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Executive

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BLEED TO FEED

Drained by tax devils

Lebanon: LL 10,000 - Bahrain: BD2 - Egypt: EP20 - Jordan: JD5 - Iraq: ID6000 - Kuwait: KD2 - Oman: OR2 - Qatar: QR20 - Saudi Arabia: SR20 - Syria: SP200 - UAE: Drhm20 - Morocco: Drhm30 - Tunisia: TD5.5


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EDITORIAL

The devils must go

This year's Arab Summit was particularly painful to watch. The pompous grandiosity of the congregated Arab leaders was nothing short of nauseating. What do they have to show for it? Collectively, these leaders are at the helm of nearly 400 million Arabs. What are their KPIs? The World Bank estimates a collective GDP of $2.56 trillion for the Arab League states. Assuming one third of that is revenue derived from resource extraction and not human productivity, we are left with a collective GDP for 22 states on par with the GDP of Italy's 60 million people. Sixty million Italians as productive as 400 million Arabs!? Our leaders must go.

If these numbers don't prove the case against Arab leaders, their own words certainly indict them. Speech after speech, each head of delegation took his turn addressing Arab causes and concerns, their cause *célèbres*. However, not once did I hear a mere mention of education, human development, social development or employment. Not once did I catch an allusion to the role of the private sector in advancing Arab economies. These decision-makers have signed international trade agreements with countries all over the world yet ignore their own neighbors.

What bothers me most, of course, is the fate that continues to plague Lebanon, my country. As a young man, I would feel a tremendous sense of pride and admiration while observing our leaders at these summits. Even during Lebanon's darkest days – when our leaders were warlords draining us to the last drop – Lebanon could still claim to have some semblance of a democracy, and we could still proudly boast about our high-quality education and the raw talent and entrepreneurial spirit of the workforce we were releasing to the world. However, in the past 10 to 12 years, our so-called leaders have stripped us to the bare minimum. They even tried to strip us of our dignity.

There is no doubt that our country is in economic ruin for no reason other than dysfunctional management. Our politicians are so consumed with their personal ambitions and materialistic pursuits that they are only able to see the state as a tool to advance their own personal and electoral interests. The farce of the budgeting process is a case in point – a scandal that has largely unfolded behind closed doors. Why are we proposing an increase of taxes that will further bleed a populace already drained by its leaders' lack of economic policy and vision? Where is any attempt to build capital markets that would actually boost our dormant economy instead of further burdening it?

Our inept decision-makers have no response to an increasingly discontented and livid population. These devils must go.

Yasser Akkaoui
Editor-in-chief

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Art direction	Tanya Salem of Smart Box sarl
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Operations manager	Lucy Moussa
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Accountant	Fadi Bechara

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

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

For subscriptions – subscribers@executive.com.lb

LAST MONTH

ZOOM IN

A Lebanese man holds a placard reading "Kiss My Tax" during a protest in front of the Grand Serail (the headquarters of the prime minister) in downtown Beirut on March 16, 2017, during a protest against proposed taxes.

New army chief headlines security appointments

On March 8, the cabinet approved a crucial list of military, security and judicial appointments. Notably, General Joseph Aoun was chosen as the new commander of the Lebanese Armed Forces (LAF). Despite sharing the same last name as President Michel Aoun, the two men are not related.

Also approved were new commanders of the Internal Security Forces (ISF) and Lebanese State Security. Despite reaching the age for military retirement, Major General Abbas Ibrahim will keep his position as head of General Security as a civilian.

The appointments were met with praise from the UK, US, France, and the United Nations, all of whom expressed the hope that their close collaboration with the Lebanese security forces would continue under new leadership.

Thousands protest planned tax hike

Building on the momentum of smaller demonstrations earlier in the week, thousands of Lebanese gathered at Downtown's Riad el-Solh Square on March 19 to voice their opposition to proposed tax increases.

The tax plan, which includes raising the value added tax from 10 percent to 11 percent, as well as increased duties on cigarettes and alcohol, has been proposed by the finance ministry in order to cover the cost of raising the salary scale for public workers, which is estimated to be $800 million.

Popular anger toward the tax plan has been fueled by the persistence of widespread corruption in the country. Many activists have argued that if this corruption is combatted effectively, the resulting savings would pay for the increased salary scale.

Prime Minister Saad Hariri entered Riad el-Solh Square to address the protesters, asking them to form a committee to convey their demands to him in person. His statement was met with derision and ire from the crowd, forcing him to leave with his security team.

LAST MONTH

QUOTE OF THE MONTH

"Sheep would have rebelled for less"

Held by protester at anti-tax demonstration in Beirut, March 9

AUB settles sanctions lawsuit

The American University of Beirut agreed to pay $700,000 to settle a civil lawsuit on March 23, after being accused of assisting three organizations linked to Hezbollah during the period December 2007 through March 2016.

Acting Manhattan U.S. Attorney Joon H. Kim said, "For years, the American University of Beirut accepted grant money from USAID, but failed to take reasonable steps to ensure against providing material support to entities on the Treasury Department's prohibited list.

"With today's settlement, the university is being made to pay a financial penalty for its conduct, and importantly, it has admitted to its conduct, and agreed to put proper precautions in place to ensure that it does not happen again."

In a statement to *The Daily Star*, AUB rejected claims that its conduct was intentional, and added that "it did not admit such conduct as part of the settlement."

Clashes break out again in Ain el-Hilweh

Three people were killed in Ain el-Hilweh as a result of renewed clashes between different Palestinian factions in the camp on March 23 and 24.

Fatah and Islamist factions within the camp moved quickly to try and control the violence, and a Palestinian man was arrested by the Lebanese Army on charges of instigating the clashes.

The refugee camp was rocked by clashes throughout February, which at one point shut down UNRWA's services within the camp, and forced the disbanding of a joint force responsible for its security.

Ain el-Hilweh is home to 100,000 Palestinian refugees, making it the largest of Lebanon's 12 Palestinian refugee camps.

Berri says elections 'technical' delay to last up to six months

Speaker Nabih Berri said on March 25 that any "technical" delay in holding parliamentary elections would last up to six months at the most.

Berri's comments came after Foreign Minister Gebran Bassil floated a hybrid vote law proposal that would see half of the Parliament's 128 seats elected under a majoritarian system, with the other half elected under a proportional formula in different districts.

Bassil's proposal was backed by Lebanese Forces Chief Samir Geagea, while other parties, such as Berri's Amal Movement and Hezbollah, are seeking a proportional voting law that treats Lebanon as a single electoral constituency.

Elections were originally scheduled to take place between May 21 and June 20, but a date has yet to be determined.


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LEADERS

ACCESS TO INFORMATION

Stonewalled

A mixed response: making use of the new law

Tell us all your secrets

Executive didn't get past security at the Grand Serail. It was March 3. The access to information law was just over a month old, and we were barking excitedly, unsure if whether we were even in front of the right tree. In hand were requests for minutes of cabinet meetings. We were hoping to reach the Office of the Presidency of the Council of Ministers. Our parting advice from the security official acting as gatekeeper was to call back and follow up. Call back we did. Repeatedly. Since then, however, our requests have been ignored.

