving an aged Mercedes 280 of W123 vintage all the way from Tyre to Tripoli with a faulty gearbox or without a fan belt. Possible? It might be. Temporary fixes such as a pair of tights have been famously used to keep many old engines running when the fan belt has been destroyed. A very skilled driver might be able to upshift from first to fourth gear when the second and third gears can't be accessed. But your transmission suffers, and it sure makes for risky driving – if you get very far at all. For your vehicle to run smoothly, safely and at its optimal efficiency, its wheels and cogs all have to be in place and well lubed. To drive a broken car is dangerous. Everyone knows this.

Now imagine an organization where important decision making positions, like vice presidents or department heads, are not occupied. The organization might still run, but the transmission of decisions from the top will be slower than it should

be, and many intermediate level decisions will not be taken. In the bottom up direction, decision requests will be passed on to the senior-most decider, such as the president or chief EXECUTIVE, and create an overload of work for top management. Erroneous decisions will accumulate and mistakes will be harder to spot if important positions are not filled.

This is not a theoretical vision, take a look at senior administrative positions in Lebanese government entities. According to a list compiled by Lebanese research company Information International and provided to EXECUTIVE after the latest updates in January, there are 27 administrative “grade-1” posts in Lebanon’s public sector entities vacant as of the beginning of February 2017, all of which are reserved for members of specific religious communities. What is more, at least five of these positions have been vacant for more than a decade.

Some additional positions (listed on page 34) that were recently intro-

duced, or are not specified in terms of communal identity of the office holder, have also not been filled. When accounting for all these vacancies at public sector entities in Lebanon, and moreover adding in senior positions that would need filling at state-owned enterprises, the void in qualified decision makers is huge. This arguably causes a very large sinkhole in public entities that could undermine the government’s integrity even though a president and cabinet have been put into place.

A LONG ROAD TO REFORM

Grade-1 positions are the top tier of the five-tiered civil service network in Lebanon. They comprise positions such as a general director in a public entity and judges in the judiciary. According to sources that include the Office of the Minister for Administrative Reform (OMSAR), the United Nations Development Program (UNDP) and private researchers, the structure and competence building in Lebanon’s civil services has been marred by problems that were diagnosed as far back as 2001. OMSAR noted in a paper back then for the Strategy and Reform of Lebanon’s Public Administration that the Lebanese civil service “recruitment and testing system is outdated and cannot reliably help in detecting necessary skills and abilities in various jobs, especially in the absence of a job description and classification system”.

Even earlier than that, a study on Public Services Accountability was undertaken at the American University of Beirut in the 1990s on the back of several academic papers by local and international researchers and high-ranking civil servants in Lebanon. This study said that the

Civil Service Council (also known as Civil Services Board or CSB) – an institution established in 1959 with extensive powers over practically all aspects of personnel administration in every ministry and autonomous agency, and a mandate to protect and modernize the civil services – was hampered before and directly after the Lebanese conflict through an erosion of powers. Drafted in 1996, the study said: “Despite repeated statements by the government about the need to re-activate and strengthen central control agencies in order to enable them to play an active role in rehabilitating and reforming the public administration, we have been witnessing during the past three years a disturbing trend to circumvent and weaken these control agencies, especially the Civil Service Council.”

Understaffing of higher ranks in the civil services hierarchy has also been entrenched for many years and seems to have only increased over time. In a 2004 public administration country profile for the United Nations, the authors quoted OMSAR’s 2001 paper saying that 10,000 of 22,000 positions were vacant at that time. Citing a CSB report from 2010, a private researcher said in 2013 that the number of vacancies in all categories exceeded 15,300 out of some 22,000 full-time civil service employees.

The CSB seems not to have published new figures since 2010 (at least none were to be found on its website) and OMSAR likewise has not uploaded an annual report in the last few years. The last annual report on its website, containing scores of plans and project descriptions related to anything from efforts to streamline administrative procedures to completed projects in tourism and municipal solid waste, only covers the years 2010-2012.

It is an established fact in the story of Lebanese administrative reform efforts that initiatives to move appointments of grade-1 civil servants toward a purely merit-based selec-

tion process fizzled out within a few years after they were initiated in 2005. In the last five or six years, not much seems to have been done in taking administrative reform forward, and the public debate over the problems of the civil service by all appearances has slowed considerably as threats to Lebanese security and regional problems came to the fore.

THE PRESENT ADMINISTRATIVE MALAISE

In this sense, it is only the tip of the proverbial iceberg that is visible in the list researched by Information International and categorized by the religious affiliations for each position. The list indicates that the 27 vacancies affect positions that are associated with “ownership” by Sunnis, Shia, Druze and various Christian communities in the Lebanese game of politics. This practice is entrenched and reflective of the fact that all across the country’s communal spectrum, groups are vying for shares of the national power pie. According to the advisor to one of Lebanon’s top political figures who had agreed to speak with EXECUTIVE on condition of anonymity, it was a stipulation of the Taif Accord that the president of the republic should form a committee with the task of overcoming sectarianism in the allocation of administrative posts.

This did not happen, however, and posts are still handed out along sectarian lines to maintain the current confessional balance, according to the advisor. In his view, this pattern is not a problem in itself. Allocation of administrative jobs to political associates is an accepted practice in other countries, he argues, pointing at the United States as an example. “The problem [is] in qualification. Having qualified people take administrative positions will reduce the harm of *wasta* [nepotism],” he added.

It is arguable if the persisting practice of aligning grade-1 level positions in the Lebanese civil service with a specific religious identity can be anything but detrimental for discovering the most qualified candidates, restricting as it does the candidate pool by a non merit-related selection factor. It would certainly appear as a factor that makes seeking a position in the Lebanese public sector less enticing for the most qualified candidates, on top of the – fairly universal – fact that top jobs in the private sector come with better governance environments and much better remuneration packages, at least for ethically minded candidates. The ones that do apply perhaps do so out of a sense of patriotism, not because they are seeking to convert political power into economic benefit.

Culturally, the practice of aligning office and religious identity might have its merits for keeping the peace in a religiously defined society, even if it flies in the face of the prevalent ideology in western countries that – often enough wrongly – define themselves as liberal democracies, but are in reality driven by special-interest groups and their narrow ideological and political agendas. Political democracy is not the universal pursuit of all stakeholders after the greater good or the nation’s benefit, but the more or less unfair competition between any

■ “The problem [is] in qualification. Having qualified people take administrative positions will reduce the harm of *wasta*”.

number of groups seeking after their respective partisan interests.

More than with systemic political debates, however, Lebanon’s political class seems preoccupied with power issues. In discussing those, it appears to be somewhat under-concerned with the economic and social impacts

Lebanese civil service



associated with the different jobs that lie vacant or are managed – for example by incumbent position holders beyond expiry of their term – without a clear mandate that meets all legal requirements.

BARRIERS TO ECONOMIC GROWTH

Arguably not all the vacant positions are equally critical and urgent in their direct or indirect importance toward the Lebanese economy. Some are also occupied by more or less qualified office holders who stayed on beyond their term, so they are not vacant in the strictest sense of the term. However, rotations of office, term limits and durations of tenure are tools designed to help in supervising the efficiency of a position and guaranteeing that a public office does not deteriorate into a personal fiefdom or license for exploitation for private gain. The high number of vacancies, even if some positions are vacant pro forma and not in reality, is alarming from the perspective of governance.

When one further correlates some vacant posts with their impact on the economy, combined with the recent track record of the concerned institutions, the importance of presently vacant grade-1 posts is simply staggering from an economic perspective. This can be said because of the nature of the positions, even if the economic loss for Lebanon from having such posts empty is impossible to assess and so is the cost-benefit ratio

that would come with each position.

Examples that jump out at first glance are the role of urban planning for Lebanese urban productivity and the importance of the Beirut Stock Exchange in the national economic context. The position of director general for Urban Planning has been vacant since 2005 and the position of head of the Beirut Stock Exchange Committee vacant since February 2009.

The largest hole in a single institution that has to be filled is at the Council for Development and Reconstruction. Fourfold gaps in the CDR's senior leadership have existed theoretically since 2009 and 2011 – for the Greek Orthodox secretary general, the Shiite vice president, the Maronite vice president and the Sunni president of CDR, although according to the list the Shia vice president and the Sunni president of CDR both continue to “assume their functions” beyond expiry of the council's term back in 2009.

Other institutions of economic importance where vacancies wait for qualified office holders are the Investment and Development Authority of Lebanon (IDAL) and the Social and Economic Council where director general tenures expired in 2009 – even as IDAL's general director continues to hold his position – and in 2011. At the Higher Council for Customs, two seats need to be filled and vacancies appear also at the Office of the President of the Republic and at the Office of the Prime Minister (for the entire list, see page 34).

In the judgment of Information International, the Lebanese public is not sufficiently aware of the number of vacancies and the importance of filling these positions for upgrading the functionality of important administrative entities and public bodies. As the saga of insufficiency, political sectarianism and the perpetual lingering

of corruption goes back further than many Lebanese can remember in their own lifetimes, solving the issue of civil service appointment methodologies, upgrading civil service efficiency and filling the many vacancies could be as important for the systemic revitalization of Lebanon as addressing the more obvious problems in infrastructure and economy.

In an interview with EXECUTIVE, the new Economy and Trade Minister, Raed Khoury, says that the problem of modernizing the civil service and finding a solution to the non-merit-based political appointment process is on the new government's agenda. Acknowledging that the problem is huge, as “key positions have been vacant for a long time and civil service cannot function,” Khoury says there is a clear will among political parties

■ The high number of vacancies, even if some positions are vacant pro forma and not in reality, is alarming

for coming up with a solution for filling these vacancies, as “every party is now rethinking their positions and we will put them to a round table and try to come up with a conclusion.”

In past attempts of the 1990s and 2000s to reform the civil service, resistance against innovation was apparently too strong and could not be overcome. Given the gravity and duration of the civil service problem, 2017 would seem a good time to try again – but perhaps with a multi-pronged approach that seeks in the longer term to engrave Lebanese society with a stronger awareness of good governance. While in the short term, vacant positions need to be filled, and better selection methodologies and supervisory mechanisms installed, in the public administration.

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LIST OF GRADE-1 VACANCIES IN ORDER OF INSTITUTION

Presidency of the Republic

Director General – Head of Legal and Administrative Affairs (since Sep 2006)
 Director General – Head of Technical Affairs (since May 2014)

Office of the President of the Council of Ministers (Prime Minister)

Director General – Head of Legal Affairs (since 2007)
 Director General – Head of Technical Affairs

Parliament

Secretary General* (since 2005)
 Director General of Committees' and Sessions' Affairs (since Apr 2013)

Governorates

Governor of Mount Lebanon Province** (since 2015)

Ministries

Director General at Ministry for the Displaced (since 2002)
 Director General for Roads and Buildings at Ministry of Public Works and Transport (since Nov 2010)

Customs and Airport

Director General of Civil Aviation (since Dec 2010)
 Member of Higher Customs Council (since 2016)
 Member of Higher Customs Council (since Feb 2017)

Council for Development and Reconstruction

President (since Jan 2009)*
 Vice President (since Jan 2009)*
 Vice President (since Jan 2011)
 Secretary General (since Jan 2009)

Investment and Development Authority of Lebanon

Director General* (since Jan 2009)

Social and Economic Council

Head of the Council (since 2008)
 Director General (since Apr 2011)

Central Inspection Board

General Health, Social Welfare and Agriculture Inspector
 General Inspector

Non-specified / other

Urban Planning Director General (since 2005)
 Director General of National Archives (since Apr 2010)
 President of Administrative Committee for Green Project (since 2015)
 Head of Beirut Stock Exchange Committee (since Feb 2009)
 Director General of Tele Liban
 Head of Educational Center for Research and Development***

Grade-1 Positions that are multi-sectarian or new and in need of filling or contested by several religious communities for communal affiliation

President and Members of Constitutional Council
 Ombudsman
 Head of Liban Telecom
 Head of Telecommunications Regulatory Authority
 Director General of Committee for the Creation and Management of Industrial Zones
 President of Lebanese Association for Food Safety
 Director Generals and Board Members at numerous public hospitals

Source: Information International

Notes: *Position is filled by previous holder beyond term of his tenure

** Acting Governor Fouad Fleifl was appointed to be Secretary General at Council of Ministers

*** Filled by Acting President





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Prospects are high for adoption of a budget

Walking through the center of Beirut, Nejme Square, to the steps leading up to the Lebanese Ministry of Finance (MoF) is even more eerie today than it was 19 years ago. Back then, Downtown was still riddled with brokenness – with scarred streets and uninhabitable buildings that showed the results of the years of conflict. Passing through the district evoked pity and a longing for reconstruction.

Traversing Downtown in January 2017 means wiggling in between concrete barriers while empty store windows stare back at you. The last international chain coffee shop in the area recently shut down, and all that the expensively restored buildings evoke are memories of restaurants and shops that thrived here in the more vibrant times of ten years ago.

Up in the welcoming office of MoF Director General Alain Bifani however, there is some cheer and confidence. One of the most crucial issues for Lebanon's future is the adoption of a state budget. "We stand a very good chance of having a bud-

et this year. I think that everybody means business. It is clear that the political level is very aware of the importance of having a budget," he says.

According to Bifani, the draft budget for 2017 was prepared in August of last year in line with the same schedule that the MoF follows every year and sent to the Council of Ministers by end of that month. In a normal year, the council would then send the budget as a draft law on to Parliament where it would be examined, debated and voted into law by end of the year – but normalcy in Lebanese politics has been quite the exception.

BUDGETING FOR TOMORROW

Bifani is therefore not troubled by the fact that the budget might not reach Parliament until late 2017, calling this "an acceptable delay," especially when taking into account that the budget draft was prepared under the previous cabinet. "Now that we have a new government, the draft of course needs to be revisited, and my understanding is that it is going to follow a fast track,

which means reviewing mostly at the level of the Council of Ministers, after which the [revised] draft will be sent to Parliament for discussions and approval. There will be arbitrage about many issues, the usual stuff, but altogether there is no doubt that we have momentum and I really hope that we will be able to build on that and finally get out of this very long period of unorthodox managing of public finances," he tells EXECUTIVE.

The budget is one of the top concerns for advancing Lebanon to a future of greater stability, bankers and business leaders told EXECUTIVE upon the appointment of President Michel Aoun in late 2016. Lebanese state budgets have generally over the years been bones of discontent. The last time that a budget was adopted by Parliament was in February 2006, when the 2005 budget was voted upon and passed. Since then, failures to adopt a budget had been associated by critics with a wide variety of issues, from political discrepancies to dysfunctional administrations and the need to complete national accounts for most of the years since the end of the Lebanese conflict over a quarter century ago.

When talk turns to the recent years and the sorry state of the area around Nejme Square, Bifani agrees that Beirut's Central District has become a nightmare for the reputation of Lebanon, a hole in the tax base and a burden for the people who invested heavily into the reconstruction of the center's business venues. But this is not the only heritage that weighs on the Ministry of Finance, in addressing still unsolved issues in the financial past, Bifani explains. "Of course there is the issue of closing the accounts from the beginning of the 1990s until now. This remains a valid issue, but nevertheless,

it is better to have a budget while waiting for proper accounts to be finalized than not to have either.”

In his update regarding the progress of closing accounts for the years between 1993 and 2015, Bifani elaborates that of the 11 accounts worked on vertically by the MoF team, eight have been reconciled and reconstructed completely, up from four completed in late 2015 when EXECUTIVE last interviewed the general director. A ninth account is currently being finalized. “Hopefully we will be done within a month. There remain two accounts of which the work is between 70 and 80 percent complete. We are really reaching the last phases,” Bifani says.

Reiterating that it was once considered mission impossible by international experts to complete this work, he insists that the effort’s most important aspect is not how many man hours were invested by MoF staffers. “I don’t have an accurate figure but it was huge. We mobilized civil servants from all our directorates. These people worked in dust, in humidity, in horrible places. They found enormous amounts of papers that were thrown [into storage indiscriminately]. You had 2012 [mixed] with 2001 with 1993 all thrown together. To reconstitute and classify this took an amazing amount of time,” he says.

Nor is the most important aspect the timescale of its implementation, Bifani emphasizes, under the often asked question of whether the MoF has finished this work yet. Instead, it is the proper framework that he and his team are building. “That is not the point. We are building on [the reconstruction and reconciliation of the accounts], giving the republic the means and procedures for proper accounting; it is a base and a very important milestone and we have to do it properly,” he emphasizes.

Beyond the job of reconciling the creative fiscal history of Lebanese administrations with the reality of sorting out records at various ministries,

agencies, and municipalities, Bifani’s focus is on Lebanon’s ongoing budget process. This involves consultations with all 24 line ministries, the presidency of the Republic and the Council of Ministers as well as the agencies that are included in the budget, which according to him, means practically every entity in the public administration. “All together there are about 45 units that we need to integrate,” he says.

The draft process entails reviews and modifications by the Minister of Finance after which the budget proposal is sent to the Council of Ministers by the end of August. From there it enters as a draft law decree to Parliament. “What usually takes time [at Parliament] are discussions at the Budget and Finance Committee where the whole budget is scrutinized after the Council of Ministers has approved it. Then it goes to the plenary to be voted upon, ideally by end of the year,” Bifani explains.

BUDGET ADMINISTRATION

On top of this regular process, the MoF has to incorporate new legislative decisions into the budget, such as implications of the rent law or parliamentary discussions over waiving municipal obligations to pay outstanding dues to solid waste removal companies. Asked about the issue and what amounts could be involved in having the payment responsibility taken by the treasury, Bifani says the problem resulted from a mis-

■ Now that we have a new government, the draft [budget] of course needs to be revisited

guided redistribution practice that created huge liabilities and translated into massive distortions, but he would not provide an estimate for the amounts in question. “This is a story that started in 2002 and was very poorly managed. We as an administration have been raising [this issue] and been flagging it forever,” he says.

He adds that the ministers of finance

in two recent administrations made significant progress in alleviating the problem by adjusting the percentages taken by the government from municipalities but declares that it still was not yet possible implement the solution, “which is to have municipalities themselves decide on what they can contract and what they cannot”.

His overall approach to the reality of getting decrees and laws implemented in Lebanon is reminiscent of the Realpolitik paradigm that politics is the art of the possible. When people inquire as to why he would accept imperfect measures, or not insist on laws that cover all imaginable issues, for example, in legislation on oil and gas and the creation of a sovereign wealth fund for the management of revenues from this national asset, he says he accepted such legislation because “otherwise, it would not have passed at all. As long as we fight to the last moment, we are making this system better and better and have the best we can”.

On the question of Parliament’s readiness to examine the draft budget law after a long period without the chance to discuss state budgets, he declares that he is not worried about Lebanese parliamentarians and radiates confidence that it will all go “very smoothly”.

“Despite everything that people say, our parliamentarians are educated people. I know that the work will be done seriously in the [Budget and Finance] committee,” he says, citing evidence from prior debates over budgets in the committee even if these budgets in the end were not sent to the plenary. As to broad discussions in the plenary budget debates, which have been customary in earlier years, he describes this as reflection on the fact that the budget is “the translation into money of the government’s whole policy”.

“Thus it is normal that everything is raised during the budget [debate],” he concludes. “I am not worried about it. I think our Parliament has shown the ability to react very quickly to legislative texts and in a very efficient manner. And I have to tell you that while the finance part is our job at the ministry, we learn a lot from discussions at Parliament.” ■

Interview with a public servant



Alain Bifani talks about life in the civil service

As part of our quest for highlighting possible future avenues of progress in the Lebanese Republic, EXECUTIVE discussed the issue and importance of the 2017 budget with Alain Bifani, director general at the Ministry of Finance (see page 36).

In the course of the interview, the general director also commented on the systemic aspects of the public administration's work to draft the budget and diligently reconcile national accounts, on planned revenue measures and on the benefits that an efficient civil service can bring to Lebanon.

E Is the Ministry of Finance, like all Lebanese public institutions, short of qualified manpower?

We are very short on manpower in general and on qualified manpower in this regard [for auditing]. One of the main things that was achieved [in reconstruction and reconciliation of national accounts] was to again provide the ministry with knowledgeable people. The function of the public accountant had disappeared, because it was not taken seriously in the past. So while people were on the job, we had to teach them how to be a public accountant and state of the art [practices] for handling public accounts.

E So you created a subspecies of a very important profession?
Absolutely.

E Was there any evidence from your work on the accounts that there was any large-scale corruption occurring in the years which you examined?

My job as a public servant is to provide Lebanon with proper accounts. I am not a judge to audit and I am not an MP to question. What matters to me has nothing to do with the political debate that is taking place. What matters to me is that when I am done, Lebanon will have proper accounts. It is mandated by law that we send the accounts to the Court of Accounts when we are done with them. Then they go to Parliament. It is up to them to decide if this was on purpose, if it was wrong or right, when mistakes happened.

E What about suspicious contracts when amounts suddenly go up?

This should have already been [scrutinized]. When it comes to contracts, you have ex ante and ex post control from the Court of Accounts. What we are doing is reconciling and reconstituting accounts, for instance if you have a revenue that was not registered as a revenue but is still pending in a temporary account. Or say something was paid to enterprise A and has been registered as paid to enterprise B.

E So you would not judge if something occurred because of incompetence, misinformation, or laziness as opposed to corruption, but you could say if there were incorrect numbers in the accounts?

Yes, I think everybody agrees that there is an enormous amount of incorrect [data] but it is not my job to determine why. My job is to correct and to flag [incorrect statements]. I have to say that the civil servants that

we have, have done a fantastic job in reconstituting these accounts and this in itself should send a very positive message to the Lebanese and the whole world. We are improving the system and we mean business.

E *I recall that at the time of debating the introduction of value added tax (VAT), there was a lot of doubt among the Lebanese public and international observers that the Lebanese Ministry of Finance could institute a VAT and supervise the implementation on time, but the ministry succeeded surprisingly fast.*

I love this example because introduction of the VAT was my first main challenge at the ministry. We started working on the VAT system at the moment I joined and when we introduced it, I still remember that this was the first time the public had to acknowledge that civil servants in Lebanon accomplished this task alone and introduced a VAT, without consultants and huge outside teams. We also have been providing technical assistance to at least seven countries in this region on VAT, through our civil servants, and even consultants have asked for assistance from our civil servants. This totally contradicts the story of the inability of the public sector in Lebanon.

E *My understanding is that the remuneration of Lebanese civil servants is not exactly at the top of the world.*

No, it is not (smiles).

E *When Lebanese civil servants thus go to help with a VAT project in the region, is there some special remuneration or honorarium?*

There are two formulas. When they are still civil servants and go somewhere [for such a project], they are not paid [anything outside their salary]. The only thing paid is ticket and hotel by the host country. The second way is for a civil servant to take a leave of absence and they are then taken on by the World Bank or

similar institution on a short-term contract. But this doesn't happen often. Most of the time we just send people because we want to strengthen our ties with those countries.

E *Would you say you are a model ministry of Finance for the Arab region?*

In a few aspects, yes. Let's not push it too far. We are aware of the fact that there is still corruption in our system and that there is still inefficiency. What I like to compare is where we are now and where we were a few years ago, and I do this comparison every year. Most taxpayers will tell you that it is amazing how different tax authorities have become. What we want in the end is not to be liked by people, but to be respected because we are doing our job properly.

E *Why in the world did you join the Ministry of Finance? Was it the money or reputation?*

It was definitely not the money. I was not programmed to be a civil servant. When the position was proposed to me, I was 31 and I thought that it would be a fantastic exposure at my age. I was not planning to stay for long when I joined, but you are caught up in the huge number of projects that you have to do and I see myself as a permanent project manager. On the other hand, I am very proud to be a civil servant. There is nothing wrong with coming from the public sector; one has to be proud of serving his country. The two facts – challenging projects and that you are serving your country – made me stay.

E *When I think of civil servants, they did not have the reputation of being the most industrious in mid-20th century Germany of the, but the Prussian work ethic of the duty-bound civil servant and their system of managing state accounts was in the background of success in building*

a national entity back in the time when Germany was an assembly of mini-states.

It is very interesting that you say that. To everybody who is telling me that “you cannot change this country and we have always been corrupt and inefficient”, I say, “Look at Europe in the 19th century”. Europe in the 19th century was basically about very corrupt administrations and weak states, and it was only this push towards pub-

■ We are aware of the fact that there is still corruption in our system

lic administration that made them what they are today. If it took them decades [to build an efficient administration], nowadays it can take less time and we really have to believe in that.

E *In hindsight then you don't regret the length of time you have spent at the ministry?*

I don't regret the length of time. I only regret that everything that should not require a lot of time [to accomplish] takes a whole lot of time. For example, when we worked on the debt administration, I wrote the first law to create the debt management directorate in 2002. This was passed in 2012. The first draft law that I wrote after I joined the ministry was about insider trading, about which there was no law in Lebanon. It was finally voted upon in 2011. Sometimes it was very frustrating but all together, it was worth it.

E *There are many activities happening on the levels of cabinet and Parliament now after a long hiatus, for example with regard to the rent law. How do you adjust the planning when such a thing happens like adoption of a law with consequences on costs and finance?*

Whether you have new expenditures or new revenues, it has to go through a law. Every time there

Q&A

is a new law, we immediately begin work to assess the impact of the law and propose the budgetary lines that come with it. Normally we would also try to find revenue with the law.

E Are there proposals for new revenue measures then?

Yes, and many of them have already been approved by MPs but not been voted upon. This is because many were discussed when MPs were discussing the salary and wage rate of the public sector.

E So this will be revenues in order to finance the public sector salary scale or the needs related to the rent law?

This is how the media and the politicians sometimes talk about it but there is no allocation for revenue in our system.

E So it is fungible money all the way?

Everything is fungible and meant to finance the whole budget.

E Can you specify some of the revenue proposals?

Yes. The public knows most of them. There is the story of taxing real estate capital gains for individuals. These are totally tax free, which is totally not logical. Then there is the increase of the 5 percent tax on interest rates and a slight increase on the income tax from 15 to 17 percent.

E For individuals or corporations?

This is on corporations. Plus there are issues with [increasing] stamp duties.

E VAT?

We don't know yet if the government is going to be willing to talk about VAT, but for the time being it is not an approved measure. As far as I know, there is nothing yet in this regard.

E How about treasury advances and arrears that need to be balanced in the accounts. Is that a problem?

No, we have already balanced all of this to the penny. There is legal action that needs to happen and that is to close the advances. It will happen either now or with the closing of the accounts.

E Does the issue of the salary scale for public servants at this point give you still any headaches or sleepless nights?

The salary scale is a distortion from the past. Had the government in those years [when salary increases were suspended] respected the law and given the salary increase every year, we would have never had this problem today. Now we have the problem of an administration that is not paid properly. This is a fact and if we want Lebanon to again become a leading country in this region, we have to fix the situation of the administration.

E What makes you say this?

Because if the administration is of a lesser quality, then automatically the whole economy becomes of a lesser quality. It reflects on the private sector. What we need to do quickly is to provide Lebanon again with the means to become a hub and reference for the region. This has to start with the public sector. This does not mean we have to overpay people, or pay them to do nothing, or have bloated administrations. It means that people [in civil service] have to earn what allows them a proper and respectable life. It is unthinkable to tell civil servants "either you live on what you have and are miserable, or become crooks and take advantage of your position because you are not going to be paid a decent salary".

E It was the impression already in the early 2000s that there was not so much large-scale corruption as much as petty corruption stemming from putting civil servants in a position where they have to become enterprising in some way because they cannot survive on their salaries. How do you see this?

It is also true that it is in the culture and [thus it is also an issue of building a culture of honest and respectable public service]. When you have honest people, it is true that even if they starve, they remain honest, and if you have crooks, they remain crooks even if you pay them well. But [you have to take care of] the vast majority that is in between [perfect honesty and total corruption]; you have to reassure them. Once they are reassured [in their positions], they have the resilience to say no [to corruption] and declare "we want to be recognized as decent people". It is so difficult to all the time be accused without reason, simply because you work as a civil servant.

E A fair wage for rank-and-file public servants is long overdue, but do you think that would drive reform for the larger structural changes Lebanon needs?

Take the whole problem of this country. Why has Lebanon not been able to reform itself? Why are we not able to change whatever needs to be changed? It is because typically the part of the population that [drives and implements reforms and change] is the middle income group. The poor are unable [to effect change]. The very powerful don't need to change anything. The simple fact is that the whole public sector, which includes the military and all [similar agencies] makes up a huge chunk of the Lebanese population and is not paid according to what it should be paid. If we had a strong middle income [segment in the population] this would boost [both] the administration and the private sector. Recreating the middle class in Lebanon is absolutely critical for this country. One point of entry to [the process of] doing so, and also for the private sector to become vibrant again, is to correct the wages and salaries in the public sector. This is critical.





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Real risks and fake pathos



“When human respect is disintegratin’, this whole crazy world is just too frustratin’...

And you tell me over and over again, my friend, ah, you don’t believe we’re on the eve of destruction.” – Barry McGuire

It is a funny thing with collective risk awareness. Human existence is full of perpetual risk, but our awareness of various risks differ. Even if different risks are equal in frequency and magnitude, some are perceived emotionally and with great and immediate personal involvement, while others only in intellectual terms, distanced from one’s existential core. For example, outcries over the risks of war tend to be highly emotional and gripping to the extent that songs about it can transcend the conflict they were originally about. There are scores of anti-war songs which, like 1960s ballad *Eve of Destruction* by Barry McGuire, are passionately re-played by several generations. They always have the same sad message of impending doom and lack of progress in defeating war.

By contrast, there are very few songs on capital risk, stock market

fluctuations, or anything for that matter that is seriously related to economics – Hank Williams Jr’s *Stock Market Blues* (2012) or Pink Floyd’s *Money* (1973) are the few exceptions. This is strange, given the endless supply of market risk data with potential for conversion into lyrics and with very little variation requiring new melodies or rhythms. Economic risk is presented prosaically, in dry reports bare of lyrical elements. There are entire schools of financial analysts who offer variations of only two refrains: the cheerful chorus that money is to be made somewhere and the annually recurrent, but apparently futile, warning that we are on the eve of economic disaster (without ever eradicating the potential for such disaster).

Even without delving into the risk hikes that have been perceived by activist groups in the days since

the US elections, global risk assessment in January 2017 was very high. The World Economic Forum’s (WEF) Global Risks Report (GRR), this year in its 12th edition, said last month that: “Polarized societies and political landscapes are taking center stage in many countries, with deepening generational and cultural divisions amplifying the risks associated with sluggish economic recovery and accelerating technological change.” It described political events of 2016 as “a wake-up call” to reassess the capacity to adapt to an evolving risk landscape and ominously warned that we could be at “a pivotal moment in political history” and it is a “febrile [feverish] time for the world”.

The economic uncertainty index is a design by economists to alert corporate decision makers to potential risks that could influence their business. This index, which is produced in collaboration with professors at three American business schools (Kellogg, Stanford and Booth), measures Economic Uncertainty (EU) and Global Economic Policy Uncertainty (GEPU) in the US and in 15 major economies. In 2016, the GEPU reached a record level of over 270 points in October and November that year. The GEPU index has been steadily increasing since the 2000s; it had peaks of 178 points in August 2001, 200 points in September 2008 and 217 points in October 2011.

This index, which is based on key terms found in newspaper reports such as “perception drivers,” demonstrates to its creators that increased levels of economic policy uncertainty are associated with elevated stock price volatility. “At the macro level, innovations in policy uncertainty foreshadow declines in investment,

output, and employment” in the United States and major economies, according to the index authors, who declared that historically, economic policy uncertainty in their country has “drifted upwards since the 1960s”.

PERENNIAL RISK SCENARIOS

Showing spikes in high-risk moments such as tight elections, wars, large-scale terror attacks and fiscal confrontations in the United States or with American involvement, the index aims to “capture uncertainty about who will make economic policy decisions, what economic policy actions will be undertaken and when, and the economic effects of policy actions (or inaction) – including uncertainties related to the economic ramifications of ‘non-economic’ policy matters, e.g., military action”.

The consistent rise of global economic policy uncertainty and the ever tighter interactions that the WEF’s influencers perceive between diverse risks are notable findings of the GRR and the GEPU index. This perspective is exacerbated if one considers that the list of risk-prone events in the outlook for 2017 from outside of the economic sphere easily numbers about 50 flashpoints and events, beginning with changes in the leadership at the United Nations and the European Parliament in January.

There are also long-term and even perennial crises scenarios in countries from the divided Koreas (a presidential crisis erupted recently in South Korea) and Cyprus to South Sudan, Colombia and Venezuela, and acute ones like the Greek crisis and, above all, the wars in Syria and against *Daesh*. On top of all this, there are at least a dozen national elections scheduled for 2017 (in addition to the Lebanese parliamentary elections) that by definition constitute events with uncertain outcomes in economic powerhouses like Germany and France, as well as in jurisdictions such as the Netherlands, Norway, Iran, Chile, Argentina, Liberia, Hong Kong and Kenya. Bearing the

unexpected outcomes of the Brexit and US elections in mind, 2017 could well be another year of unpredicted changes, and thus of manifest uncertainty.