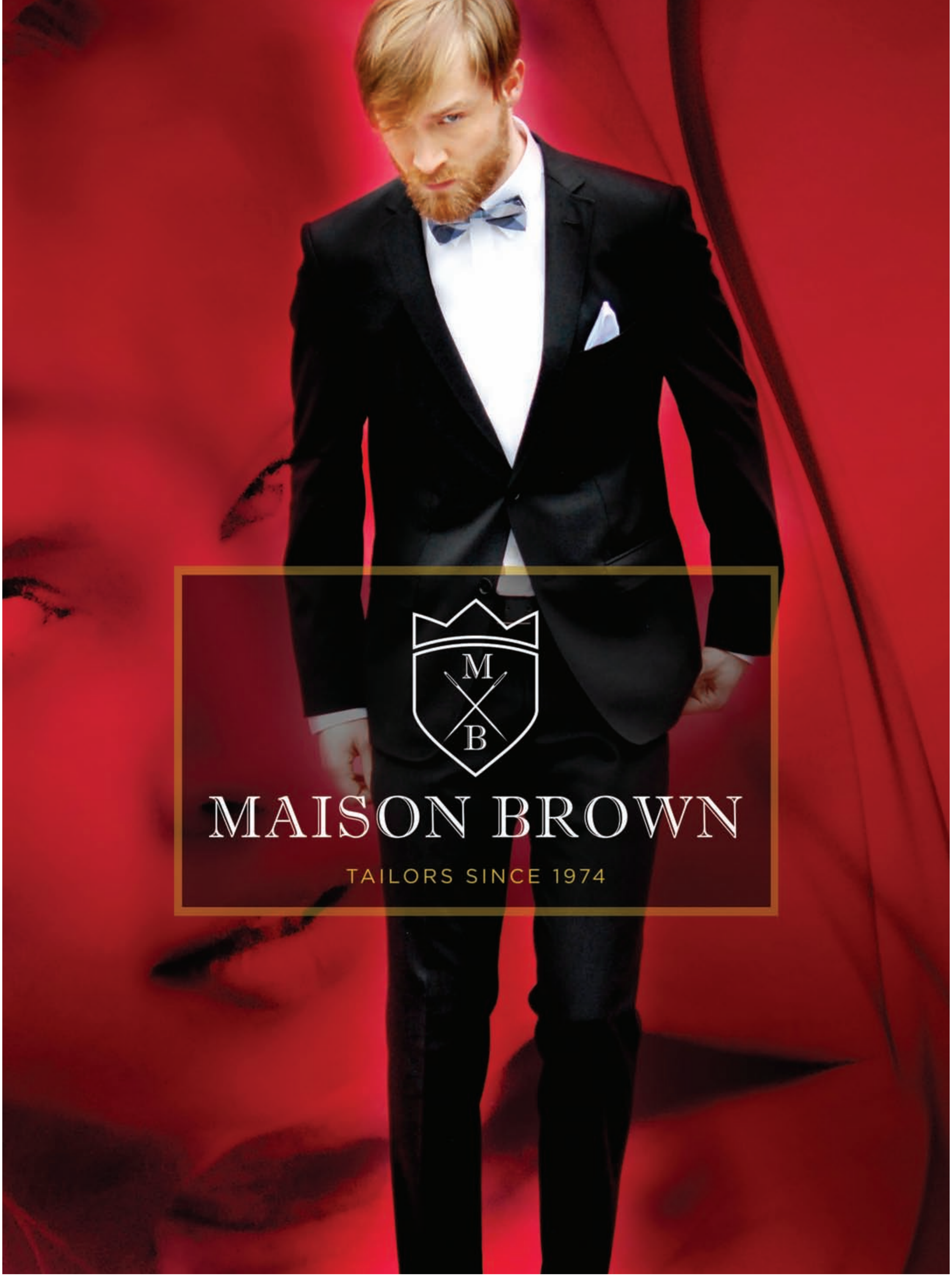
An attempt to access information from the Ministry of Finance was swifter and more definitive. "No," Executive was told by phone (read: no paper trail) within one week of making a request for the Value Added Tax (VAT) and customs revenues from mobile phone imports over the past five years. So far, not so good.

FLOOD THE GATES

After it had been sitting in a drawer in Parliament for nearly 10 years, the legislature finally passed the access to information law in January. As Executive noted in a special feature last month, the law mandates the creation of an anti-corruption commission (ACC) that would, among other things, adjudicate appeals when requests for information are denied or ignored. It's a hopeful sign that Speaker Nabih Berri reiterated the need for the ACC in late March. We stand with the speaker in calling for immediate legislation to create the ACC – not least because we're unsure of how to proceed with the Ministry of Finance stonewalling access to information that can help highlight just how costly the country's rampant mobile phone smuggling is for the treasury.

The last week of March brought some more good news. The Council for Development and Reconstruction (which signs large-scale public works contracts on the government's behalf) has dedicated a staffer to handle information requests, as the law requires. This staffer was welcoming and helpful, even assisting Executive in submitting a request after the president's office technically closed (full disclosure: it was around 2:30 in the afternoon on a Tuesday). That very same day, Executive received a late email reply from the Ministry of Telecommunications. A faxed request sent March 10 had been received, and the ministry's lawyer was busy retrieving the requested documents. While we were warned the process "might take some time," updates, the email promised, would be forthcoming.

We're cautiously optimistic at this point. While there are indications that recent talk of a "new era" and promises of long-stalled reform will prove hollow, we have witnessed that the access to information law is at least being partially implemented. Law 28 of 2017 is an important tool, and we encourage more individuals and institutions to make use of it, and go public with their experiences. Decision-making in Lebanon far too often happens in a black box. This law is our chance to pry that box open. The more requests pile up – and the more institutions are bombarded with pleas for information – the harder this law will be to ignore. This magazine will keep pressing, but we need all the help we can get both from fellow transparency advocates, and from a properly constituted, functioning, and empowered anti-corruption commission.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LEADERS

INSURANCE

An industry-wide upgrade

A massive overhaul in governance and legislation is required

Times of change and upgrades of operating systems are confusing events, or, in today's economic lingo, disruptive. Few things can be more disruptive than the abrupt upgrade of a whole industry to a higher level, forcing it into new ways of doing business and, inevitably, altering its whole identity in the process. That's what's currently happening to insurance.

The upgrade of this industry encompasses on one hand the transition into the digital age, with a host of new challenges in distribution, security, consumer behavior, and, perhaps most importantly, new risks, accumulations and synergies of risks. On the other hand, insurance has been deeply affected by the global transformation of the financial economy and the rise of uncertainty and change triggered a decade ago in the Great Recession, which remains far from over.

Since Lebanon's economic rebirth after the internal warfare of the 1970s and 80s, the insurance industry has made some remarkable strides. Premiums grew almost exponentially and rates of insurance penetration, or percentage of GDP spent on protection, remained at the top among Arab countries.

But one cannot overlook the fact that the Middle East is a global laggard when it comes to insurance penetration, something that is not expected to change radically in the next 10 years. Global insurance group Allianz predicts that the average per capita contribution in the Middle East and Africa will only grow from $139 to $180 from 2016 to 2026, and that the MENA region will account for just 1.8 percent of global premium income in 2026.

Current insurance penetration in Lebanon – estimated by Swiss Re Sigma at 3.42 percent for 2015 – shows the country to be at the forefront of Arab markets, and respectable in comparison with middle income countries from Argentina and Russia to Bulgaria and Iran. But this is not much to write home about when compared to the average global insurance penetration rate of 6.23 percent. In purely domestic terms, the Lebanese insurance sector's assets, premiums and profits in 2016 (while not yet officially announced) are dwarfed by the assets, deposits and profits in our banking industry.

WITH CHANGE, OPPORTUNITY

Within the financial landscape, Lebanese insurance stands timidly in a swamp of undeveloped capital markets and foggy legislation. Moreover, when compared with the friendly but boisterous banking ogre and its substantial marketing power, the sector is practically invisible. In Executive's view, this situation warrants remedy.

> Insurance is a complex cog in the finance industry

By conventional wisdom, great change is a time of great opportunity. Agility and openness to new ways are a requirement for benefiting from these opportunities. But effective exploitation of change requires legal empowerment. Executive believes that it is not enough to pursue piecemeal improvements in the legal framework for insurance and calls for the adoption of a new insurance law in Parliament.

With a view to insurance, we reiterate our demand for a supportive framework for growth in the financial markets, and our call for the Capital Markets Authority of Lebanon to focus equally on the regulation and development of our capital markets. The CMA has to step up its efforts and effectiveness to invigorate the markets under its supervision, and the Beirut Stock Exchange has yet to deliver vibrancy to the bourse. We would like to see all local insurance companies listed, and adhere to the corporate governance structures and systems that befit a modern corporation.