Jumping on the bandwagon of uncertainty apostles this January was also the Bulletin of the Atomic Scientists, which told the world that its Doomsday Clock – a warning clock that has fluctuated between 17 minutes and two minutes before “midnight” (read global catastrophe) since 1947 – is now 30 seconds closer to expected doom, at two minutes and 30 seconds to midnight after it had stood for two years at three minutes before midnight. Designed as a risk alertness tool over the possibility of nuclear war in the post-WWII environment that pulled the US against the USSR, the Doomsday Clock signals the nearness of global extinction. Only once in the past 60 years was it closer to the end of the world than today, when in 1953 it was set at two minutes. In 1991 it was set farthest from the fateful moment, at 17 minutes to midnight.

The Bulletin of the Atomic Scientists is an activist publication that seems nowadays more equipped with climate researchers and environmentalists than with nuclear experts. In 2015, the bulletin set its clock at only three minutes in large part because of their worries over the environment. Now its board of sponsors have decided to adjust the setting half a minute closer to doomsday because 2016 was a difficult year in which “the global security landscape darkened”, citing as the main motivations for the reset their concern over the usage of “cavalier and reckless language” about nuclear weapons (especially in the US in connection with the inauguration of Trump) and disregard for climate research and the views of (most) scientists.

Putting the alarm up by a notch shortly after President Trump’s inauguration earned the organization a lot

of media attention, fitting in with an avalanche of worries and protests by civil society that was reminiscent of Soviet rhetoric in the Cold War or the American propaganda hype about Saddam Hussein’s alleged weapons of mass destruction in 2002. In the sum total of exaggerated worries, 2017 is shaping into a dual year of real risks and fake pathos about these risks, meaning that the accumulation of potential risk events could be accompanied by further risk escalation

■ In economic terms, one person’s risk is another person’s opportunity

due to waves of protests against some change agents like Donald Trump or change events that are not unequivocally welcome.

MITIGATING FACTORS

In economic terms, one person’s risk is of course another person’s opportunity. Consequently, and perhaps helpfully in keeping risks away from a self-fulfilling escalation cycle, the outlook for 2017 from an economic perspective is less problematic than the outlook from a political or social vantage point.

The World Bank confirmed in its Global Economic Prospects report earlier in January that it projects global economic growth to “accelerate moderately” in 2017 and reach 2.7 percent. It expects advanced economies to register 1.8 percent growth this year, slightly better than in 2016; meanwhile emerging and developing markets, “as a whole should pick up to 4.2 percent”. At the same time, however, the World Bank cautioned that “the outlook is clouded by uncertainty about policy direction in major economies” and warned about universally negative repercussions for investment in all countries if a protracted period of uncertainty were to materialize.

Macroeconomic context

Expressions of what economists like to sell as their “guarded optimism” also reverberate in many private sector financial institutions. Take the example of the bankers at Goldman Sachs. The bank is one of the clear winners of the US election in terms of share price gains and also in the sense that a former Goldman president and COO is now joining Trump as head of his Council for Economic Affairs, along with three other people who were also once affiliated with the bank that are now among the president’s men. The bank told the world through videos underlaid with soothing background music (no rap, sadly), that it expects 2 to 3 percent growth in the US and 3.5 percent globally for 2017.

Goldman paints something of a mixed picture for Europe with 1.5 percent GDP growth that is consistent with gradual improvements in the labor market and foresees 1 percent growth for Japan. It foresees that China will grow at about 6.5 percent, but with some long-term concerns, and expects commodity producers among emerging market countries to show some recovery after “a lot of pain” in 2015 and early 2016. Brazil is still slow and has yet to move into actual recovery, whereas India is exposed to a slowdown due to currency reform after strong growth in recent years, says Jan Hatzius, chief economist and head of Global Economics and Markets Research at Goldman Sachs in December 2016.

Upbeat sentiments were also reported by Bank of America/Merrill Lynch’s January Global Fund Manager Survey. According to the survey of 215 fund managers, investor expectations for global growth in January improved by 5 percentage points to two-year highs (net 62 percent from net 57 percent in December) and the number of respondents expecting growth to be “above trend” is the highest in five-and-a-half years at 17 percent.

However, risk is never out of the picture. The three tail risks that funds managers most commonly cited as current concerns were trade war/protectionism, US policy error and China FX devaluation, according to Bank of America/Merrill Lynch.

Similar notes were intoned later in January at the World Economic Forum’s closing panel in Davos, as panelists juxtaposed strengthening global economic growth against the increased risks of political uncertainty and trade protectionism. In a panel bringing together IMF’s Christine Lagarde, German Finance Minister Wolfgang Schäuble, the UK’s Chancellor of the Exchequer Philip Hammond, Japan’s central bank governor, Haruhiko Kuroda and from Black Rock USA, chairman Laurence D. Fink, global economic activity was characterized as moving up and consumer confidence was seen as strong according to a press briefing. The WEF quoted Lagarde as saying, “For the first time in years, economic growth is not being revised down,” with IMF projections for global growth of 3.4 percent in 2017 and 3.6 percent in 2018.

THE LIMITATIONS OF FORECASTING

In the WEF’s GRR, a global risk is defined “as an uncertain event or condition that, if occurs, can have significant negative impact on several countries or industries within the next 10 years.” The survey for the 2016 report did not ask the participants to assess the likelihood of a Brexit or a Trump win in the US elections. Choices in the category of geopolitical risks are more general; the available options in the surveys for 2017 GRR were state collapse, failure of national and of regional or global governance (two separate questions), interstate conflict, large-



■ What can devalue our collective awareness is that the risks that become reality are often not the ones we are concerned about

scale terrorist attacks and deployment of nuclear weapons.

This report highlights the importance of how the questions in a risk survey necessarily influence the outcome. What can devalue our collective awareness is that the risks which become reality are often not the ones that we are asked about or worry about the most in the period preceding their eruption. In the GRR published in January 2016, the top risks listed for likelihood of occurrence were large-scale migrations, extreme weather events and failure to mitigate climate change, while the top risks listed for severity of impact were failure to act on climate change, weapons of mass destruction and water crises.

Four notable risks that did not top the GRR charts last year but materialized against popular expectations in 2016, were financial volatility at the start of the year, Brexit in the middle of the year, the military vic-

tory of the Syrian government forces in Aleppo and the outcome of the elections in the United States. If they were discussed at all, or considered seriously before their occurrence, all these events would probably have represented significant risks in the eyes of analysts, academic influencers and economic deciders in developed countries.

Once these events did materialize however, the economic and financial outcomes were quite different from what people warned of during and immediately after their occurrences. The sudden volatility in January did not trigger the financial catastrophes predicted by some analysts. Brexit, shocking as it was at the time, did not instantly drag European markets asunder, and the Republican win in the US elections was followed not by a deterioration in stock indices but by a market rally.

RISKS AT HOME AND IN THE REGION

Capturing Lebanon-specific risks or even Arab regional ones and assessing them is not in the remits of GRR nor the EUI. Risks, both globally shared and uniquely local ones, are ever present in Lebanon and make up half of Lebanese existence. The dangers include; a war with Israel because of an escalating altercation in south Lebanon; Syrian state collapse; economic problems resulting from troubles in the Gulf region that weaken remittances; domestic political vagaries on top of dangers of irrational US policies or belligerent Israeli politics; dangers of euro-zone inflation or movements in the euro-dollar exchange rate that are to Lebanon's disadvantage or outright detriment; as well as the danger of conflicts between larger global or regional powers that play on the Lebanese stage

– and 90 percent of countries are bigger or more powerful than Lebanon. All of the above are on our national risk list alongside the dangers related to the environment, from pollution and weather events to earthquakes and social issues, whether an ageing population or unemployment. Continuing to live happily against all these risks is the other half of Lebanese existence, and the name of the Lebanese game.

While there is an international awareness of factors, such as growing irrationality of voters, the exploitation of this irrationality by populists, the decoupling of wealth from democracy and the shifting of global power centers (broadly from West to East in the current scenario and from North to South a few years ago), risk cycles on smaller levels and their impacts on a country like Lebanon are commonly not mentioned in the



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NASCO acquires Union Nationale

NASCO INSURANCE GROUP is pleased to announce the acquisition of a majority stake in the share capital of Société Générale d'Assurances du Proche-Orient - Al Ittihad al Watani SAL (Union Nationale). The transaction took place on Monday the 12th of December 2016.

Founded in 1947, Union Nationale was a pioneering insurer in the Arab world and currently operates in Lebanon and the United Arab Emirates. Its integration with Nasco will strengthen the group by advancing and consolidating the underwriting activity in the UAE.

Union Nationale will remain separate from Bankers Assurance SAL, a Lebanese insurance company and also a member of Nasco Insurance Group. The two sister companies will operate side by side in their respective markets under separate names and management structures.

Union Nationale's board of directors is chaired by Mr. Eugene Saba Nader. Mr. Joseph Adaime remains the General Manager of the Lebanese branch and Mr. George Chidiac will be advising on regional affairs including the UAE operations.

About NASCO

Founded in 1961, Nasco Insurance Group saw the light in Lebanon as an insurance broker. Today, in addition to Lebanon, the Group has a presence across the METNA (Middle East, Turkey, North Africa) as well as France and Sub-Saharan Africa.

The group is active in all sectors of the insurance industry, from insurance and reinsurance broking, to underwriting, as well as third party medical administration.

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Macroeconomic context

global picture.

But there are some reports of regional relevance, just like there are a handful of fun songs about economics. As the World Bank's regional outlook for the Middle East highlighted last month, the region-wide pace of economic growth this year is forecast to reach 3.1 percent in 2017, after having experienced – for an emerging region unsatisfactory – estimated growth of 2.7 percent for 2016. The outlook, which estimates Lebanese GDP will increase 1.8 percent in 2016 and modestly accelerate to rates of 2.2 percent this year and 2.3 percent in 2018, sees oil importers achieving the strongest gains. Specifically, Saudi Arabia is forecast to grow by a quite meager rate of 1.6 percent in 2017, but this will be an improvement in comparison to the estimate for 2016.

The factors to watch in this regard are regional developments involving friends as well as more distant neighbors and those, whether states or non-state actors, that have shown themselves as outright foes of Lebanese progress. Besides the hope for positive change from the Lebanese parliamentary elections, it seems prudent to pay careful attention to developments in the economies of the Gulf Cooperation Council countries.

Shuaa Capital observed in December that Saudi Arabia allocated SAR 890 billion to spending in its 2017 fiscal budget, above both budgetary and actual spending in 2016, and is also planning for a budget deficit of SAR 198 billion in 2017, 40 percent lower than the deficit for 2016.

A MIXED REGIONAL OUTLOOK

Estimates by officials in the United Arab Emirates imply that Dubai's economy will be increasingly on

the mend in 2017. In a presentation at the UAE Economic Outlook 2017 event in January, the Chairman of Dubai's Economic Development Committee Sheikh Ahmed Bin Saeed al-Maktoum said the emirate was expected to grow by 3.1 percent in 2017, after growing 2.7 percent in 2016 in real terms amid an unfriendly regional and global economic climate.

By watching Arab equities – an exercise that is not found everywhere – Credit Suisse in January spoke of “an impressive rally” in Middle East markets, whereby the region's 17 percent gains in Q4 of

■ It seems there are reasons, but not enough reasons, to keep on predicting doomsday in the global economy

2016 marked the “by far the strongest performance by any region and allowed the Middle East to post a modestly positive return for 2016 overall.”

“After experiencing a contractionary economic environment over the past two years, economic indicators across the Middle East are beginning to show signs of improvement. The oil exporting GCC economies are set to reap the benefits of higher oil prices and progress made on subsidy reform, while Egypt has successfully initiated the politically difficult steps towards preserving its foreign exchange reserves,” wrote Fahd Iqbal, Head of Middle East research at Credit Suisse.

In other moderately encouraging news from the region's financial industry, the annual investment banking report for the Arab region by Thomson Reuters, which was released last month, said that investment banking fees in the Middle East

reached \$820.8 million during 2016, an 18 percent year-on-year increase and the highest annual fee total in the region since 2008. According to Thomson Reuters' analysis, debt issuance in the region was the highest in over 35 years and jumped year-on-year by 145 percent to almost \$78 billion, bolstered by Saudi Arabia's \$17.2 billion bond sale in October of last year. On the other hand, merger and acquisition activity, as well as equity issuances in the Middle East, were described as low in comparison to other years, with values of announced M&As with regional participation at \$47 billion – the lowest since 2013 – and equity and equity-related issuances at \$2.6 billion, which a director at Thomson Reuters said was “a 55 percent decline year-on-year and the lowest annual issuance total in the region since 2004”.

Meanwhile, the outlook for GCC banks is mixed according to ratings agency Standard and Poor's. S&P Global said the agency expects the financial profiles of GCC banks to “continue to weaken in 2017-2018”, but added that this expectation had been incorporated in ratings and that it considers most GCC banks to have created “sufficient capital buffers to remain resilient to their weakened operating environment”.

In this altogether complex landscape of regional assessments, global risks and more or less fearful anticipations, Lebanon will have to find its place for the best possible economic performance, as well as conduct its domestic politics and business to the best of its capacity. By consensus of many economists, it seems there are reasons, but not enough reasons, to keep on predicting doomsday in the global economy. More likely is that we will muddle along, with risks building underneath and erupting every now and then, without us being able to evade them but also without being destroyed. Same procedure as every year. ■



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A roadmap for the first licensing round

Government passes long awaited decrees

On January 4 2017, the Lebanese government approved what many observers have been waiting for since March 2013: two oil and gas decrees, without which the country's first licensing round could not proceed. One delineated offshore blocks, another detailed the model exploration and production agreement and set out the tender protocol.

To signal its determination, the government passed the decrees on the first meeting since gaining Parliament's confidence. This was a remarkable achievement on the surface, and marketed as such by the government. For others, it was perceived as a long overdue fix.

ROADMAP

With the decrees ratified in late January, the Ministry of Energy (MoE) announced which blocks will be open for bidding, as well as a roadmap outlining the steps for Lebanon's long-delayed offshore licensing round. Block one in Lebanon's northern waters, block four in the center, and blocks eight, nine and ten in the south will be open for exploration companies to bid on.

According to the roadmap, as Lebanon moves toward accepting bids it will first allow new companies to pre-qualify. That process will take around 60 days, from the beginning of February to the end of March 2017. Companies that had already pre-qualified back in 2013 remain eligible. By mid-April, all eligible companies will be announced. Bids are due in mid-September, and by mid-November 2017, the cabinet is scheduled to sign exploration and production sharing agreements with the winning bidders.

The government is also expected to examine the petroleum tax law and submit it to Parliament for final approval. Hopefully, the political class will not be tempted to drag the process out. It should be noted that Parliament is only in session until March 20. Actual gas or oil production will depend on how successful the companies' exploratory work is. In case of a commercial discovery, the consortium must submit a development plan that is subject to approval by the government. If granted, the consortium can proceed with production.

REGAINING CONFIDENCE

The pre-qualification round in early 2013 exceeded all expectations. Fifty-two oil and gas companies sought to pre-qualify for Lebanon's first licensing round. Forty-six of them were successful. But the tender has been postponed five times and was on hold since it was launched in May 2013, due to an incomplete framework. This has affected the initial enthusiasm witnessed in early 2013.

It is essential now to do things right, even if that means taking the time needed. The entire legal and regulatory framework must be complete before inviting companies to place bids, so as not to repeat the same mistakes made in 2013. A competitive fiscal regime, in addition to regulatory and fiscal stability, are key to gain back investors' confidence.

This must be coupled with targeted campaigns to promote Lebanon's potential among investors, including organizing roadshows and official participation in major oil and gas events around the globe.

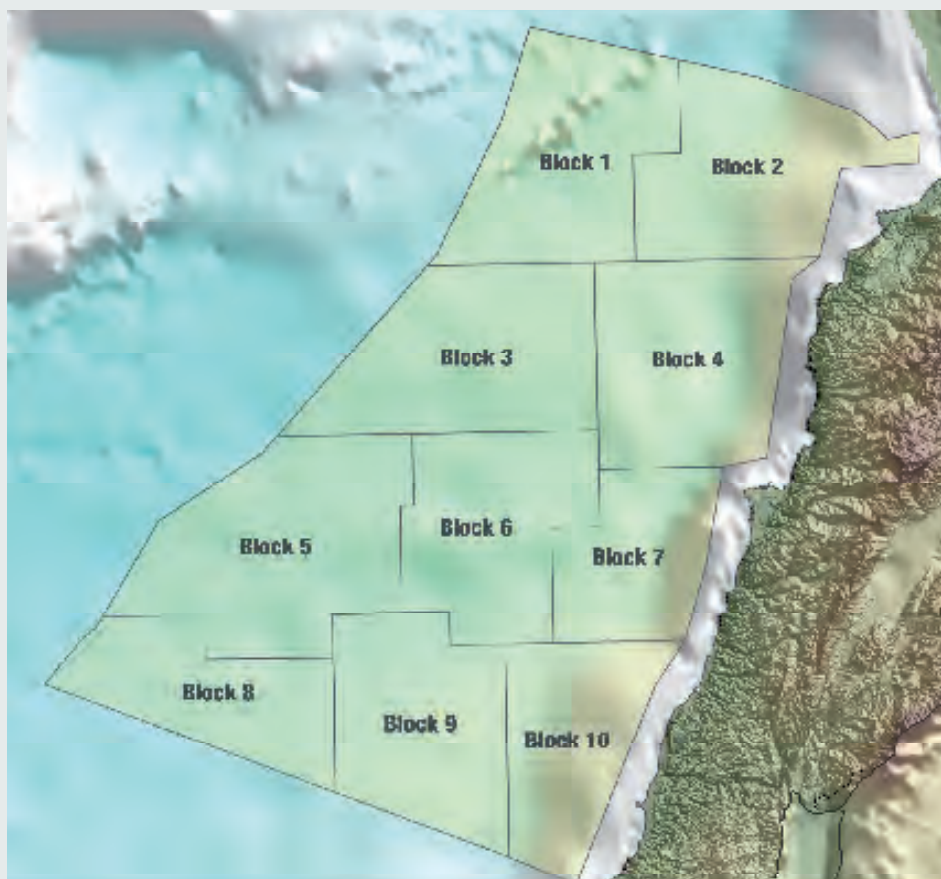
Lebanon retains an interesting energy potential. This largely explains the success of the pre-qualification round in 2013. Future interest will depend on two things: global market conditions and what we offer investors. There isn't much we can do to affect the first, but there are some things we can do to attract investors – finalize our legal and regulatory framework, offer a competitive fiscal regime, and actively and aggressively promote our energy potential where it matters.

Beyond the sector, it is important for the government to address and at least contain – if tangible progress is too ambitious at this stage – two impediments that have long hindered investments in Lebanon: corruption and the difficulty of doing business. Currently, Lebanon ranks poorly on both fronts, but the government is determined to improve the conditions for doing business in Lebanon. A new portfolio has been created in the current cabinet charged with combating corruption, and an anti-corruption institution is also being considered. The government has also announced its request to join the Extractive Industries Transparency Initiative, a global standard promoting transparency. Time will tell how effective these measures will be. At times, country risk might be high, but that does not entirely conceal Lebanon's energy potential. Oil and gas companies are used to operating in areas where political and country risks are high.

INDUSTRY CONTEXT

After a few difficult years for the industry, with a sharp decline in oil prices that has affected appetite for

Offshore Block Outlines



Source: Lebanese Petroleum Administration.

Blocks 1, 4, 8, 9 and 10 are open for bid

exploration in certain areas, including the Eastern Mediterranean, a soft price recovery is generally expected by analysts in 2017. Although exploration and production spending is expected to increase by seven percent in 2017, according to a report by Barclays, offshore exploration and production will still suffer (though on a smaller scale compared to 2016) ahead of a more positive outlook for 2018. On the other hand, with more and more Liquefied Natural Gas (LNG) projects coming online, the LNG surplus is expected to continue until the early 2020s, likely keeping gas prices low – a challenge for companies operating costly and complex projects.

REGIONAL CONTEXT

Lebanon will also have to compete with other players in the Eastern Mediterranean that are several steps ahead. The third licensing round in Cyprus attracted six bids from eight companies, drawing some of the biggest names in the industry – no doubt lured in by the discovery of the Zohr gas field in Egyptian waters, not far from the three Cypriot blocks on offer. A consortium made up of Eni and Total was preselected for negotiations for explorations rights in block six, with Eni alone selected for block eight and ExxonMobil and Qatar Petroleum selected for block ten. An exploration license will be awarded if negotiations

are successful, and final results are expected in the first quarter of 2017.

Israel's first offshore licensing round, which opened in November 2016, is also an opportunity to assess foreign companies' interest in being involved in the region at this stage. Twenty-four blocks are on offer. They do not include northern blocks running along the Lebanese-Israeli borders. The bid round will close in April 2017 and results are expected three months later. Beyond assessing foreign oil and gas companies' interest in the Eastern Mediterranean, the Israeli tender might also be of relevance to Lebanon, as, in principle, companies operating in Israel cannot operate in Lebanon. 

Shedding light on a black market



One step forward, two steps back in curbing illegal phone imports

This past November Lebanese authorities disrupted a smuggling operation that had evaded detection for over a decade. The items trafficked were mobile phones to the tune of 2.5 million devices valued at some \$45 million during the network's lifespan, local media reported. The trafficking network's alleged mastermind? Kamel Amhaz.

The name might sound familiar. Just a few years back, in July 2014, the United States placed financial sanctions on Amhaz, his businesses and several associates. The US accused Amhaz of using Stars Group Holding (whose subsidiaries together form one of the larger distributors

of mobile phones in Lebanon, with retail branches throughout the country) to buy sophisticated electronics for Hezbollah. "Items obtained by Hizballah using the Stars Group Holding network have directly supported the group's military capabilities," a statement announcing the sanctions read.

The sanctions came just months after Lebanon lifted a regulation meant to curb mobile smuggling. Last November, Amhaz was arrested on smuggling charges. His release on \$10,000 bail in December indicates the government does not really care about an underground market that costs the treasury millions of

dollars in lost tax and tariff revenues every year, distorts the competitive landscape and negatively impacts consumer welfare.

WHITELISTING

In 2013 the Ministry of Telecommunications attempted to control the mobile phone market, implementing a software system intended to curb smuggling by verifying a device's International Mobile Equipment Identity (IMEI), a 15-digit serial number unique to the phone. The IMEI number was used by the government to verify the phone, a process known in industry terms as whitelisting. IMEIs that were not

imported through proper channels were blacklisted and blocked from connecting to the cellular networks of Lebanon's two publicly-owned but privately managed operators, Alfa and touch.

The new regulation added an extra layer of bureaucracy, but whitelisting was, in theory, a relatively simple process. All importers had to do was register their shipment's IMEIs with customs; upon import, traders were to clear their shipment with the customs Directorate of the Ministry of Finance, paying a 10 percent value added tax (VAT) for each device imported and a 5 percent customs duty on the total value of the shipment. After receiving payment, customs forwarded the IMEIs to the Ministry of Telecommunications for whitelisting. Travelers from abroad had to register their device's IMEI upon arrival at the airport. Local subscribers were grandfathered in and users looking to trade in their mobiles, or switch their SIM card between phones, first had to send one text message to release the number from the initial phone's IMEI.

The IMEI block had two intentions: to prevent mobiles that were not whitelisted from connecting to the country's cellular networks, and requiring importers to trade above

the table. It's not clear how effective the system was because figures are not public and government officials would not discuss the matter with EXECUTIVE. But the IMEI block did have an impact, Lebanese customs data shows. For less than a year it turned a mostly black and gray market into one that was nearly as clean as the sullied snow along the road to Faraya.

In 2014, with Boutros Harb at the helm, the Ministry of Telecommunications did an about-face, cancelling the IMEI block. Harb agreed to an interview with EXECUTIVE for this article, but did not commit to its scheduling. In a statement from 2014, Harb cited a number of reasons for cancelling the system but offered little evidence to support his claims. According to Harb, the IMEI block forced mom-and-pop shops out of business, eliminated jobs, delayed imported mobiles from reaching the market to the benefit of other traders and had no effect on revenue collection or in curbing smuggling. At the ripe age of ten months the IMEI block was no more.

Regardless of the motive, Harb's arguments do not appear to have actually been measured; there are no figures published online and the Ministry of Telecommunications, now led by Jamal Jarrah, did not grant an interview.

LACK OF DATA

Nicolas Sehnaoui, the minister of telecommunications who implemented the IMEI block, who also was not available to comment for this story, said back in 2013 that it was meant to curb mobile phone smuggling, as his administration estimated the market to be 70 percent black.

Implementation of the IMEI block uncovered not only the black market, but also dimensions of the market that industry players estimate to be at least 20 to 25 percent gray (see explainer on black versus gray markets), leaving legitimately imported phones to account for as little as 5 percent by quantity, if both estimates are correct.

Lebanese customs data does show that the IMEI block made the market more transparent. In 2012, before the IMEI block was put in place, customs recorded imports of almost 150,000 mobiles with a declared value of nearly \$31 million. Implementation of the IMEI block got underway in the middle of 2013 and end-of-year records show nearly 1.4 million phones were imported with a declared value of \$193 million. In 2015, the first full year of data after the IMEI block ended, the figures dropped off a cliff: 263,000 devices at a declared value of \$21 million.

A comparison of UN Comtrade Database, a depository of international trade data reported by countries, with Lebanese customs data suggests a much larger black market than the government thought and shows a total market size by quantity larger than industry insiders project. The IMEI block was not in place for a full calendar year, only the second half of 2013 and the first quarter of 2014. The 2.3 million devices official-

MOBILE PHONE EXPORTS TO LEBANON

	2012	2013	2014
Units exported to Lebanon	3,991,068	4,200,788	3,380,504
Exports by value (USD)	\$635,198,85	\$705,473,526	\$631,180,748

The quantity and value of all countries reporting mobile phone exports to Lebanon.
Source: UN Comtrade Database, HS 85.17.12

MOBILE PHONE IMPORTS

	2012	2013	2014	2015	2016
Units imported	148,070	1,377,220	927,273	263,137	467,580
Imports by value (USD)	\$30,906,358	\$192,784,721	\$112,044,574	\$21,197,849	\$35,199,306

The import quantity and USD value of mobile phones. Source: Lebanese Customs, HS 85.17.12

Mobile Smuggling



The IMEI block made the market more transparent

ly imported over 2013 and 2014 is only 30 percent of the 7.6 million that trade partners reported leaving their countries with destination Lebanon. The database is not specific enough to make any conclusions for intra-year changes and neither global market fluctuations nor reported Lebanese exports explain the discrepancy between imports from one period to another. What the UN's data does suggest is that smuggling is much more rampant than the government thought and shows a market size 2 times larger than industry projections.

In terms of revenues, it is not clear how much in VAT and tariffs the IMEI block helped catch because the financial data is not public, and government officials would not discuss the matter with EXECUTIVE. What is available are overall figures on VAT and customs revenue that flow to the government's coffer. But those figures do not give an indication of what is collected from mobile phone

imports because there are too many variables to isolate – the data combines all duties assessed on the total value of imported shipments where the flow of trade can fluctuate from month to month, and it lumps together VAT collections on goods and services at points of sale, which might fluctuate due to consumer behavior, with VAT collected on each product imported.

For the treasury, the removal of the registration system meant lost revenues that the Ministry of Telecommunications estimated in its 2013 annual report to be upwards of \$40 million annually, though Sehnaoui placed the loss at no less than \$60 million per year when he announced the IMEI block that year. But if the UN data were the measure, treasury losses might be

above \$100 million every year.

The Ministry of Finance declined to comment on the impact on VAT collection and the amounts that were received before, during or after the IMEI block was in place. Customs, which falls under the purview of the Ministry of Finance, was also not available for comment on the flow of revenue to the treasury from the collection of duties on mobile imports.

Rita Khairallah, then a project manager at the telecoms ministry, told The Daily Star in 2013 that the IMEI block was an impressive success. An assessment conducted by the ministry after the first three months of implementation claimed that customs and VAT revenues on mobile phone imports multiplied by more than ten times, she said. Khairallah, now a customer experience manager with network operator touch according to her LinkedIn profile, did not respond to EXECUTIVE's requests for comment.

The lack of data and the unwillingness of government officials to discuss the issue might suggest an undercurrent to this story that publicly available sources alone cannot tell.

THE LOSSES FOR INDUSTRY

Industry players had long wanted the government to crackdown on smuggling and parallel imports. Eddy Cherfan, CEO of Cherfan, Tawil & Co. (CTC) – the one market player that agreed to speak on the record with EXECUTIVE – argues at least 90 to 95 percent of phones on the market before the IMEI block were, and are

■ New regulation added an extra layer of bureaucracy, but whitelisting was a relatively simple process

now again, black or gray devices.

The IMEI block provided what Cherfan thought was a golden opportunity. With it in place, he moved

EXPLAINER: BLACK VERSUS GRAY

A black market is one that functions below the radar of the state. Smuggling is an underground activity where the demand or profit margin for controlled products like weapons, or illegal ones like narcotics, or counterfeit goods create a supply incentive too juicy to pass up despite risks. Tax evasion is another form of smuggling, even when the product imported is a legitimate one. Smugglers might also, knowingly or not, import stolen devices whose data has been wiped, updated with a new operating system and reboxed with new accessories and portrayed as a new or used phone.

A gray market, sometimes called parallel imports, differs in that the product is not illegal but is brought into a country through distribution channels that may be unintended by the manufacturer. The driving force behind parallel imports can be due to price variation between versions of the phone meant for different markets, currency fluctuations where the device may be cheaper when traded in a currency that is stronger than that of the country of origination or of destination, or simply due to consumer demand for a mobile in a market that has not yet officially launched. While consumers may gain by paying lower prices, their experience with a parallel import product can be compromised. The mobile they purchase may be a version of the device localized for another market, so the consumer might not receive the appropriate accessories, or might not qualify for the manufacturer warranty, or it may even be a refurbished phone described as new.

Gray markets often come about because of certain rules in a given market. The gray market definition requires two conditions: “(1) The existence of the agreement of exclusive rights to sell a certain product in the territory, (2) The existence of a strong registered trademark, which is recognized in a territory where a potential grey marketing activity may occur,” reads a 2011 research paper by Igor Pustynnick.

Lebanese law allows for exclusivity rights for companies, and the economy is often described as *laissez-faire*. But, the “Lebanese economy is largely oligopolistic”, a slideshow presentation hosted on the Ministry of Economy website (it’s not clear when the presentation was prepared or published) points out, adding that a new competition law is necessary to level the economic playing field. The “ultimate objective of competition policy in general, and competition laws in particular, is consumer welfare that is served by lower prices, better quality products and, eventually, by a more efficient and dynamic economy”, reads a 2002 report prepared by a local consultancy for the Ministry of Economy.

to aggressively expand CTC, updating stores and adding new ones, increasing the payroll and growing the distribution line, where the company does the bulk of its business, with a new warehouse.

Cherfan was thinking strategically. He saw opportunity in a retail market he viewed as unorganized, offering little to customers in terms of service and guaranteed quality, and in return, he believed the IMEI block would level prices. Before and after the IMEI block, Cherfan cited smuggling, parallel imports and the misin-

voicing (see explainer on misinvoicing) of imported shipments as reasons why CTC could not compete on price. He guessed that with more importers paying taxes and tariffs, the number of cheaper black and gray phones in the market would shrink. “We thought we had a fair chance competing in mobile phone sales. Consumers would come to our shop and find well-trained salespeople offering a full-fledged service, with original accessories and

warranty at a fair price,” he tells EXECUTIVE.

It’s not clear how much market share CTC grabbed while the IMEI block was in effect, and Cherfan wouldn’t say. CTC doesn’t have exclusivity on Samsung mobile phones (it does for other Samsung consumer electronics), but the company is the only authorized distributor in Lebanon. He calculates the country’s mobile phone market size to be above 1.5 million devices annually, a much smaller estimate than UN data shows. But given the aggressive expansion plan, it’s a fair guess that CTC projected an increase of market share by healthy margins.

The move to discontinue the IMEI block halted any ambitions Cherfan had planned. The company immediately lost \$1.2 million, he says. Retailers stopped buying, content to wait for cheaper mobiles to flood the market. “As soon as minister [Harb] went on TV to announce the cancellation of the IMEI block, the market stopped buying, and we had a large stock [left] in our warehouse – thousands of phones,” Cherfan says.

In the months that followed the IMEI block’s removal, CTC losses added up to millions of dollars. Stores were closed and 80 employees were let go. Cherfan was forced to change tack, shifting much of the company’s mobile trading business,

■ In the months that followed the IMEI block’s removal, CTC losses added millions of dollars. Stores were closed and 80 employees were let go

due to regulatory uncertainty and lower investor confidence, outside of the country.

“The cancellation of the registration system cost our company dearly,” he tells EXECUTIVE. Tallying stock losses, compensation to

Mobile Smuggling



The IMEI number is a serial code unique to the device

■ The removal of the IMEI block allows some competitors to have a better cost position

EXPLAINER: MISINVOICING

Importers can skirt customs duties and VAT taxes by mislabeling, intentionally or not, the shipment's Bill of Lading (BoL) – what is written on the label may not be exactly what is in the box. At its simplest, mislabeling affects the shipment by misstating its content, downgrading its number of units or their total value.