One often encounters the perception that insurance is boring. In truth, it is a complex cog in the financial industry and one with much hidden – or difficult to understand – potential and attraction.

Reporting on these issues in our current issue, Executive endorses the view, expressed by the chairman of the country's largest insurance provider, Allianz SNA (see interview page 56 and consolidation story page 36), that an indispensable precondition for successful adoption of corporate governance and transparency in our private industries is public sector leadership by example. We need full and speedy implementation of the new law on access to information (see leader page 10), and transparency and accountability in our government institutions before we can realistically hope to see tax compliance, proper reporting, and real transparency in our private sector.

As for insurance stakeholders, we affirm our view that it is time to free industry minds from the last remaining burdens of egoism that symptomized the industry in the past; they must cast off the cloak of invisibility and put on the armor of transparency and good corporate governance.


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PEACE OF MIND

LEADERS

TAXES

Taxation without representation

The budgetary process must be transparent

For 12 years running, Lebanon has been without a budget. This does not mean the state hasn't been collecting revenue and spending it. Rather, it means there have been no clear-cut priorities, nor a strategic vision guiding how the government manages taxing and spending. During the past five years, the problem of finding revenue to finance raising public sector wages has been the only issue discussed in the budget "debate." While it's fiscally prudent to consider how to offset increased spending with increased revenue, a laser-focus on this one issue is myopic, and gets us no closer to a sound fiscal policy that would benefit the wider economy.

The fact that three separate governments have spent five years mulling how to raise taxes suggests our lawmakers' fiscal policy is limited to ensuring minimal government spending needs are met. The state's continued failure to provide basic, uninterrupted services proves we do not have a fiscal policy focused on meeting the people's needs. First and foremost, this must change. It won't be an easy change, but there are a few clear actions that can be taken immediately.

In parallel with imposing new taxes, the state must begin the full collection of taxes already on the books. The International Monetary Fund estimates Lebanon only receives around 50 percent of the revenue from existing taxes. This won't change overnight, but addressing the shortfall should be an immediate priority. Because talk of state finances is conducted behind closed doors, it is difficult to offer precise recommendations on how to improve tax collection, but global best practice can certainly guide us. Studies of the US economy suggest every $1 invested into the country's tax authority brings in $4 (possibly more) in tax revenue. A strategic lift on the civil servant hiring freeze would be a good first step toward better collection.

Along with improving collection comes the need to reduce waste. The Ministry of Finance is nearly finished closing state accounts from the past 20 years (i.e., tallying Lira by Lira where state money went, to the extent possible from available documentation). In a 2015 interview, the ministry's director general told Executive that "anomalies" were found. What this means is that money went missing, and is presumed to have been stolen. Everyone in this country knows corruption is a serious problem. Provided Parliament makes the details of the finalized accounts public, we're close to a roadmap detailing how much revenue has been lost in the past two decades and from where it disappeared. It is perhaps too much to expect the state to be paid back, but the exercise surely must have provided clear indications of how future theft can be prevented. If the government's objective in drafting a budget is simply to meet its spending needs, than those of us paying for it must be confident we're not being swindled.

Building that confidence requires more detailed and public budget discussions. We demand a budget that prioritizes stimulation of the economy and improves the internal distribution of wealth. Options for how to achieve these goals are myriad and should be chosen based on robust national discussion, not dictated by the Minister of Finance, Parliament or cabinet after closed-door meetings. Passing a budget that actually benefits the country and its people, instead of imposing new taxes to meet an immediate need and preserve the status quo, demands careful calibration and communication. Our budget debates must be public, detailed and forward-looking. Civil servants certainly deserve a raise, but the nation also deserves a fair and strategic fiscal policy.

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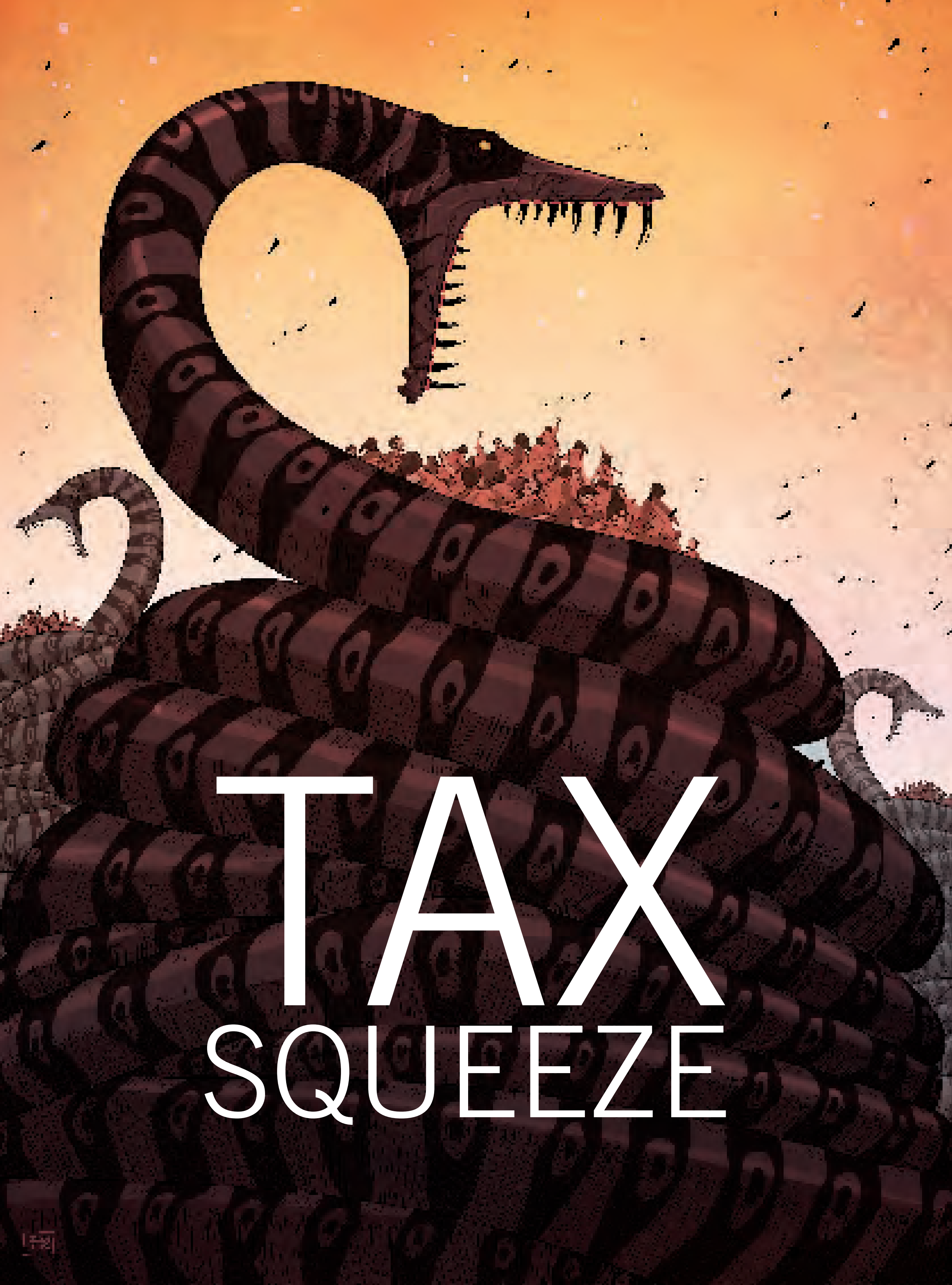


TAX SQUEEZE

By Jeremy Arbid

Opaque decision making blights tax policy

Lebanon is closer to ratifying a national budget than it has been in recent memory. For the past 12 years, the country has not passed a budget into law. In recent years the roadblock has been, at least publicly, a salary increase for certain public sector workers.

The debate is taking place in a fiscal environment where the money to raise public spending is non-existent, so the revenue needs to be created – through new taxes. To fund the salary increase, some economists and some politicians are arguing for reforming public spending rather than setting new taxes.