According to Global Financial Integrity (GFI), a Washington D.C.-based nonprofit researching illicit financial flows, misinvoicing could result in the direct evasion of taxes and customs duties by under-reporting the value of goods, an outcome that would easily be measurable if Lebanese customs data on mobile phone imports, the UN's data on mobile phone exports to Lebanon and the Ministry of Finance's figures on VAT and customs revenues for those imports could all be cross-checked. However, the latter is not available and officials with knowledge of government finances were not cleared to discuss the matter with EXECUTIVE.

Mislabeling the invoice is as simple as it is sophisticated, with the shipment passing through potentially one or more intermediaries between the exporter in Country A and the importer in Country B. The shipment could pass through one of four major distribution points for mobile phones – Hong Kong, Dubai, Amsterdam or Miami – before reaching the country where the units will ultimately be sold. So while the exporter in Country A may declare the actual value of the shipment, intermediaries may alter the BoL at points along the distribution path before forwarding the shipment to Lebanon where the importer might again obscure the true value of the shipment.

Sometimes the opposite might occur and the value of the shipment might be inflated. Intermediaries that are subsidiaries owned by the importing company, or companies working with the importer, might raise the value of the shipment to skim cash off the top, sending the proceeds to offshore bank accounts, where taxes can be dodged and the cash laundered. Because of the volume of trade and the sheer number of and speed at which containers move between ports "trade misinvoicing has become a fairly low-risk endeavor for criminals – especially those who only moderately misinvoice their transactions by, say, 5 to 10 percent", GFI says.

employees that were laid off, the closure of five shops that had been renovated, rental fees that were paid upfront, IT infrastructure and a new warehouse built for mobile phone distribution, Cherfan says the total losses approached \$4 million.

Adding insult to injury was the speedy shut down of the IMEI block. Before its implementation, the government allowed a grace period of several months for traders to clear their stock. Importers that had smuggled phones into the country by not paying VAT or duties were forgiven, able to avoid financial losses and join the market above the table. But when the government decided to cancel the IMEI block, "They gave us only three days. They gave six months to the smugglers and gave us three days," Cherfan recounts.

STATE OF AFFAIRS

That the mobile phone market is openly recognized as a mostly black and gray market raises concerns. The governing element of the story is that the state is giving up revenue due to the treasury, potentially in the hundreds of millions of dollars annually, and acting to its detriment for unknown reasons. The removal of the IMEI block allows some competitors to have a better cost position, because the data shows some importers continue to evade taxes and duties, resulting in a distortion of the competitive landscape. Because of the opacity of decision making, one is left with the conclusion that the government condones smuggling. ■

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Yossi Alpher, No End of Conflict

Rethinking Israel-Palestine Rowman & Littlefield 2016, pp160 USD36

Yossi Alpher, a veteran of Israel's intelligence services, starts "No End of Conflict" with a personal and emotional account of his role in an attempt to reunite two sisters from the Holy Land, separated since 1947 – first by their choosing different paths in life and later because of the new borders imposed on Palestine post-1948. Alpher describes attempts to bring the siblings back together; the messy details of the story seem unimportant compared to the grand political and diplomatic themes of the book, but even though a physical meeting between the sisters seems rather easy to arrange, the reunification never materializes. Heavy fears on both sides and actual threats made stand in the way – a metaphor for the lack of real peace and durable long-term relations between Israel and her neighbors, especially the Palestinians. Though not related directly to the core content of *No End of Conflict*, the tale of the two women sets the tone for the rest of the book, painting a dark picture.

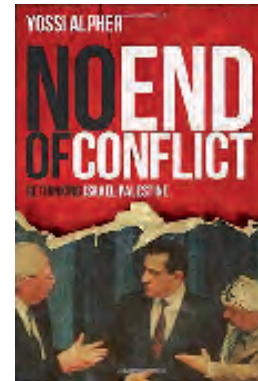
After his description of several failed peace initiatives, Alpher argues that renewed attempts to achieve full-fledged final status peace agreements are merely symbolic dances that only show the ignorance or disingenuousness of the initiators, with the actors directly involved not serious about making peace and in some ways preferring the status-quo. If anything, these Oslo-style rituals are seen as actually deepening the conflict.

Israel is facing increasing international pressure over its occupation of the Palestinian territories, its treatment of Palestinians and its attitude toward human rights,


as well as recent undemocratic tendencies within Israeli politics. This is further fueled by the growing influence of right-wing ideological, messianic and settler movements within the government, security agencies and state bureaucracy, making any possible peace deal that includes settlement withdrawal increasingly unlikely.

Alpher describes an overall situation emerging of an Israel-Palestine heading toward a binational state, in one form or another, with several unwanted and likely negative consequences. The author refuses to call the current situation apartheid but warns that this is the direction Israel is heading toward, with several actors advocating racist, apartheid or quasi-apartheid policies. As key to integrating Arabs into a singular state, many on the Israeli right advocate a colonialist approach that includes "Westernizing" and "civilizing" the Arab population and improving their lives economically to encourage them to perceive their situation as superior to any alternative, even though the history of Israel-Palestine shows no indication that economic prosperity determines Palestinian attitudes.

Alpher is highly skeptical of further attempts for all-encompassing peace talks, deriding them as pathetic and unrealistic. According to him, it is time for a more pragmatic approach to managing the conflict and mitigating some of its most damaging effects, rather than trying to solve it altogether. As such, in the second part of the book, Alpher describes some ideas to muddle through, among which include the international community taking charge, the



Arab Peace Initiative, and a stable, long-term ceasefire with Hamas in Gaza.

The final part of the book deals with the ramifications of Israel's current course and the consequences if it remains unchanged from moving toward a single, openly apartheid or a binational Arab-Jewish state, or some blurry area in between. Some proponents of West Bank annexation and apartheid-like policies are confident that it will not be sustainable and that the world will cope with that reality as long as Israelis stay "united and confident". There is also a sense that as relations with the West worsen, new economic and security relations can be found with the East – including through the idiotic "Sunni alliance," surely a peak in the political foolishness of some Israelis. Yet on the other hand, many wiser Israelis – including the author himself – believe that some progress toward a peace agreement with the Palestinians must be made to save Israel and preserve its standing in the world. Alpher, for his part, sets out all these arguments and points of view fairly and succinctly in a book that is well worth reading. 

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By Nabila Rahhal

THE POWER OF

A positive winter season revitalizes Lebanon's resort towns

Someone must have been smiling down at Lebanon this past December. For the first time in at least five years, it snowed early enough in the year that the Cedars Ski Resort – home to Lebanon's highest accessible peak at an altitude of 2,870m – began welcoming skiers on December 4 with the country's remaining ski resorts following suit a few days after (all ski resorts were open by December 19).

The slopes were in full swing over the winter break and therefore able to benefit from the increased activity brought on by locals, expats, Lebanese on holiday and some tourists, launching the 2016-2017 ski season on the right foot.

THE SNOW ECONOMY

If the weather continues to bring in snow, this could be one of Lebanon's best ski seasons in a while. This means that not only will resort operators reap in the profits of a full season, but so will the

various businesses surrounding the resorts that range from the small grocery store owner to the five star hotel operator.

During the winter season, the economy of the resort towns is snow-centric. As a spokesperson for Kfardebian's renowned French restaurant Le Montagnou puts it: "It's very simple: when there is snow, we all – the village and all the restaurants – work extremely well and are busy. When there's no snow, we suffer." But with the ski season lasting two months at best in recent years, resort owners have realized that for them to remain in business, they have to promote themselves as a summer destination as well.

With these dynamics in mind, EXECUTIVE took a closer look at some of Lebanon's leading ski resorts to discuss their achievements to date and their expectations for the rest of the season and the summer.

SKIING AMONG THE CEDARS

A SNOWFLAKE

The Cedars Ski Resort is Lebanon's oldest ski destination. As the owner of Cedars' Alpine hotel Joseph Rahme recalls, wealthy Palestinians used to visit Lebanon in the 1920s and enjoy winter activities such as snowshoeing in the Cedars even before a proper ski resort was set up.

The first téléskis – or T-bar ski lift – was installed in 1959 by Les Téléskis Des Cedres (Cedars Ski Resort), a company formed by four friends (from the families Fakhry, Keyrouz, Rahme and Sukkar) who rented the land where the resort currently stands from the municipality under a long-term contract. Today, their children have taken over management of the company.

In 2004, the company invested \$20 million into a complete modernization of the ski resort, including installing three new chairlifts and other modern equipment. A five star hotel, a few restaurants and a baby ski area were part of the second phase of renovation plans, but this

all came to a halt with the onset of the 2006 July War.

Ever since the war, the low level of activity in the resort along with the internal instabilities and regional insecurities that surround Lebanon have discouraged the company from further investment or completing their plans. "As partners, we work in the resort and somehow make ends meet, but we have not returned our 2004 initial investment and are now investing only in the basic operational needs," explains Elie Fakhry, one of the current owners, adding that it is all the more difficult to consider spending more on such a project when it is only seasonal.

Yet, Fakhry sees hope for the resort and the area for several reasons. To begin with, he believes there is renewed interest in the Cedars and speaks of the increased activity in the area during the summer due to the Cedar Music Festival, which was brought back by Strida Geagea in July 2016

after a long absence. Indeed, Alpine's Rahme says his hotel was fully booked during the nights of the festival.

Also, a 150,000 square meter chalet resort project – rumored to be a joint venture between Saradar Group and Carlos Ghosn – already broke ground and has Fakhry hoping it will help attract other investors to the area once complete, thereby increasing the land value.

Finally, the election of a president and the stability that Lebanon seems to have been enjoying since could encourage tourists to return, many of whom frequented the Cedars given its nearby attractions such as the Cedars of God forest or the Gibran Khalil Gibran museum.

However, should these tourists flock to the resort to ski it would require a major upgrade in infrastructure. The roads leading to the resort are narrow, so the company has already worked with the municipality on rerouting them to allow for better

Ski Season



■ Standing at the slopes overlooking the Qadisha Valley and the Cedar's Forest, one is struck by the sheer beauty of the area

traffic flow. While the resort can accommodate 8,000 skiers, the parking lot can only fit a few hundred cars and would need expanding.

As such, Fakhry says they are now looking for potential investors to help them complete their plans for the resort. "We are talking to investors from the area and there are some who are interested in large scale projects like this. We don't have a problem partnering up with another company if it means that the resort and area will be revitalized. Projects like this can increase the economic activity in the area a lot and that's what we want for Bcharre," explains Fakhry.

The majority of those who frequent the Cedars Ski Resort today are from the surrounding areas. While skiers do sometimes come from Beirut, Fakhry says the two hour drive somewhat obliges them to sleep in the area. He also adds that only around ten of the hotels and motels in the area are considered to be good quality, with prices ranging from \$170 to \$250.

Besides skiing, other winter related activities that can be enjoyed in the Cedars include snowshoeing, cross country skiing and snowmobiling (\$30 for a 30 minute ride).

Standing at the slopes overlooking the Qadisha Valley and the Cedars Forest, one is struck by the sheer beauty of the area – and





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Ski Season



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THE MODERN RESORT

Zaarour Club lies on 2.5 million square meters of privately owned land in the Metn area of Zaarour (just under Mount Sannine).

The company, which originally was mainly owned by Michel and Gabriel el-Murr, operated the ski resort until being forced to close down when it was badly damaged with the onset of the Lebanese Civil War in the late 1970s. While the resort reopened in the 1990s, it only had basic facilities and primarily attracted customers from the nearby community.

In 2012, Gabriel bought his brother's shares in the resort and became the majority owner of Zaarour Club, the company that today owns and operates the ski facilities and related activities in the resort. New construction work began in 2013,

and to date more than \$40 million has been invested into turning Zaarour Club into a state of the art ski resort complete with modern amenities and conveniences, explains Carol el-Murr, chairperson and CEO of Zaarour Club.

The clubhouse itself – the building that skiers enter to access the slopes – gives off a modern and fresh vibe with elements ranging from the elevators and escalators that take skiers directly to the skiing area to the spacious food court that includes Classic Burger Joint and a snack booth serving healthy options such as salads and wraps.

The slopes themselves include four chairlifts which Murr describes as “detachable” (meaning they slow down enough for the skier to comfortably get on or off) and a rolling carpet that helps young skiers safely

access the baby ski area.

Since the highest peak in Zaarour Club is at an altitude of 1,800 meters, Murr explains that they invested in the sole snow-making machine in

■ To date, more than \$40 million has been invested into turning Zaarour Club into a state-of-the-art ski resort

Lebanon that produces artificial snow to supplement the natural snow when patches begin to show.

The resort also features a 16-room boutique hotel, Le Grand Chalet, which Murr says has been fully booked on weekends ever since they opened for the season, two fine dining restaurants – one in the hotel itself – and La Cabine Du Chef, a

French restaurant.

The Zaarour Club also created an artificial lake surrounded by a promenade, where the Zaarour Summer Festival was held last year. Murr says it will be used for similar events this summer in an attempt to make the resort a year round destination and build up a sense of community.

A full day of skiing for adults on weekends in Zaarour Club costs \$42, with children under 12 charged \$30. As well as strapping on the skis, other snow related activities on offer include tubing and sledding. Murr describes this as their first full season and says it has been very successful with an average of 1,500 skiers on an average day.

Perhaps the biggest challenge for Zaarour Club is that the surrounding area is still largely underdeveloped. The land itself has some privately owned chalets from the 1990s on the lower half (which is not part of the club) and Murr says Zaarour Club is constructing 40 chalets – half of which have already been sold – but few properties or construction sites can be seen on the road leading up to Zaarour. Also, there are only around a dozen restaurants or cafes in proximity to the resort.

Murr explains that since the resort has only recently been renovated, it will take some time for the area to pick up when it comes to après ski, but that there are already investors developing such destinations.

“There is a future for the area seeing as the renovated resort has only been functioning for a year or two. This will slowly develop with time and there are already six to seven residential and hospitality projects being built around the resort area,” says Murr.

Murr sees Zaarour Club’s proximity to Beirut through the Metn highway as an advantage, making it an accessible option for those who don’t want to get stuck in traffic. “There is an opportunity or place for everyone, given the number of people who like to ski in Lebanon,” she concludes.



■ There is an opportunity or place for everyone, given the number of people who like to ski in Lebanon



Ski Season



The Mzaar Resort under a fresh coat of snow

THE LARGER THAN LIFE RESORT

With more than 100 kilometers of ski runs and 20 chairlifts, Mzaar Ski Resort in Kfardebian is Lebanon's largest and most developed ski resort. As such, it is also the busiest, with Nicole Wakim, marketing and development manager for the Mzaar Ski Resort operating company, saying they get up to 7,000 skiers on a sunny weekend (the resort can accommodate up to 8,000 skiers).

This year, the resort added another ski run, The Falcon, at an altitude of 2,111 meters above sea level. "Its purpose was to alleviate the whole domain so that if it doesn't snow enough at the bottom slopes, we will compensate with the higher up slopes. But so far this season there was no need and we opened them all," says Wakim.

Mzaar Resort is also the most ex-

pensive among the ski resorts EXECUTIVE spoke to, with a weekend day of skiing costing \$66 for adults and \$52 for children. For those that don't want to ski, snow mobiles are a popular activity, with prices starting at \$40 for a 30 minute ride.

Some don't indulge in any winter activities, but instead visit Kfardebian to enjoy the ambiance and play with the snow. This has added to the traffic flow problem, "I believe our biggest problem today is the heavy traffic leading to and from the resort on weekends and holidays, which is due to the many buses and minivans as well as cars unequipped to drive on snow or ice. This causes a lot of frustration for all visitors to Mzaar ski resort," says Joost Komen, general manager of the InterContinental Mzaar.

This issue was also discussed by Jo-

sephine Zgheib, spokesperson for the municipality of Kfardebian, who says they are working with the municipal police and the Internal Security Forces to organize traffic and prevent large, ill-equipped busses from accessing the road.

The après ski life is also well developed in Kfardebian, with the resort itself including a five star hotel, The InterContinental Mzaar, which boasts 140 rooms (29 of which are suites) and a few restaurants including Olio Igloo, an Italian restaurant-lounge bar.

The resort aside, Kfardebian has around 50 hospitality outlets including hotels, restaurants and cafes, according to Zgheib. For those who wish to rent a chalet for the season instead, Zgheib says there are around 20 chalet complexes in the area.

To further develop the après ski life,



Intercontinental Mzaar Hotel



Le Montagnou Restaurant's heated pool is ideal for apres ski

Mzaar Resort has developed a full calendar of events that include their annual winter festival and a fashion show on the snow, explains Wakim. “The events help us keep the vibes strong continuously. We are working on Mzaar as a [tourist] destination and although winter is our champion horse, we are working toward making it a summer destination as well.” Wakim says that their summer festival has become a widely popular event that brings life to the area over a several days in August, but they are planning to organize more summer activities to have a sustainable season beyond these few days.