Announcing the budget figures at a press conference on the last Thursday of March, Minister of Finance Ali Hassan Khalil provided little by way of details. He laid out spending cuts, and stated that the budget is primarily based on improving tax collection and administration – collecting taxes already on the books, rather than subjecting citizens to new taxes – with the government aiming to address poor collection of revenue from public agencies, including customs. But he did not say what impact these measures would have on public finance.

While there are new taxes in the budget, the minister did not make clear what these were. The government will send an approved budget to Parliament which, it seems, will be tasked with figuring out which taxes to levy – there will almost certainly be new taxes if Parliament ratifies the budget.

Given this debate has been going on since at least 2013, when Najib Mikati was prime minister, there are a few likely candidates for new taxes, including an increase to VAT by a percentage point to 11 percent, a 15 percent tax on capital gains from real estate transactions, an increase of tax on financial institutions' profits to 17 percent and on interest of deposits to 7 percent.

On taxation, it is difficult to pinpoint with any certainty who has to pay, how much they have to pay, what the expected revenues are, and whether or not there will be an impact on economic growth and gross domestic product (GDP). On the sidelines of the press conference Alain Bifani, the finance ministry's director general, said the ministry had assessed the budget's tax measures, but these studies have not been made public. Earlier in March, Executive requested interviews with both Khalil, and Bifani, but did not receive a response. To gain the best available expert assessments of the impacts of proposed taxation under these circumstances, Executive approached economists and stakeholders knowledgeable about various sides of the issue.

THE GENERAL TAKE

Executive surveyed seven Lebanese economists, including a former minister of finance, individuals from the fields of banking and academia, and one political party (Executive reached out to other political parties to discuss proposed taxation but received no response). This survey resulted in several common themes. First, that public officials have done a very poor job of explaining the new taxes and have not indicated, beyond simple projections, the revenues, social effects or economic impacts of the proposed taxes. Second, that an increase to the Value Added Tax (VAT), one of the proposed measures, could, in the short term, slow economic growth and raise inflation before leveling, and that taxes on the interest of deposits is not a good idea because they could push depositors away from local banks. Third, the economists agree that there is room for a tax increase on corporations, particularly financial institutions, but all pointed out that taxing the profits of last summer's financial engineering would be a one-time collection noting that a portion of those profits are already committed to government finance. Fourth, those surveyed argue there are alternatives to taxes to finance a salary scale increase, like curtailing wasteful public spending, and concluded that the latest round of street protests in mid-March against a tax hike (plus a carryover effect from 2015's garbage crisis protests) has probably had some effect toward pushing the government to reform public spending, and may have discouraged imposition of some of the proposed taxes. And lastly, the economists agreed that debate over the salary scale increase, the proposed taxation and the budget approval process were not transparent and discouraged confidence in public financial management.

IMPACT OF TAX MEASURES

For real estate, burdening a stagnating sector with new taxes could risk its collapse, argues Raja Makarem, managing director of Ramco, a consultancy catering to the industry, in a contribution to Executive (see Ramco piece, page 22).

Taxes

For the banking sector, the surveyed economists agreed that there is room for a tax increase on the institutions. "The banks are making profits and could be taxed and incentives for banking in this country is still a lucrative business", says an economist at the central bank, who did not want to be named, before adding that "You have to estimate [bank profits] in percentages of the return on assets or, better yet, on equity. Is it good or too high? Return on equity in Lebanon for banks is high but not tremendously high when compared to the rest of the world."

The banks' position from several years back is that they are penalized because they are the only transparent sector in terms of taxation. The banks are holders of government paper and pay taxes on them, but deduct those taxes from the corporate income tax they pay. What the government is trying to do is prevent the tax deductibility, and the banks are refusing.

While the economists agreed there was room to tax the banks they also expressed reservation. Banks which hold nearly $49 billion (around a third) of the state's debt, and are known to be the top buyer of government debt in Lebanon, hold more and more paper and experts worried that if tax is increased then their appetite for holding more paper might decrease. But returns on debt holdings compared to the increase in taxation banks would have to pay makes a very big difference because their stock is huge. And, several economists pointed out, the additional tax they would pay is only on new paper they are going to hold. Georges Corm, a former minister of finance, disagreed that a tax hike on the banks would reduce appetite to buy public debt. Instead, he argues for a different approach, "I would advise the central bank, the ministry of finance and the banking sector to agree to decrease the average interest rate paid by the state on its public debt by around 1 percent on any new issues. Such a decline in the cost of servicing public debt to the state would save the treasury a yearly amount of $700 million in a few years' time," (see Corm Q&A, page 26).

The economists cautioned against raising the tax on the interest of deposits. Talk of a tax increase, says the central bank economist, "is very important when it comes to depositors, non-resident depositors, who have a choice [in where they park their money] and who continuously weigh risks." Corm said he was not in favor of the tax, but downplayed a negative effective if it were a one-time measure. "Raising this tax from 5 to 7 percent will probably not produce a decline in the amount of deposits in the banking system."


Finance Minister Ali Hassan Khalil announcing the budget figures

When it comes to an increase of the Value Added Tax (VAT), the International Monetary Fund (IMF), in its January Article IV consultation report, does not spell out how the tax measure would impact growth, but its analysis shows that imposing taxes initially does negatively impact GDP. Through disposable income (income minus the taxes) an individual will spend, consume, and invest. This will lead to GDP growth through a multiplier effect. With an increase of taxes, what is left to be spent and consumed into the economy is going to decrease. On that point the economists Executive spoke to generally agree with the IMF. "Increasing VAT can penalize consumption and demand. We don't have a detailed idea of the structure of consumption and what can be affected or penalized by the increase to VAT, but at first inflation could spike and then level out. In the medium and long run it can reduce economic growth, but it is a random hypothesis. I'm not sure because we don't have data to run a simulation," says Joseph Gemayel, chair of the economics department at Beirut's Universite Saint Joseph (USJ).

"Nobody in government or any think tank has recently, at least in the past three to four years, done any tax incidence analysis on any fiscal reform, or at least it's not public," Jad Chaaban, a professor of economics at the American University of Beirut, told Executive. When posing the question of what might happen to Lebanon's economy as a result of the new taxes, a lack of information forces the economists to revert back to basic economic theory. Lebanon's slow economic growth since 2011 suggests that, "In a typical textbook situation you have to decrease taxes. Unless those taxations and a better fiscal consolidation gives confidence to investors then yes, you might increase taxation and at the same time see confidence increasing that the country is better managed and then see investment increasing. But, this is a big if. If you want to increase taxation and other things remain as they are, business as usual, then definitely it would have a negative effect on economic growth," says the central bank economist.

Lebanon's productive sectors are suffering from a slowdown of the nation's economic activity, argues economist Sami Nader, and the effect of taxes could push companies to the brink of closure. Instead he says, Lebanon should grow its way out of the problem. "At this time, you are expected to do the exact opposite, lower some taxes, make some improvements to the private sector, increase the economic activity in order to increase the revenue," Nader says. Byblos Bank economist, Nassib Ghobril, cautions that taxes will "definitely affect economic activity on the economy overall. When politicians say these taxes will not affect the poor or the middle class, that's very misleading. [The tax increases will affect the poor] because inflation will increase."

The International Institute of Finance as late as February forecasted Lebanon's economic growth at 3 percent for the year, but the economists say this projection is unlikely. "I don't see 3 percent growth, even if they do not pass the taxes. The debate alone has poisoned the atmosphere. Now we are three months into the year and you do not feel [that] anything tangible on the ground has changed economically. In my opinion, in addition to addressing the business climate and the competitiveness on the economy, the debate should have been which taxes we should decrease," says Ghobril. Including the tax measures in the budget, the finance minister is projecting a 2 percent growth of GDP for 2017.

The draft budget should be moderately accessible; I don't understand why they did not make it available to the public. That's a lack of transparency in my opinion

NO FISCAL POLICY

If the budget's tax measures are ratified into law by Parliament, how much revenue will be collected and what will be the effect on the economy? The question has no easy answer. The entire budget approval process has not been transparent, the figures have not been made available for public scrutiny, the government did not make public the assessments on who would be impacted by the tax measures or what would happen to the economy, and officials would not discuss the matter with Executive.