The ski season’s early start this year has benefitted the resort and Kfardebian itself, with Wakim saying that the resort’s hotel and many surrounding restaurants were fully booked on the days leading up to New Year’s Eve, despite the poor weather over the holiday period.

Although it is still too early to speak in terms of concrete tourist numbers, Wakim believes that more Arab Gulf nationals were on the slopes this year than last year. While Komen agrees, he is still holding out for even more tourists in February, when schools around the world take time off to go skiing. “I believe it is still too early to tell the percentage rate of foreign tourists compared to local tourists as the season has just started. Moreover, we have seen many Lebanese living abroad coming to visit their home country, and they are considered foreign tourists. But to give a first impression of foreigners compared to Lebanese nationals, I would say 15 percent of the visitors are foreigners and 85 percent are Lebanese or of Lebanese descent,” elaborates Komen.

Only time can tell whether this winter season will be able to enjoy the arrival of foreign tourists, or whether it will continue to be dependent on the local community. But one thing is for sure: the snowcapped Lebanese mountains are breathing much needed hope and positivity into the country’s ski resorts and surroundings.



OF
SPIRITS
AND
WHISKIES



Spirit Industry

By Nabila Rahhal

Lebanon's alcohol distributors discuss growth and trends

Whether it's a vodka cocktail while dancing at a club, a glass of wine over dinner, a single malt paired with a cigar after a long day, or even arak to go with the Sunday mezze spread, alcohol is often a significant aspect of the lives and habits of many Lebanese.

And while every individual has a preferred poison, the global drinks market still promotes popular spirits and creates worldwide trends that will eventually make their way to Lebanon's consumers.

EXECUTIVE met with some of Lebanon's major spirits distributors to learn more about their achievements the past year as well as the latest trends and consumption habits in the world of booze.

TOASTING TO A GOOD YEAR

While acknowledging that 2016 had been a tough year in general for the economy in Lebanon, all the distributors EXECUTIVE spoke to reported double digit growth in their spirits sales in spite of national and global market stagnation.

The managing director of Etablissements Antoine Massoud (EAM), Anthony Massoud, attributes the company's growth to "good dynamics in the spirit's category".

Two years ago, EAM launched The Malt Gallery, a specialized whiskey and premium spirits retail outlet that sells EAM's brands as well as those of other distributors. Massoud says the liquor store has contributed to EAM's growth, explaining, "In our spirits portfolio, we have two components, which are the distribution stream and the retail stream (The Malt Gallery). They are both growing."

Gabriel Bocti and Diageo Middle East North Africa (MENA) say



Glenfiddich

growth in their companies was in part due to security stabilization in Lebanon toward the second half of 2016 that led to an increase in expatriates and tourists visiting the country. Ziad Chami, head of marketing at Diageo explains, "When a lot of people are coming into the country it is better for our industry in terms of on-trade consumption as most venues were fully booked. This is positive for the tourism economy, and, as a result, positive for us as well."

Meanwhile, Carlo Vincenti, CEO of G. Vincenti & Sons, ascribes increasing growth in spirits to their acquisition of six major brands. In addition to acquiring the distribution rights for No. 3 Gin and Angostura Rum (the brand was already present in the Lebanese market but with another distributor and in its bitters category only), Vincenti took over the distribution of The Edrington Group's national portfolio, which includes the blended whiskey Famous

Grouse, the single malt Highland Park and the high-end single malt The Macallan.

Usually spirit distilleries have long term relations with their local distributors, this has been changing recently. According to Vincenti, The Edrington Group switched distributors because they felt their brand vision aligned with that of G. Vincenti & Sons. Vincenti confirms, "Knowing the capabilities of Vincenti in marketing and distributing brands, they see it as more fitting their own vision and perception of their brand."

THE FALLEN SPIRITS

However, this growth in 2016 was not across the board, and some spirit categories in fact declined in market performance. According to Vincenti, national sales of standard and non-premium blended whiskey consumption have been slumping for the past four years, with consumers being



■ The fastest growing segment of whiskey is single malt



more in favor of bourbon or malt whiskey. While some distributors reported a growth with their vodka brands, others said sales were dropping because vodka consumption is largely associated with nightclubs as opposed to at home or cocktail bars, which was still a growing trend in Lebanon in 2016.

Division Manager at NeoComet, KFF Food & Beverage's spirits distribution arm, Tony Mazloum, told EXECUTIVE that although standard blended whiskey continues to outsell other whiskey categories, the company has started to invest more in high-end and premium brands. Mazloum explains, "Our goal is to stabilize the existing business, which is the standard whiskey. [Those brands] still [represent] the biggest share of the market although their share is decreasing as people are shifting to premium, and

this is where we are spending our budget for marketing and communication."

GIN GROWTH

With the world becoming more of a village, global trends in spirits are finding their way to Lebanese consumers a lot faster than ever before, says Jeanine Ghosn, managing director of Gabriel Bocti. Mazloum agrees, explaining that young Lebanese are consuming more gin as they buy into a global trend that sees this spirit as a healthier option due to its botanical ingredients.

Ghosn believes that in parallel to its global popularity, the rise of gin consumption in Lebanon is a result of an increase in cocktail bars across the city. These bars create a lot of gin-based cocktails and as a result "the bartenders became our brand am-

bassadors," she explains, adding that their gin brand, Hendrick's – which they introduced in 2012 – has seen triple digit growth.

Chami also reports that Diageo has seen growth in their gin sales, but adds that this growth is measured from a nationwide low baseline. He confirms, "Gin is of a much smaller base when compared to whiskey or vodka, but it is growing. We do see gin being a fast growing segment, driven by cocktails such as gin basil."

THE MALT REVOLUTION

With the success of specialized retail stores such as The Malt Gallery, boutiques such as The Cask and Barrel or even events such as Whiskey Live (a whiskey tasting event that took place on December 2016 at Le Yacht Club that was attended by approximately 2,000 consumers), it is easy to believe that the biggest market growth of 2016 was in the sales of premium and single malt whiskey.

All distributors EXECUTIVE spoke with reported significant growth in their single malt brands. While Mas-soud says they started to notice an increase in single malt consumption as of 2008, the category truly spiked two to three years ago. "The fastest growing segment of whiskey is single malt, but it is also coming from a much smaller base. Single malt consumption in Lebanon represents 1 percent of the whiskey market but there is increasing demand on it as whiskey drinkers become more discerning in their tastes," explains Chami.

According to Massoud, the single malt's popularity is part of a global trend toward the "premiumization" of spirits. "Worldwide there is a trend in alcohol toward premiumization, meaning drinking alcohol which is perceived to be better. While in vodka it is translated into visual details such as the bottle design or texture of liquid, in wine or malt whiskey you have history, craftsmanship and variety of production that is astounding. As

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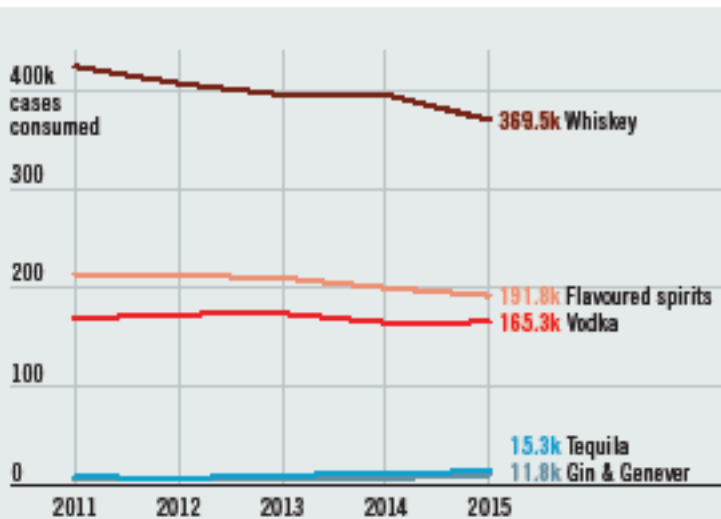
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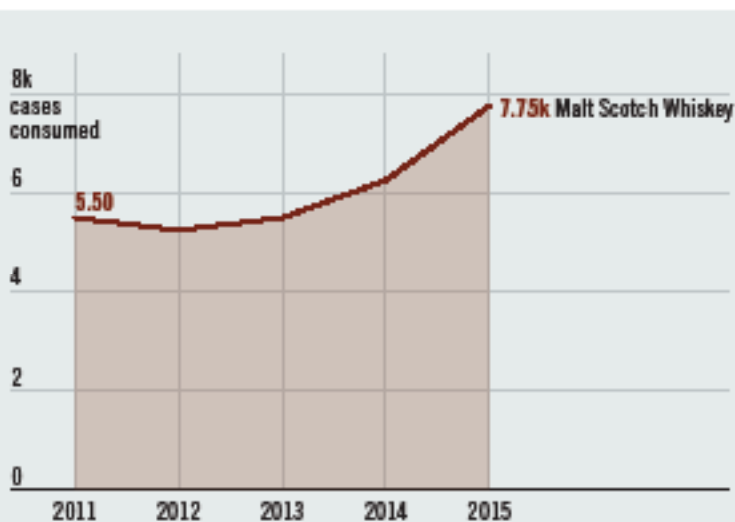
CONSUMPTION OF TOP 5 SPIRITS IN LEBANON



1 case of spirits = 9 litres

Source: The IWSR

SINGLE MALT WHISKY CONSUMPTION IN LEBANON



1 case of spirits = 9 litres

Source: The IWSR

such, single malt, because of premiumization, was the natural evolution of whiskey drinkers,” explains Massoud.

Vincenti believes that malt whiskey is causing an uproar because of its complexities when compared to other spirits rather than simply being a new market trend. “While there are different spirit trends going on, they don’t stimulate interest as much as single

malts because the single malt category is so rich in history, production and education. You would rarely see this hype over gin, for example, although premium gin is a category that is increasingly consumed in Lebanon.”

BREAKING THE ICE

In the past, drinking single malt whiskey was somehow seen as stuffy,

but Ghosn explains that distillers such as those of Glenfiddich have worked to create new niche markets. “We tried to break the ice with the consumer and communicate the message that you drink malt the way you like it. It’s true that there are ways to make malt consumption more enjoyable but in the end you drink it the way you like it and there are no rules,” she says, adding that this has led to more young adults discovering the pleasures of drinking whiskeys such as Glenfiddich. Vincenti agrees, explaining, “Today, young consumers are looking for an alternative whiskey choice and don’t want to drink the whiskeys of their fathers and grandfathers. They want a whiskey that is more identifiable to their lifestyle and image, which is the bourbon category since it is much smoother and easier to drink, and opens a wide variety in that you have different tastes for different moods.” He gives the example of Jim Beam premium bourbon that comes in different flavors such as Jim Beam Honey or even Jim Beam Apple, which is particularly suitable for summer and easier to drink.

Capitalizing on young adults’ desire for new experiences, Mazloum says Fattal is introducing innovative ways to promote their premium whiskey brands that would appeal to their age group. “To win over new consumers, keep up with the trends and grow the business of Scotch, we moved over to mixology. We are introducing cocktails that use single malt and premium whiskey through initiatives that bring it closer to millennial consumers,” enthuses Mazloum, giving the example of their Scotch Egg Club, where food is paired with whiskey at an event to which they invite young bloggers and influencers.

SETTING THE SCENE

According to Massoud, the wide variety of single malt whiskeys at the Malt Gallery means consumption is reliant on the mood of the moment and specific brand names have therefore become less important. “While it is

The Malt Gallery



important to have brands, and we do so, single malts are like wine in that they are more about the mood and the moment. It is interesting because we get to see consumer habits, and we noticed that when it comes to whiskey, the consumer is all about variety. They rarely stand by just one brand, because taste evolves as the drinker matures in age and experience,” explains Massoud.

For Vincenti, premium whiskey consumption mostly takes place at home, adding that, “Because 50 percent of malt whiskey consumption happens at home, presence in off-trade through specialized shops or displays in supermarkets is important. Single malt is really strong in social home gatherings as it’s a sign of prestige where you honor your guests by sharing a special single malt with them.”

Similarly, Ghosn says gifting premium and malt whiskies accounted for a big percentage of their sales in December 2016, highlighted by their presence in specialized retail shops. “We don’t cater just for on-trade, the



Whiskey Live



Taillevant

big chunk of the business for us is in retail. The developments in the upper trade (specialized retail shops) are a great *vitrine* for us, especially now that there are a lot of events at home, due to the fact that purchasing power among locals is low,” says Ghosn, explaining that a bottle of premium whiskey at a retail shop would cost less than it would at a restaurant or bar.


THE MALT’S FUTURE

All distributors EXECUTIVE spoke with believe there is big potential for malt consumption to grow even further in Lebanon, but such growth

depends on educating the consumer.

Both Vincenti and Massoud say that the main reason they opened their specialized whiskey venues is to promote the single malt world through master classes and tastings. “There is a growing interest among Lebanese consumers for single malt, and although their percentage remains small, it is our mission to make it the biggest possible through education,” says Massoud, explaining that while in distribution they focus on their brands, in The Malt Gallery, their aim is to enhance the single malt category in Lebanon as a whole.

Although The Cask and Barrel has only been open since September 2016, Vincenti says they have been “overwhelmed with feedback” about the boutique, which only showcases Vincenti’s spirits. “Consumers are receiving a lot of education right now, which is what they need. Through our Cask and Barrel premium boutique we have been holding weekly master classes and whiskey tastings. We have different formulas for people to come in and learn more about the single malt world. It’s a huge diversified world that the Lebanese are eager to discover,” enthuses Vincenti.

Still, whether it’s savoring a glass of single malt, sipping a glass of wine or enjoying a cold beer, one thing is for certain: you will surely find what suits your tastes in Lebanon. 

"Everyone has talent. What's rare is the courage to follow it to the dark places where it leads." Erica Jong

PHOTOGRAPHERS CAPTURE THE MEDITERRANEAN

FOURTH ANNUAL PHOTOMED LIBAN EXHIBITION

Words by **Olga Habre**



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photographers in Lebanon today are pioneers, helping elevate the art form in the country. In a world where everyone with a phone camera thinks they're a photographer, more and more people are actually taking it seriously in Lebanon. Events like the annual Photomed festival continue to shed light on the power and beauty of photos, and the skill of those who capture them.

Held this year from January 18 to February 8 at various venues across Beirut, the fourth edition of Photomed Liban aims to bring together Mediterranean cultures through the universal language of photography by giving the public free access to some of the world's most renowned photographers and encouraging homegrown talent. This year's exhibition features the works of internationally-celebrated photog-

raphers Marc Riboud, Alan Fleischer, Sergio Strizzi and Richard Dumas, displayed alongside other talented artists at the Byblos Bank Headquarters, Institut Français du Liban, Le Gray Beirut, STATION and D BEIRUT.

French writer, photographer and art historian Guillaume de Sardes, the curator of Photomed, says he loves Lebanon – Photomed Liban 2017's launch marked his 12th visit in just two years – but cautiously admits the country's photography scene isn't as advanced as it is in Europe. He laments that not everyone considers photography as much of a valid artform as painting, for example, but acknowledges that, "there is a very good photography scene but it's the general public that isn't that aware yet, which is why [the Photomed] festival is important".

The exhibition's program includes workshops and a competition for emerging photographers,



where the winners, this year Sirine Fattouh, and runner up, Nasri Sayegh, are awarded with solo exhibitions at Photomed France and Institut Français du Liban, respectively. A free portfolio assessment is also offered to aspiring artists courtesy of a committee of experts. Though de Sardes says there's no formula for improving one's work and the committee's advice is dependent on each individual photographer, he advises it's best to avoid clichés and stick to a few strong subjects instead of covering lots of different themes.

"It's easy to take photos, but it's the approach and a personalized look at something that makes it different," de Sardes says, explaining how he selects photos for each year's event. This year, he chose three compelling themes: the city of Beirut, cinema and the poetry of ruins. But his selection process is not

just about finding beautiful works, he explains: "It's not just about the photo, but everything behind it, the thoughts, concept and how it was done. We don't only consider the artwork for itself, but also its relationship with the artist who created it."

De Sardes also says broad and banal themes can be quite boring, so it's best to narrow them down. This year's cinema theme is more specific as all the artists' work was related to renowned Italian filmmaker Michelangelo Antonioni, not just cinema at large. Dumas took some of the last photos of Antonioni when he was still alive, while Strizzi documented his films, these rare photos had never been displayed before. On the other hand, Fleischer's layered work features photos taken from Antonioni's movies and projected on the streets of Rome. "It's a theme around cinema, but more on Antonioni," de Sardes reveals.

"Everyone has talent. What's rare is the courage to follow it to the dark places where it leads." Erica Jong



The curator likes to choose well-known photographers as well as newer talents, reflecting part of the purpose behind Photomed as a launchpad for emerging artists. One young Lebanese photographer that caught the eye of de Sardes is Lara Tabet, whose risqué work captures lovers meeting at a hidden Beirut spot. "It's a hard theme, especially for a young Lebanese woman, so it's courageous and it's this that interests me. She has something to say," he explains.

Tabet is one of the photographers whose work under the Beirut theme was displayed at STATION. De Sardes says each of these photographers has a different relationship to Lebanon. While Tabet has lived her whole life here, and photographed her own country, Giulio Rimondi is an Italian who has spent a lot of time in Lebanon and his work shows his love of Beirut at night. Born in Lebanon and raised in France, last year's Photomed contest winner Bilal Tarabey had recently returned to his country of birth, and his photographs tell of his rediscovery. On the other hand, Georges Awde, who was also born in Lebanon but continues to live abroad, had returned briefly to work on a photography project. Awde's powerful works are another example of what de Sardes looks for as a different point of view. He photographed Syrian refugees but not in the manner most commonly seen. "Unlike other photographers that capture their misery, he looked for their beauty – and it's really beautiful. It's a point of view that's very interesting and personal, and that others haven't showed before," says de Sardes.

The festival also includes Lebanese filmmaker Danielle Arbid's sensual series "Exotic Girls". Christine Alaoui, mother of photographer and STATION-co-founder Leila Alaoui, debuted her own work this year. PhotoMed Liban 2016 was dedicated to Leila, after she was killed in a terrorist attack in Burkina Faso in January 2016. Christine, herself a photographer, had been encouraged by her daughter to show her work, and Leila is the posthumous curator of that exhibition, having selected and retouched the 15 works in the series. Also featured in the exhibition were Lebanese art galleries Agial Art Gallery, Alice Mogabgab Gallery, Galerie Janine Rubeiz, Galerie Tanit and The Alternative, showcasing the works of photographers Clara Abi Nader, Maria Chakhtoura, Rania Matar, François Sargologo, Gilbert Hage, and Michel Zoghzi.

As the yearly event grows, it's Lebanon's cultural scene as a whole that benefits. "Photomed gives Lebanese photographers the opportunity to meet foreign photographers participating in the event, as well as exchange experiences and, who knows, [perhaps] develop new collaborations," said Vice President of Photomed Liban Serge Akl at the event's launch. Indeed, learning from others and working with established talent is a key to driving Lebanon's art scene forward and making it an economically viable pursuit. Talent is important, but not enough. Nurturing the local arts scene through events and competitions, potential financial rewards and international exposure is vital to creating synergy to turn Lebanon into the regional or even global force we hope it to be.



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"Everyone has talent. What's rare is the courage to follow it to the dark places where it leads." **Erica Jong**

ZERO DOLLAR BILLS

HADY SY'S *SIFR* EXHIBITION AT SALEH BARAKAT GALLERY

Words by **Olga Habre**



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rt and activism go hand in hand for multimedia artist Hady Sy, who for years has been using his artwork to draw attention to social issues such as war, religion, identity and love. His latest solo exhibition, currently on display at Saleh Barakat Gallery in Clemenceau, Beirut, examines the social and political role of money. The powerful exhibition – titled *Sifr*, meaning zero in Arabic – features photos and installations based on a zero dollar note that Sy created. Using these fake bills in different contexts, the artist shows how money impacts relationships, industries and life in general.

The English word zero has its etymological roots in the Arabic word, *sifr*, and several large prints at the exhibition show the linguistic evolution of this word. Sy purposely used the Arabic word for zero in his work to remind viewers of the region's contributions to mathematics, namely those of Persian mathematician Al Khawarizmi, whose name was even Latinized to algorithm. Sy discovered that the representation of

zero as a circle can actually be traced back to the ancient Mayan civilization, where it was utilized as a symbol of cyclical regeneration. The concept of zero later moved to India and the Middle East. Sy asks, "What is zero? It's nothing, emptiness. So the genius and absurdity is that this zero, which is nothing, makes the difference between 10, 100, 1,000 and 1,000,000."

The artist maintains that money is nothing more than paper, ink and design, and its assigned value is not real. His zero dollar bills are identical to American dollars, aside from a few details like the word "*Sifr*" instead of the currency's portraits, and numerical zeros on the notes' corners. In his Beirut studio, Sy took photos of these notes in various contexts and created mixed-media installations using plexiglass, hay, cement and other materials.

Using popular expressions and ideas, he plays on words and draws haunting parallels that examine corruption, greed, selfishness, cruelty, violence, poverty,



justice and more, confronting his audience with the dystopian world of money. A lot of his work also pays tribute to famous artists. He recreated Andy Warhol's \$100 bill as a zero dollar, used René Magritte's famous umbrellas, filling the underside with money, came up with the "New Origin of the World", an upgrade of Gustave Courbet's known work, and re-produced the musical notes from The Beatles' song, "Can't Buy Me Love".

Two similar pieces depict a donkey looking at a dollar bill dangling from a stick, which Sy says is an allegory that the pursuit of money is an illusion. Reports say that the eight people wealthiest people in the world own as much as the poorest half of the population, and Sy observes that the value of money is decided by the people who control it.

One of Sy's personal favorites is a triptych that, at first glance, looks like regular 2D photos of bullet-hole shattered buildings. Coming closer, the viewer can see that small sharp objects are protruding from each bullet hole in the photos – rolled-up zero dollar bills. Sy says that the artwork is an optical illusion, alluding to the fact that warmongers present the world with the illusion that war is often an issue of religion or ideology when war is, in fact, a profit-making machine. He explains, "war is the biggest business in the



world. Each bullet hole you see, somebody sold the bullet. Religion and other reasons are a tool used to make war because war makes them money. That's all. You cannot imagine how much money there is."

Other pieces focus on Lebanon. One photo shows colorful garbage bags stuffed with zero dollar bills, each color corresponding to a political party in Lebanon. "The garbage crisis is only a question of money," remarks Sy. He also reflects on Lebanon's unusual use of dual currency. He shows the zero dollar bill side-by-side with a one Lebanese Lira bill that has been out of circulation since the currency plummeted in the '80's. He asks again, "What is the value of money and who gives it? The value of the Lira was huge [before the crash], now it's sifr."

Sy's zero dollar is not only void of value, but it is also a symbol of a world fast becoming void of values. While he admits that having money can make you happy, he warns that money without morals is "like a cancer". His exhibition forces us to examine ourselves, what we constitute as wealth and how we attain it. Sy remarks that in the past people earned a living by providing services or products in exchange for money but "now you go and study how to make money, which is totally absurd".

The artist acknowledges the irony that these very artworks are for sale for money, in his exhibition but explains that he wants to challenge the world of the arts. During the global financial crisis in 2008, Sy was working in Berlin and had a hard time selling his work. He recalls, "I had so many pieces that people had ordered but they never came to get them. The dollar was falling, it was a nightmare." He adds, "What is the value of an artist? What is the value of art? It's zero when there's a financial crisis. Nobody cares."



"Everyone has talent. What's rare is the courage to follow it to the dark places where it leads." Erica Jong

ALKO B'S SEX TAPES

BEDROOM BEATS WITH SALIM NAFFAH

Words by **Jasmina Najjar**



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hile touring with Lebanese band, The Wanton Bishops, musician Salim Naffah began to write songs that ultimately turned into his first solo album, released under his artist name Alko B. The 24 year old is best known as one half of the local indie band Loopstache and as the former bassist and guitarist of the Bishops. It's safe to say that he's one of the most promising musical talents in Lebanon today.

With its chill, melodic neo-Beatles sounds and deeply personal lyrics, "Sex Tapes" reflects the intimate, DIY mood Naffah was going for. Since the album was conceived, written, demoed, and the cover photo even shot inside the bedroom, the cheeky title makes sense and is surprisingly sentimental. The songs are all about "ex-lovers, people who were in my comfort zone and now are out of my life," Naffah explains, "A sex tape is something really intimate – I've never made one, for the record! – and I thought, if [your partner] later leaves your life, you're still left with the

sex tape. That's what this album is – what's left of me from these relationships."

He also wanted to include the word "tape" in the album title because he likes the word and the object, to the point that the album was actually recorded on an old fashioned analog tape recorder, retaining the sonic flaws of the old-school technique. Aside from experimenting on the machine, Naffah points out that making the album was also "a process to understand how I function. By the end of it I was writing music and lyrics a lot faster because I understood my strengths and weakness and how to get over them". As with all things new, there was a lot of trial and error in the making of the nine tracks, but he says he learns every day from Fadi Tabbal of Tunefork Studio, where he recorded his album, his Loopstache bandmate Carl Ferneine, as well as the other talented musicians he plays with live.

Naffah's favorite track is "Lilly", which is about an ex getting married, but it was "Coffee and Cigarettes"



that was the first song to get a music video. He enlisted the help of friend and Vine sensation Hassan Julien Chehouri to shoot the “shoestring budget” video entirely on an iPhone in one day. There will be other videos, and while he doesn’t want to get repetitive, Naffah prefers to stick to a similar homemade vibe. “It’s easy to make a music video. You can do it in simple, creative ways without a big budget,” says Naffah, who has a filmmaking degree from ALBA and has worked on various film productions, including most of Loopstache’s videos.

Naffah began learning classical guitar at the age of eight and started Loopstache with Ferneine in 2013 at the age of 19. That same year, he played his first concert with The Wanton Bishops at the Wickerpark Music Festival in Batroun, after which he toured with the band around the world for three years. He always wanted to create a solo project, but now that it’s happened he says it feels somewhat lonely having nobody to share the excitement with. The name Alko B is a play on Naffah’s grandmother’s family name as it’s spelled in her Mexican passport, which has turned into somewhat of a joke among his friends.

But a solo career doesn’t spell the end of Loopstache – in fact their new album is expected later this year. “I love making music and sharing the stage with Carl [Ferneine]. We’re different, but we complete each

other,” he says, while admitting that it’s tough to balance both projects, especially since both acts don’t have a manager. “At some point I’d love to have [a manager] who can help and take over some annoying logistics, but when you first start it’s good to learn how to do [these things] because it teaches you the business, and when you do get a manager you know exactly what their job is,” he says.

Like many local musicians, he also finds it necessary to do other work in parallel. “If you’re an artist who doesn’t play covers in bars five days a week it’s very hard to make money from music [in Lebanon],” Naffah laments. After working on film production and other freelance work for a few years, Naffah recently settled down with his first ever day job at art space Plan Bey. “It’s cool, it kind of puts some order in your life. At least you know where you are Monday to Friday,” he says.

Naffah, who grew up in Lebanon, says he would move abroad if he is presented with a good opportunity – a sentiment we hear all too often from young Lebanese across various fields. “At the end of the day, I make Western music,” he admits, “It’s nice to know you have a crowd in Beirut, but it’s [not enough to] survive.” But Naffah still has hope for his homeland: “We have amazing musicians in Lebanon. So many people have so much potential. I’m curious to see what’s coming in five years.” Whatever new talents enter Lebanon’s music scene in the future, it’s musicians like Naffah and his peers who are driving local music trends with their genuine, thoughtful and creative melodies, despite few rewards, save the satisfaction of doing what they love. 

BUSINESS ESSENTIALS

Company Bulletin

■ Sustainability and energy efficiency are of great importance to **Grohe AG**. The company's most recent achievements include implementing an ISO 50001 compliant energy management system that was successfully certified by TÜV Nord in December.

■ At a press conference in Zayed Sports City, the Local Organizing Committee of the **2019 Special Olympics World Games** welcomed government officials as well as executives and ambassadors from **Special Olympics International** to formally announce that the 2019 Summer Games will take place in Abu Dhabi.

■ The UAE's retail sector is fast adopting innovative technologies, evident from the latest technologies showcased at **Smart Stores Expo** held at Abu Dhabi International Convention Center from January 23 - 25.

■ A leading company within the tobacco sector, **Philip Morris International** has invested more than \$3 billion since 2008 on smoke-free products with the stated ambition that they will one day replace cigarettes to benefit public health.

■ The **United Nations World Food Programme (WFP)** has honored Ajay Banga, president and CEO of **MasTercard**, in recognition of outstanding contributions toward achieving zero hunger. For the past five years, **MasTercard** and **WFP** have collaborated on an ambitious mission to end hunger.

■ **Saxo Bank**, the online multi-asset trading and investment special-

ist, has announced the five most traded stocks in 2016 (single stock CFDs) on its **SaxoTraderGO** platform. In order of ranking, 2016's top five most traded stocks in Lebanon were: **Marathon Oil Corp.**, **Meggitt Plc.**, **ACADIA Pharmaceuticals Inc.**, **Apple Inc.** and **Radius Health Inc.**

■ **Majid Al Futtaim Cinemas**, the dedicated cinema arm of **Majid Al Futtaim**, the leading shopping mall, retail and leisure pioneer across the Middle East and North Africa, celebrated the official opening of Lebanon's first 4DX theatre with the premiere of the eagerly anticipated film, **xXx: Return of Xander Cage**.

■ **Reserveout** is an online and mobile platform that puts the local food scene in the palm of your hand. Their web and mobile apps enable users to browse, discover and instantly book a table at any listed restaurant.

■ As part of its Lebanese edition, **Photomed**, the Festival of Mediterranean Photography, organized a contest for Lebanese photographers resident in Lebanon, the results of which were announced at the **Institut Français du Liban in Beirut**. The fourth edition of **Photomed Liban** runs until February 8, and presents the works of international and Lebanese photographers in the following venues: **Le Gray, Byblos Bank Headquarters, D BEIRUT**, the **Institut français du Liban** and **STATION**.

■ **WHITE Dubai** is the only nightlife venue in the MENA region to be recognized in **DJ Mag's** prestigious Top 100 Clubs in the World,

currently ranking at 49. **WHITE**, a Lebanese concept, is the only brand nominated to represent the Middle East in an international competition of this sort.

■ **Rotana** and **Triangle Mena** have renewed their contract for 2017. **Triangle Mena** has handled Rotana's digital presence since 2015, and since then the **Rotana** official website and other digital platforms have been a huge success.

■ **Huawei Consumer Business Group** has teamed up with prominent Lebanese designers to take us behind the scenes and showcase their work and creations through the P9 device and its dual-lens co-engineered with **Leica**.

■ A new **Bayt.com** poll called "Career Prospects in the Middle East" revealed that 98 percent of respondents plan on looking for a new job in 2017 – and nearly all of them (95.1 percent) feel more prepared and qualified to apply for jobs this year than they did in 2016.

■ **Nissan** launched the new 2017 GT-R across the Middle East, the latest iteration of Nissan's flagship performance vehicle, boasting a revised look both inside and out as well as major driving performance enhancements and more power.

■ **Ericsson** announced the appointment of Wojciech Bajda as head of the Industry and Society Unit for Region Middle East. Bajda will be responsible for driving business growth and capturing market opportunities within the Middle East region.

■ **Alice Eddé** celebrated the Epiphany at Byblos Old Souk where wise men, women and children gathered to enjoy a treasure hunt by seeking the Epiphany “star” – a trail laid out by local businesses.

■ As part of the **Visa Platinum** debit card campaign launched by **Credit Libanais** throughout the month of December 2016, the Bank distributed valuable gifts to 58 of its customers who had the chance to win by using their cards at merchants in Lebanon and worldwide.

■ **Nestlé Middle East** invited people once again to join the “Choose Wellness, Choose Nestlé” movement by pledging to eat healthier, move more and live better. The movement returned in its fourth year at various locations across the Gulf, Jordan and Lebanon from January 15-31.

■ With its luxurious shower hand-crafted in Lahr (Germany), **GROHE AG** revolutionizes bathroom design and allows fully individualized water enjoyment.

■ British-Lebanese designer and maker, **Alexandra Hakim**, launched her debut collection at BEYt Gallery in Beirut on December 27, 2016. Her collection draws from elements found in traditional Lebanese homes.

■ According to the latest banking report, which evaluates and identifies the rankings of the Lebanese Alpha Banks for the year 2016, **LGB BANK** achieved great strides in terms of performance and growth indicators.

■ **BMW Group, Intel** and **Mobileye** announced that a fleet of approximately 40 autonomous BMW vehicles will be on the roads by the

second half of 2017, demonstrating the significant advancements made by the three companies toward fully autonomous driving.

■ **Byblos Bank** issued, in cooperation with the **Olayan School of Business** at the **American University of Beirut**, the results of the **Byblos Bank/AUB Consumer Confidence Index** for the fourth quarter of 2016. The results show that the Index increased by 3.5 percent in October, by 2.2 percent in November and by 79 percent in December 2016.

■ With over a hundred years’ experience each, both **Maserati** and **Zegna’s** legacies are proof that attention to detail and visionary innovation create beautiful design. Never before has this been more true, with the partnership between the two Italian companies creating bespoke interiors for the **Ghibli, Quattroporte** and **Levante** models.