What's more, this government and previous ones have not clearly articulated an economic vision or fiscal policy, the economists surveyed point out. The budget should be the document laying out the objectives of the government for public spending and how it will raise revenue to finance that spending. "Lebanon is entering the 12th year without a budget. It is mind blowing, a country without a budget. Is the objective to boost productivity, contain public debt, boost job creation - what is the objective of the government when it comes to public spending? asks Jean Tawile, an advisor to political party Kataeb.

USJ's Gemayel says that the lack of transparency diminishes the government's ability to articulate such a fiscal policy, and points out that flexibility in public spending is nevertheless restricted. "There is no clear vision, whether toward expansive or restrictive fiscal policy. We know that monetary policy is restricted because of the pegging to the USD, and fiscal policy is constrained by public debt and the deficit. There is a need for structural reform, but Lebanon is not able to articulate that reform. The financial needs of the public sector are growing, but the function of the public sector in the economy is too little, in terms of GDP. So it is a paradox."

Other economists agreed with the notion that the government has not publicly articulated its fiscal priorities, and said that a lack of transparency over the draft budget has confused the process. "Nobody knew what the exact taxes included in the budget were, and that's because the ministry of finance did not release a draft of the budget, which is not a good sign. The draft budget should be moderately accessible; I don't understand why they did not make it available to the public. That's a lack of transparency in my opinion," Ghobril told Executive.

A BETTER WAY

The IMF, drawing on consultations with the government plus government data to reach its conclusions, says in its latest Article IV paper that Lebanon should increase some taxes irrespective of the salary scale because of the weight of the country's public debt, nearly $80 billion at the end of 2016 or 144 percent of gross domestic product (GDP). The IMF's Article IV paper argues that the public debt is unsustainable so fiscal measures must be adjusted in order to put the debt on a sustainable path regardless of new spending, like the proposed salary scale. The report also "urged passage of a budget" because it is a critical priority, and "stressed the immediate need for reform in the electricity sector, which remains a large drain on the budget and a key bottleneck to improved competitiveness and equity."

Projections of the increase in salary spending has ranged from $2.1 billion down to $1.1 billion, according to a 2014 report by *Al Akhbar English* that did not note if those were annual figures or projections for the first year of implementation alone. By removing retroactive pay this government cut $400 million from its salary scale estimate. The government has framed the tax measures this way: It said it would need $800 million in spending on the salary scale, so it would collect $800 million in revenue.

The government does not acknowledge, economists pointed out, that moving forward the salary mass would increase exponentially even without new hiring, and that revenue mass would increase very gradually or even remain unchanged when measured as a percentage of GDP. The "public sector salary increase is not $800 million, nobody knows how much the exact cost of it will be," says Ghobril.

Assessments by the ministry of finance were not made public, and government officials with knowledge of the matter did not respond to questions seeking clarification. It seems the government believes the salary scale and taxes would be budget neutral. The economists say in general that imposing taxes would negatively impact GDP, at least in the near term, and thereby any generated revenue from a tax increase could decline in the medium to long term.

> Public sector salary increase is not $800 million, nobody knows how much the exact cost of it will be

Economists interviewed agree there are other ways to pay for the salary increase. "The tax approach of the government for the budget is to finance the public sector salary increase. The argument is that there are sources of financing other than taxes," says Ghobril. The Kataeb party opposed the new taxation to finance a public sector wage increase, according to party advisor Jean Tawile. Instead Kataeb has argued that a reduction of government inefficiencies, as Tawile politely put it, must be the source of financing for the wage increase.

To Nader, the government, "officially recognized that there is corruption to the point that they nominated a minister and called it the state ministry for combatting corruption. They recognize they are corrupt, and now want the citizens to finance the corruption?" Saad Hariri, Lebanon's prime minister, in addressing the March 19 protest against a tax hike, made a big promise to the crowd as they pelted him with water bottles: he and president Michel Aoun would stamp out corruption, *inshallah*. Hariri, in forming his cabinet in late December, created a ministerial portfolio that would target corruption - but it is unclear what its objectives are or what, if anything, has been accomplished so far (Executive had asked for an interview with the Minister of State for Combating Corruption in January but the request went unanswered).

March 19 protests against proposed taxes

The government has announced a plan to reform spending in the electricity sector. The ministry of energy was set to lay out the details after Executive went to print, so it is not exactly clear how much money might be saved, but Finance Minister Khalil, in announcing the budget figures, said allocations to cover Electricite du Liban (EDL) deficits would be capped at nearly $1.4 billion. In general, the plan calls for a reduction of the subsidy to EDL and an increase of rates. For EDL the price per barrel at which it will pay for oil – with help from the treasury – to generate electricity will rise from $25 to $60. For customers the plan calls for a tariff increase on electricity bills that is said to be around 40 percent but the details are not yet clear.

At a minimum, the economists say, emphasis on capturing revenue instead of more taxes and reforming electricity spending is probably a reaction to the street protests, political pressure, and acknowledgment of the fiscal advice that the IMF and World Bank, among others, have long advocated. All of it is an embarrassingly loud testimony to Lebanon's lack of fiscal policy, with neither clear-cut priorities nor a strategic vision guiding how the government manages taxing and spending.

By Raja A. Makarem

Taxing tax reforms

New measures could collapse the real estate sector

With little official communication about the government's proposed tax reforms and no public discussions with civil society or concerned professionals, confusion and misinformation about the proposed tax law have run rampant. In an attempt to clarify the debate, we have examined the six proposed tax reforms pertinent to the real estate sector and their possible implications for the industry.

There are two findings: The majority of the proposed taxes are fair and are commonly applied in most developed countries. However, in Lebanon, burdening a stagnating sector with new taxes could risk its collapse.

TAXING SALES CONTRACTS

The new law proposes a 2 percent tax on the value of any sales contract, whether it is signed privately between the seller and the buyer, or in front of a public notary. Payment is due within five days of the signature of the contract.

The proposed law allows for this tax to be deducted from registration fees, provided the sale is registered within one year of the date of the contract. This new tax will force buyers to register new purchases within a year of acquisition – existing law gives them the right to register the sale up to 10 years from this date.

If the sale is not registered within a year, in effect the buyer pays a penalty of 2 percent, on top of the 5.6 percent in registration fees imposed under current law.

Forcing buyers to register a property within 12 months of its acquisition will have a corrective impact on data available to the government, as transactions and the tax revenue they generate will be reflected in the fiscal year in which deals are concluded.

But the net impact of the tax would be much more damaging, as it forces investors to register the purchases of property they acquire and intend to place on the sales market. Under current law, investors have 10 years to dispose of a property without incurring registration costs, but with the new law, they will have only one. The tax will deter real estate investments, which to date have benefited from the effective exemption of registration fees for intermediaries, as only the end-user registers the property.

TAXING VACANT RESIDENTIAL APARTMENTS

Under current law, apartments that have been officially declared vacant are not counted for the purposes of real estate fiscal tax paid to the Ministry of Finance. The new tax law proposes to tax all residential properties, whether or not they are occupied. Individual owners are exempt for six months from the date of acquisition, after which they must start paying real estate tax. Developers have an exemption period of 18 months from the date apartments are completed and property deeds are issued.

> The market has been at a virtual standstill for five consecutive years, and the new tax could potentially bankrupt an incalculable number of professional developers, large and small

The proposed measure would further deter potential investors looking to place their money in Lebanese real estate, driving capital to international markets, other forms of investment, or cash deposits.

It would be particularly disastrous for developers left with unsold apartments in completed developments. The market has been at a virtual standstill for five consecutive years, and the new tax could potentially bankrupt an incalculable number of professional developers, large and small.

Developers have traditionally been cash-rich, self-financed individuals or companies, with very little leverage. This has so far allowed them to withstand the pressures of the market and avoid a total crash of the real estate sector by absorbing drastic drops in sales ratios.