■ On January 17, actor and international brand ambassador for watches Ryan Reynolds joined **Piaget** at the **Salon International de la Haute Horlogerie** in Geneva, Switzerland.

■ **DAMAC Properties** announced that its premier project in Beirut has been completed and handover has commenced. The 28-storey tower features 183 luxury apartments with interiors by **Versace Home**, and is located in the heart of the renowned **Solidere**.

■ Paying tribute to Minerva’s extraordinary heritage, **Montblanc** takes a journey back to the glory days of motor racing with five new **TimeWalker** timepieces that capture the beauty, spirit and values of motorsport history.

■ **IWC Schaffhausen** has opened a new boutique in St. Moritz in the Upper Engadine. From now on, guests from every corner of the globe who descend on the world-famous spa and holiday resort can discover the Swiss luxury watch manufacturer’s haute horlogerie collection.

■ The **SIHH 2017** confirms that **Baume & Mercier** is positioned as closely as possible to the reality of the market.

■ As part of the #MYLAND (Ardhi in Arabic) creative communications platform, **Land Rover Middle East and North Africa** has revealed the fifth episode of their Discovery Sport #WeekendAdventure series.

■ In an effort to support its exponential growth, **Tamer Group**, a leading healthcare, beauty care, prestige products and fast moving consumer goods company based in Saudi Arabia, has recently partnered with **InfiNet Wireless** to ensure seamless connectivity and high bandwidth across several new facilities in Jeddah.

■ Tuscany is home to a thriving robotics industry and in partnership with **Ericsson, The BioRobotics Institute** and **Zucchetti Centro Sistemi** are leading the way.

■ The **BMW Group** is reflecting on another positive year in the Middle East in which sales were heavily dominated by the successful launch of the all-new 7 series, which came to markets in October 2015.

■ As of this year, **Pikasso d’Or** results will be included in the **Directory Big Won Report**, one of the leading worldwide creative ranking systems.

BUSINESS ESSENTIALS

Company Bulletin

■ **Huawei's Middle East and Africa Internet Service Department** announced that the Android mobile game store **HiGame**, launched in China in October 2015, is now available across the region on the Mate 9 as well as other Huawei devices.

■ **Société Générale de Banque du Liban** announced the signing of an agreement with **MEA** to finance the purchase of the A330-243, within the framework of the bank's contribution to the expansion and development of Lebanese companies and the revitalization of the Lebanese economy.

■ The **CMA CGM Corporate Foundation for Children** launched the fifth edition of its annual call for projects. A 140,000 envelope will be shared out in 2017 in France (the PACA region only) and in Lebanon to fund projects focusing on the following topic: "Improving the everyday life of children suffering from diseases and trauma."

■ **Samsung Electronics Co., Ltd.** announced a partnership with **Lonely Planet** to enable travelers to discover new destinations whilst on the go using the Samsung Gear S3.

■ The precious engravings executed by hand by the greatest Italian master craftsmen in decorating the new Luminor 1950 Sealand 3 Days Automatic Acciaio – 44mm make this special edition dedicated by **Panerai** to the Year of the Rooster unique.

■ Always looking to push boundaries and deliver the very best experience to its customers – including

potential ones – **Nissan** has turned its attention to something that has remained fundamentally unchanged in the industry for decades: the test drive.

■ **Barclays** announced the appointment of three new senior bankers in its Wealth and Investment Management division for Middle East and North Africa. Antoine Roger Chemali and David Stephan both join Barclays Wealth and Investment Management division as directors, while Owen Dayson joins as a vice president.

■ As part of the annual Arab Banking Conference for 2016 held by the **Union of Arab Banks** at Phoenicia Hotel in Beirut, **BLOM BANK** was awarded "The Best Innovative Bank of the Year 2016," thanks to its NEXT program.

■ The **BMW Group** Regional headquarters in Dubai, responsible for **BMW** and **MINI** business operations across the Middle East, has announced the appointment of Silke Brigl as Head of Corporate Communications.

■ **T. Gargour & Fils Mercedes-Benz Lebanon** achieved record-breaking sales in 2016. The company held its position at the top of the sales charts in 2016 in the luxury segment as it continues to provide unrivalled commitment to customer quality, safety and innovation.

■ **Speed@BDD** held its third Demo Day in December 2016 at the **Lebanese American University**, Koraayem, Beirut, in collaboration with LAU's Alumni Relations Office.

■ **Propertyfinder.com.lb** announced that it's teaming up with **lebanon-debate.com** through building a solid strategic collaboration that will extend the online reach of propertyfinder.com.lb through lebanon-debate.com's massive audience.

■ As part of its customer loyalty program, **T. Gargour & Fils** invited its most loyal customers in the commercial vehicles sector in 2016 to a VIP trip to Stuttgart, Germany, where they discovered the Mercedes-Benz iconic production facilities and museum.

■ Launched under the banner of "Unleash Your Potential," **INFINITI** Middle East in collaboration with **Emotiv Inc** saw that drivers of the Q50 Red Sport 400 achieved optimal levels of enjoyment, excitement and focus.

■ **Nissan** has once again demonstrated its legendary motorsport prowess, with the three podium finishers at the Red Bull Car Park Drift Final 2016 all driving Nissan Silvia sports cars.

■ Like the glass cockpit in airplanes and race cars, the all-new **Ford GT** features an all-digital instrument display in the car's dashboard that quickly and easily presents information to the driver based on five special driving modes.

■ **Byblos Bank** overall results for 2016 were satisfactory given the difficult economic and financial conditions in Lebanon and the region. **Byblos Bank** recorded, as at December 31 2016, a net profit of \$165 million, slightly higher than \$161 million posted in 2015. 



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BUSINESS ESSENTIALS

Events

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9-10 Mar	THE COMMON REPORTING STANDARDS FOR AUTOMATIC EXCHANGE OF INFORMATION FOR TAX PURPOSES Union of Arab Banks	+961 1 377800; a.majed@uabonline.net	www.uabonline.org
22 Mar	BUILD IT GREEN e-Ecosolutions	+961 9 856 565; gtegho@eecosolutions.com	www.eecosolutions.com
27-31 Mar	THE THIRTY SECOND ACM SYMPOSIUM ON APPLIED COMPUTING LAU	+961 1 786461; hhaddad@kennesaw.edu	www.lau.edu.lb
28 Apr	DE – RISKING & SANCTIONS: FROM AWARENESS TO AVERSION - ROLE OF FINANCIAL REGULATOR AND BANKS Al Bank Wal Mustathmer Group	+961 1 985 411; conference@magagroup.com	magagroup.com/conference15.html
DUBAI			
20-21 Feb	GCC VAT FORUM IQPC	+971 4 364 2975; enquiry@iqpc.ae	www.iqpc.com
13-14 Mar	INSURANCE INNOVATIONS 2017 Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
20-21 Mar	THIRD ANNUAL RETROFITTECH UAE Advanced Conferences and Meetings	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
3-4 Apr	ATD MIDDLE EAST CONFERENCE AND EXHIBITION Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
4-5 Apr	TWELFTH MIDDLE EAST RETAIL BANKING CONFEX Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
10-11 Apr	THE FAHR INTERNATIONAL CONFERENCE Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
11 Apr	TWELFTH ANNUAL WORLD TAKAFUL CONFERENCE Middle East Global Advisors	+971 4 343 1200; info@megaevents.net	www.meglobaladvisors.com
18-19 Apr	DISTRICT COOLING STAKEHOLDERS SUMMIT Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
19-20 Apr	NEXTGEN PARKING MANAGEMENT SUMMIT Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
25-26 Apr	SUPPLY CHAIN ME STRATEGY SUMMIT Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
25-27 Apr	ARABIAN HOTEL INVESTMENT Meed Events	+971 4 818 0200; events@meed.com	www.meed.com
ABU DHABI			
6-7 Feb	CYBER RESILIENCE AND INFOSEC 2017 Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
22-23 Feb	MIDDLE EAST INVESTMENT CONFERENCE 2017 Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
20-21 Mar	GLOBAL FORUM FOR INNOVATIONS IN AGRICULTURE Media Generations Exhibitions	+441423 524 545; info@mediageneration.co.uk	www.mediageneration.co.uk
QATAR			
27-28 Mar	EDEX QATAR Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
10-11 Apr	SECOND ANNUAL SMART PARKING QATAR Advanced Conferences and Meetings	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
SAUDI ARABIA			
27-28 Feb	SECOND INTERNATIONAL CYBER SECURITY CONFERENCE Naseba	+971 4 367 1376; prachid@naseba.com	www.naseba.com
6-7 Mar	KINGDOM EDUCATION INNOVATION 2017 Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
13-14 Mar	SMART PARKING Advanced Conferences and Meetings	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com

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Days 2 & 3: February 13-14
Trade & Export Finance

Days 4 & 5: February 15-16
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2016's vital statistics

603
Delegates
attended

277
Companies
represented

30
Countries
represented

Sectors attended in 2016



BUSINESS ESSENTIALS

Events			
ORGANIZERS	CONTACT	WEBSITE	
14-15 Mar	KINGDOM HUMAN ASSET MANAGEMENT Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
18-19 Apr	KINGDOM CYBER SECURITY Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
24-26 Apr	KINGDOM PROCESS SAFETY 2017 Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
BAHRAIN			
11-12 Apr	MIDDLE EAST HEAVY OIL CONGRESS dmg World Media Dubai	+971 4 331 9688; dmgevents@emirates.net.ae	www.dmgeventsme.com
26-27 Apr	KINGDOM WASTE MANAGEMENT AND RECYCLING Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
EGYPT			
20-21 Feb	GCC VAT FORUM IQPC	+971 4 364 2975; enquiry@iqpc.ae	www.iqpc.com
11-12 Mar	THIRD EGYPT INVESTMENT FORUM Al Iktissad Wal Aamal	+961 1 780 200; forums@iktissad.com	www.iktissadevents.com
25-27 Mar	THE ARAB BANKING CONFERENCE FOR 2017 Union of Arab Banks	+961 1 377800; a.majed@uabonline.net	www.uabonline.org
26-27 Apr	CYBER SECURITY NORTH AFRICA SUMMIT Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
KUWAIT			
5-8 Feb	MAINTENANCE KUWAIT SUMMIT IQPC	+971 4 364 2975; enquiry@iqpc.ae	www.iqpc.com

EXHIBITIONS

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LEBANON			
4-7 Apr	HORECA LEBANON Hospitality Services	+961 1 480081; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb
DUBAI			
27-28 Feb	SECOND ANNUAL MARINE DATA INFRASTRUCTURE GCC IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
7-8 Mar	MIDDLE EAST RAIL 2017 Terrapinn Middle East	+971 14440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
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ABU DHABI			
6-7 Feb	THIRD ANNUAL LANDSCAPE AND PUBLIC REALM ABU DHABI IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
18-20 Apr	CITYSCAPE ABU DHABI Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
SAUDI ARABIA			
19 Feb	FOURTH SAUDI CONVENTIONS AND EXHIBITIONS FORUM Exicon	+961 1 821 421; ghada@exicon-intl.com	www.exicon-intl.com
6-7 Mar	LIGHTING TECH Advanced Conferences and Meetings	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com

	ORGANIZERS	CONTACT	WEBSITE
27-30 Mar	THE BIG 5 SAUDI dmg World Media Dubai	+971 4 331 9688; dmg@emirates.net.ae	www.dmgeventsme.com
4-6 Apr	THE HOTEL SHOW SAUDI ARABIA dmg World Media Dubai	+971 4 331 9688; dmg@emirates.net.ae	www.dmgeventsme.com
25-26 Apr	FUTURE LANDSCAPE AND PUBLIC REALM IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
BAHRAIN			
7-9 Feb	GULF INDUSTRY FAIR Hilal Conferences and Exhibitions	+973 17 299123; info@hilalce.com	www.hilalce.com
7-9 Mar	MIDDLE EAST OIL SHOW Arabian Exhibition Management	+973 17550033; fawzi@aeminfo.com.bh	www.aemallworld.com
11-12 Apr	MIDDLE EAST HEAVY OIL CONGRESS dmg World Media Dubai	+971 4 331 9688; dmg@emirates.net.ae	www.dmgeventsme.com
25-27 Apr	GULF PROPERTY SHOW Hilal Conferences and Exhibitions	+973 17 299123; info@hilalce.com	www.hilalce.com
EGYPT			
14-16 Feb	EGYPT PETROLEUM SHOW dmg World Media Dubai	+971 4 331 9688; dmg@emirates.net.ae	www.dmgeventsme.com
9-11 Mar	PROJECT EGYPT IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
15-19 Mar	HEAVY DUTY - CAIRO INTERNATIONAL MOTOR SHOW ACG - ITF	+202 7538 401; info@acg-itf.com	www.acg-itf.com
31 Mar - 3 Apr	CITYSCAPE EGYPT Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
18 Apr	ARWADEX Exicon	+961 1 821 421; ghada@exicon-intl.com	www.exicon-intl.com
22-24 Apr	FOOD AFRICA IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
QATAR			
13-15 Mar	CITYSCAPE QATAR Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
2-4 Apr	FOODEX QATAR Al Fajer Information and Services	+971 50 640 3275; rupa@alfajer.net	www.alfajer.net

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LAST WORD

By Matt Nash

No silver bullet

Bringing faster internet to Lebanon needs massive infrastructure spending

Prime Minister Saad Hariri made an ambitious promise just before Christmas. Speaking at a conference on December 22, Hariri promised to make the internet “20 times faster” during his government’s limited mandate (a new government must be formed after parliamentary elections, currently scheduled for May 21). Two weeks later, cabinet announced it was relieving a long-time public servant in the telecom field – Abdel Moneim Youssef – of his duties. Private sector internet and data service providers will no doubt welcome the staff change, but the impact of Youssef’s replacement on end users will likely be minimal. For Hariri’s promise to be fulfilled, the country needs a massive infrastructure upgrade. This will require a large investment and more than five months’ time.

THE GATEKEEPER

The Lebanese government owns all of the country’s telecommunications infrastructure, from fixed telephone and internet lines to mobile phone and mobile internet base stations. For at least ten years, Youssef wielded considerable power as both the director general of Ogero – a state-owned telecom enterprise that offers fixed-line telephone and internet services – and director general of investment and maintenance at the Ministry of Telecommunications. Private sector internet and data service providers, as well as the managers of the country’s two mobile phone networks, were entirely dependant on Youssef for access to international internet capacity. By all accounts, even his own, Youssef was selective in approving capacity sales to the private sector. He also single-handedly gave the greenlight for the import of any

and all telecommunications equipment coming into the country.

A TANGLED WEB

The result of all this was a significant amount of “illegal” activity in the local internet market. First, there were (and remain) “illegal” internet providers. The most basic form of illegal internet provision works like this: Entrepreneur A opens multiple user accounts with private sector internet service provider B and re-sells the capacity to the neighborhood, connecting users wirelessly or via copper cables. During a very brief encounter with EXECUTIVE in May 2014, Youssef posed a rhetorical question when pressed on why he holds back on giving the private sector capacity. “If they need more capacity, why are they selling to illegal providers and MIC 1 and 2?”, he asked, referring to the country’s two mobile networks, Alfa and touch.

Sources in the sector confirmed to EXECUTIVE that – for a period of time left unspecified – Youssef was not approving capacity increase requests related to 3 and 4G mobile internet service coming from Zain and Orascom, the managers of touch and Alfa, respectively. These companies therefore were buying from the local private sector, which is technically illegal (i.e., the law demands that anyone reselling capacity must first purchase capacity directly from the government). Additionally, private internet and data service providers who wanted more capacity than Youssef was approving would buy capacity via satellite link from abroad, driving up their costs. According to the accusa-

tions that led to his dismissal, Youssef was allegedly playing favorites with illegal private sector providers, helping them greatly expand their customer bases by approving equipment imports that allowed them extra capacity access via satellite link.

THE BOTTOM LINE

It is difficult to determine the exact impact the aforementioned mess had on end users of the internet. As noted, when Youssef made capacity impossible to buy legally for private sector providers, they turned to satellite connections, driving up their own costs but ultimately resulting in the capacity to pass on to subscribers. Ditto the mobile phone network man-

■ What Lebanon needs for end users to enjoy fast download speeds is a massive upgrade of infrastructure

agers, albeit via a slightly different route. What Lebanon needs for end users to enjoy fast download speeds is a massive upgrade of infrastructure. And this is not news. Fast internet requires fiber optic connections from user homes or buildings (the so-called “last mile”) to the national backbone, and then to the global internet. Using fiber for the last mile is expensive and time consuming, but ultimately necessary to improve the service. It is unclear how removing Youssef will help in this regard. What is clear, however, is that the massive speed increase Hariri promised in such a short amount of time is simply a pipe dream. ■

Matt Nash is Executive's
Real estate and industry editor

executive-magazine.com

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