According to market data collected by the RAMCO Research Department, residential projects post an average sales ratio of 65 percent upon completion across Municipal Beirut, down from near 80 percent during the boom years between 2005 and 2011. This means that of roughly 10,340 residential units under construction at the end of 2016, around 3,620 will still be on the market when the projects are completed.

It is this huge stock of vacant apartments that the new law proposes to tax. The bill would be significant. Real estate fiscal taxes are roughly between $7-15 per square meter, calculated incrementally at between 7-10 percent of the estimated rental value of the property. The above vacant stock would correspond to roughly 780,500 square meter of unsold residential space, resulting in a tax bill of somewhere between $5.4 million and $11.7 million.

Supposing a development company ends up with 4,000 square meter of unsold residential space on its hands after the completion of the building, it has 18 months before it starts paying a tax of around $40,000 per year for the vacant, unsold residential units.

TAXING CONSTRUCTION PERMITS

The proposed law would increase the cost of construction permits by around 50 percent. Today, construction permits cost about 1 percent of the estimated fair market value of the land on which the project is developed; the new law proposes to tax it at 1.5 percent.

Construction permits currently account for about 10 percent of the total cost of construction. If this new law is applied, they will account for 15 percent. The additional cost will be reflected in an increase in the asking prices or by shrinking of the developer's profit margin. Either option is disastrous – a hike in prices would stall an already stagnating market, and developers are already working with very narrow margins and cannot absorb more losses.

Many developers have already begun taking measures to help defuse some of the pressure off the market, cutting a sizeable chunk from their profit margins. Over the past several years, profit margins have dropped significantly, from around 30 percent per year to less than 12 percent in some instances. They have also begun offering larger and larger discounts, as high as 30 percent on certain properties.

Requests for construction permits are already dropping year on year, as per official data published by the Order of Engineers and Architects in Beirut. Imposing higher taxation and driving up construction costs will further shrink the number of new permit applications.

TAXING CAPITAL GAINS

An income tax has also been proposed on the capital gains realized upon the sale of a property. Capital gains are calculated as the difference (increment) between the purchasing price of a property and its selling price. All sellers will be taxed at 15 percent, even individuals who are not registered with the local authorities and those who are normally exempt. Companies will be taxed at 17 percent instead of the current 15 percent income tax rate. Additionally, companies will still be taxed 10 percent upon the distribution of profits to shareholders. The proposed capital gains tax would be applied across the board, to individuals and companies, on the sale of any property – residential apartments, plots of land, shops, offices, warehouses, buildings, etc. It is payable within two months from the date of sale and would further deter real estate investment.

Introducing new taxes to the real estate sector could threaten one of the last working sectors of the local economy

Additionally, the proposed increase to the value-added tax (VAT) from 10 percent to 11 percent will mean less disposable income for potential real estate buyers, but even higher property costs. Indirect taxes on the sector (such as increased tax on the services of notary publics and a hike in the stamp duty on contracts) will further burden contractors, developers, investors and individual buyers.

TAXING PERCEPTION

Taxing income and profits is natural and fair. However, introducing new taxes to the real estate sector could threaten one of the last working sectors of the local economy. The market is already burdened by more than 17 different taxes and fees, and corruption traps everyone – from developers to investors to individual buyers – under a very heavy yoke. Real estate investments have traditionally been seen as a safe haven in an otherwise highly volatile, insecure economy. Taxing developers, investors, and buyers – at a time when the entire Lebanese real estate industry is hanging on by the sheer will of these players – could mean its demise.

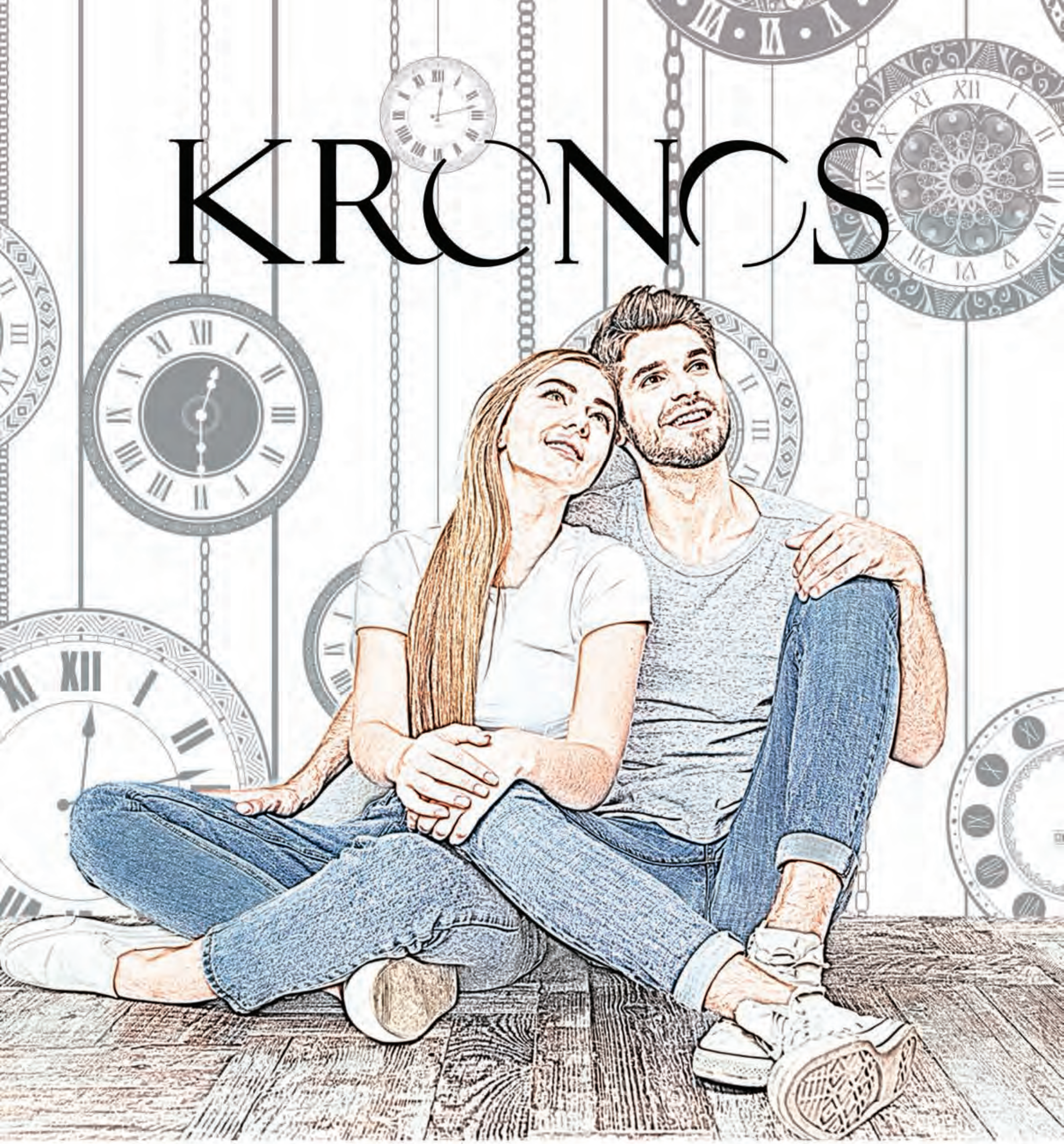
The biggest question is how the government will employ the additional tax revenue. Will increased taxation translate into better infrastructure, better quality services, the eradication of corruption, or reduced bureaucracy? Or will it come as yet another burden to be borne by an overwhelmed population?

When will real estate developers, who generate 18 percent of the gross domestic product, according to 2015 figures published by the Central Administration of Statistics, and who employ hundreds of thousands of people, stop being labeled by officials as financial pariahs, amassing fortunes on the backs of unsuspecting customers?

The reality is very different. Developers made good money and sizeable profits when the market was booming – as did everyone else. However, since the economy has stagnated, so have their businesses, their incomes, their profit margins, and their liquidity. If they do not drop their prices further, it is largely because the price of land has remained stable. Many cannot afford to sell at depressed prices because they simply will not be able to afford to buy the next plot of land they need to build a new project.

Developers are part of this economy, and main players behind its growth. Taxing them into bankruptcy can only be detrimental to the economy as a whole. Real estate investments have been a major driver of the local economy, and lenient taxation has attracted investors across property types, from residing locals, the large Lebanese expatriate community, to regional investors, mainly from Saudi Arabia and the Gulf countries. Today, foreign investors are divesting from the market, leaving only local buyers. Further taxation will drain even that last remaining market driver.

RAJA A. MAKAREM
Managing Director / RAMCO sarl


KRONOS

By Jeremy Arbid

Interview with Georges Corm

Former finance minister calls for targeted and intelligent tax reform

Now that the government has approved the 2017 budget, the question remains as to what new taxes or tax increases might be imposed. As Executive goes to print, the indication is that there will be some introduced, but it is not clear which, and Parliament will have to debate the budget before it is ratified into law. There appears to be zero studies by the government (or, at least, none that are public, and officials decline to provide details) of expected revenues, their social impacts or the effects to the economy that new taxes might imply (see cover story, page 16). Georges Corm, Lebanon's minister of finance at the turn of last century, describes to Executive the government and Parliament's approach to financing public spending as convoluted and misleading. "[It's] like somebody stumbling through a room without lights," he says.

E ***How do you view the government's proposal of new taxes or tax increases as a new source of revenue to the state?***

The tax system is unfortunately not based on any strategic view of what the needs of the Lebanese economy are. What I've said repeatedly is that our tax system is putting a burden on people that are in the productive sector. As soon as you are productive and receive an income from your productive activity you are liable for the income tax. But if you live from your rent revenues, except for the 5 percent tax on interest income from banking deposits, you have no income tax to pay. So this is an unfair system and a system that punishes the productive sectors (industry, trade and services) and encourages Lebanese to go more into rent-type activities that are untapped by the government. When I was minister of finance, I wanted to introduce a general income tax, as our income tax system is fragmented with different tax rates according to different categories of revenues. In addition, taxpayers have to file separate income tax returns for each kind of taxable income so that income from various sources are not accumulated and assessed to be subject to a general income tax according to the same progressive rate of taxation of the overall income. This not only causes the treasury to lose a substantial amount of income tax, but it is also a headache for the taxpayers, as they must presently file many different income tax returns it have revenues from different sources. Therefore, a unified income tax system would make life easier for all taxpayers as many Lebanese have several sources of income that are not taxed together. So having several sources of income that are assessed separately by the tax department is a big headache both for the taxpayers and the tax authority.

E ***One local bank said in early March that tax evasion amounted to $4.2 billion. Is this figure anywhere near accurate?***

These are guesses, we [don't have reliable] statistics in Lebanon. What is extremely important is to close the many loopholes in tax legislation that allow revenues to legally escape income tax. Looking at petty trade activities, it is a loss of time for an income tax department to try to tax them, while what is important is to check that tax collection is properly followed by tax authorities as compared to tax assessments. In addition, there are a lot of tax breaks, especially for new investments, but it is not transparent and you do not really know who is getting the tax exemption.

E ***In late March the government issued $3 billion in treasury bills which were snapped up by local banks.***

The government has no problem in raising the amounts needed to refinance its maturing debt obligations, as a large part of the quite substantial yearly banking profits is due to subscribing and trading T-bills (treasury bills) and Eurobonds issued by the state. This is why I would advise the central bank, the Ministry of Finance and the private banking sector to agree to decrease the average interest rate paid by the state on its public debt by around 1 percent on any new issues. Such a decline in the cost of servicing public debt to the state would save the treasury a yearly amount of $700 million in a few years time.

E ***Some of the newly issued debt does replace old debt that was at a higher interest rate. But for Lebanon to get to a more attractive interest rate would that not require a higher sovereign credit rating?***

Not necessarily because Lebanon's public debt is mostly owed domestically, even in respect to dollar denominated debt. This would affect the profit of the banks only a little bit. They have had such huge and continuously increasing annual profits since the nineties, whatever the economic situation of Lebanon, that a reduction in interest rates paid by the state can be bearable without endangering their profitability. Whether there is a 1 percent or an 8 percent growth of the economy, bank profits are unaffected by the variation in economic activity because they have this huge portfolio of treasury bills that secure a steady and increasing flow of banking revenues.

> One should also mention that Lebanese banks are giving higher interest rates on deposits than anywhere else in the world

E ***The banks always argue that because they are the most transparent sector, they are penalized and targeted to pay more taxes.***

I don't see how they're penalized, and I don't think the banking sector drives the economy. Yes, Lebanese banks are very good at serving their affluent clientele both inside or outside Lebanon. This is why this contributes partially to attract the big flow of remittances that are sent from our emigrants, remittances being the biggest source of financing of our huge trade deficit. But, one should also mention that Lebanese banks are giving higher interest rates on deposits than anywhere else in the world, which might be the most important drive for the flow of remittances. This is why I believe that they can decrease them a little bit, instead of these endless discussions on how to tax more the banking system.

E ***What effect might the proposed 2 percent tax increase on the interest of deposits (a capital gains tax) mean for the banking sector and for the economy?***

I am personally not enthusiastic about raising the tax on the interest of banking deposits. But raising this tax from 5 to 7 percent will probably not produce a decline in the amount of deposits in the banking system. If adopted, this measure should not be repeated. In fact, I believe that a reduction in the average rate of interest paid on public debt would save more money for the treasury than what the increase in the tax would yield as an additional revenue. All these kinds of measures should be studied carefully.

E ***Would an increase on the corporate tax from 15 to 17 percent discourage Lebanese banks' appetite to buy locally issued debt?***

Certainly not. But again, I prefer the decline in the average interest rate on the public debt. We have almost 4 or 5 or 6 percent differences according to the maturity of the bonds and treasury bills that the state is issuing. If Lebanese today, because they are the subscribers directly or indirectly want to go to foreign banks abroad to place deposits, they will get what? One percent, maybe 1.5? So you still have quite a margin to have a reasonable decrease. Let's bring the premium paid on large deposits in Lebanon to 3 or 3.5 percent above average interest rates paid outside Lebanon by international banks on their deposits. Currently, on average, we're around 6 to 6.5 percent paid on Lebanese pound deposits and 4 to 4.5 percent (or sometimes more) on dollar deposits. For what the state is paying on its debt, if you take out 0.5 or 1 percent it will not be a catastrophe for the banking sector nor for attracting capital from abroad. A decline in interest rates in Lebanon will also be positive for productive activities and new investments as it will also reduce the cost of financing in the economy for the private sector.

E *What might be the effect when taxing consumer behavior by raising the Value Added Tax (VAT)?*

Nothing has been studied carefully. For VAT you can have two rates, although I do not like that. You can have a 15 percent tax rate on luxury goods for instance, and keep other goods at 10 percent. There should be a study of the different alternatives to see what the yield will be to the treasury, but you have a government which did not detail how the proposed 22 new taxes or increases in existing taxes are going to be implemented. Such a proposal in one shot is unreasonable, especially since most of the proposed taxes are fees and excises. For instance, when the government says it is going to double the fees for public notaries, this will affect all the Lebanese population and will constitute quite a burden on the large poor segment of the Lebanese population. The government says they're going to, and this is a very old issue, tax the resorts along the coast that are not legal, estimating that it will yield 400 billion Lebanese Lira, but how did they arrive at this figure? And what about raising the very low basis for calculating the rent paid to the state on using legally public domain along the sea or the river coasts? Why did the basis of assessment of this tax not change since the early 1990s?

> A decline in interest rates in Lebanon will also be positive for productive activities and new investments

E *Are these figures pulled from thin air, or how has the government arrived at its estimates of revenues for these proposed taxes?*

You can do it but you need the statistics, but if you don't have data how can you have an opinion? The minister of finance says this will bring us a certain number of billions of LBP, but I don't see how the ministry determined its estimate of the additional income that would accrue to the treasury.

E *What effect do you think new or increased taxes might have on consumer behavior?*

You have to distinguish between Lebanon's two separate economies. The economy that is very prosperous – the nice areas of Beirut with the restaurants and hotels and some summer resorts in Mount Lebanon, and where you see luxurious cars and the very affluent part of the population. I don't know what percent of Lebanese families are affluent, but my guess is that it can't be more than 6 or 7 percent. Then you have the other economy that is a deprived one, where people are on the level of poverty, sometimes extreme poverty, and these are not the people that should support additional taxes on consumption or on legal documents they need in their daily life. This is why we have to stop going to indirect taxes, and to simplify the tax code through a unified income tax, canceling old dated excise taxes or fees (like the stamp duties). In addition, the government can take some additional income tax measures, so that ultra-luxurious villas or apartments are taxed in accordance with the luxury and quality of the residence. In addition, real estate companies can buy and sell real estate assets just through buying or selling shares, thus escaping the 6.5 percent registration fee. I tried to introduce a 6 percent tax on the selling or buying of shares of real estate companies so that it is the same as the tax burden that is paid by individuals buying a property. This is a legal loophole.

E *So you are in support of some new taxes?*

I am not in favor of imposing 22 new tax measures in a haphazard way just to increase treasury revenues. There should be an intelligent and adapted tax policy that will rebalance the sources of tax revenues between productive and non-productive activities on one hand, and between income tax revenues and consumption taxes or excises and fees on the other hand.

E *If the government imposes any of the proposed taxes should projections for economic growth downgrade?*

No, because I go back to what I said earlier: we have two economies. A very affluent economy that could support a reasonable increase in the tax burden on income or on luxurious consumption without any problem; and the other which is stagnant where the level of poverty is continuously and dangerously increasing. Of course, a 1 percent increase in VAT for this category of people might affect them. In any case, it is urgent that we have enough studies and statistics to study the impact of additional taxation measures. Today, the staff at the Ministry of Finance is in a black room, pitch black – they act like anybody would in such a case, i.e. behave erratically.

VITAL AND SEEKING VIBRANCY

By Thomas Schellen

Lebanese insurers' long march into a mysterious future

The numbers for overall premiums growth, penetration and density in the Lebanese insurance market in 2017 may not bring huge surprises. In 2016 the sector delivered 3 percent nominal growth in gross premiums, from $1.52 billion in 2015 to $1.56 billion, according to the latest quarterly report of the Association of Insurance Companies of Lebanon (ACAL). The compounded annual growth rate (CAGR) of written gross premiums for the period 2009 – 2015 was 7.6 percent, according to the latest figures published by the Insurance Control Commission in its annual report for 2015.

The 7.6 percent CAGR of written gross premiums was eclipsed by the CAGR of claims at 15.6 percent, but in line with the 7.1 percent CAGR of the sector's net income after tax. It also is notable that year-on-year growth for gross written premiums in 2015 was better than in 2014, at 7.8 percent versus 4.3 percent, but that the last three years have witnessed significantly lower annual growth rates than the years 2007-2011. Total premiums were $727.52 million in 2007, roughly half their level in 2015. Total net profit for the sector according to the ICC stood at $93,150 in 2015.

The overall underwriting activity of Lebanese insurers is segmented into three main business lines – life insurance, medical insurance and motor insurance. The percentage split has been *grosso modo* stable for years, with about 30 percent in life, 30 percent in medical, and 22 - 25 percent in motor insurance. The next business line by volume is fire insurance, which according to ACAL accounted for 6.9 percent of the total market in 2016.

All other non-life specialties contribute less than 3.5, and often less than 1 percent, to the total premiums pie – incluing coverage for workers' compensation, engineering, contractors' all risk, cargo, travel and transportation, public liability, and credit insurance, as well as policies against perils such as political risk, hostage and ransom, terrorism, riot and civil unrest, loss of a company's key person, directors and officers liability, and so forth.

Policies and awareness of coverage for incidents that will define the corporate risk landscape and insurance contracts of future decades, like cyber insurance, seem to still linger beyond the horizon of most companies. It seems one can insure (almost) everything in Lebanon (ironically, the ICC lists no local companies as licensed for the agriculture branch, one of six licensing categories under the regulatory portfolio), but the demand here is focused on mandatory coverage, not on the risks that might have the greatest impact on an economic entity or the whole country.

UNTAPPED POTENTIAL

The challenges in this situation, where insurance is understood as being vital for the Lebanese economy and society, while awareness of its importance is still focused on basic coverage, were highlighted in the International Monetary Fund's (IMF) latest evaluation of insurance in context of the national financial sector. The evaluation was published earlier this year under the IMF's Financial Stability Assessment Program (FSAP) and notes that the Lebanese insurance sector is confronted with "structural challenges" to its development.

The FSAP, research for which was completed last autumn, points to the obvious fact that the total assets in the insurance sector at $4.3 billion, or 8.6 percent of GDP, are "small compared to the banking sector," (with $150 billion in deposits equaling 280 percent of GDP). It continues, "There might be scope for market expansion and deepening [of insurance], which would help corporates and households better manage risk exposures, support investment, contribute to financial inclusion, and expand contractual savings that could contribute to capital market development."

The FSAP document describes Lebanon's Insurance Control Commission positively (for interview with the acting head of the ICC, see page 52) but notes critically of the insurance sector, "There is a large number of unspecialized companies, including many small, family owned and managed companies, resulting in intense price competition. Many of these firms have made limited investments in risk management and pricing techniques, and the ICC considers some do not have adequate professional capacity, resulting in operational risks and mispricing."

With regards to the overall financial system of Lebanon, the FSAP sees sovereign and credit concentration risks as potential vulnerabilities in the nation's banking sector, based on solvency stress tests and sensitivity analysis. It further asserts that neither the capital markets nor the secondary debt markets are well developed. "Capital markets are small and contribute little to the financing of the economy, and expansion prospects for the insurance sector are hindered by a relatively weak regulatory and institutional framework," concludes the document's executive summary.

Given the overall state of the financial environment, insurers in Lebanon are facing an economic path that looks mildly challenging, but at the same time slightly promising – more promising the more the economy and regional stability recovers, and the more the Lebanese state overcomes its inefficiencies and inequities. That notwithstanding, to borrow from George Orwell, some insurers appear a bit more equal than others when it comes to thinking about the future and initiating promising new trajectories.

HOPEFUL SIGNS

While it is true that some insurers have outperformed the overall sector in 2016, this is not a narrative that will advance the Lebanese insurance industry on a path to new life. The real story is that some of these outperformers are the very companies that have declared themselves adherents to practices and principles which in the past were not common practice in the sector.

The first of these is a commitment to transparency and governance. Nothing currently obliges insurance companies in this country to practice either. And no Lebanese insurance company is listed in the stock market, so even if the Beirut Stock Exchange had much stronger governance requirements, this would not matter for insurers.

In this desert of transparency, void of culture and incentives for governance, it is encouraging to encounter a full and proper board structure in a sizeable Beirut-based group like Chedid Capital Holding, whose bread and butter is insurance, and find that it is indeed possible for such a group to perform well in the current economic environment. According to group chairman Farid Chedid, organic top line growth in the past year was over 30 percent (including the acquisition of Sharjah-based brokerage Al Manara, "we reached growth of over 40 percent in the top line," he says).

Even more impressive is that the boards of units in the group are not opaque or stuffed with names of only one family, but entail credible Lebanese and foreign names among their independent, non-executive directors. There are other examples of liberated financial thinking in the management strata of local insurance companies, such as an orientation toward competition over quality, solvency and sustainable long-term profitability.

This contrasts with the lack of a regional or national culture in Middle Eastern insurance sectors, with very poor habits when it comes to annual report writing, communication and general transparency toward analysts and the public. Sector practices have for many years given an uninspiring impression of a field characterized by politicking, narrow interests, undemocratic debate, and horse-trading or influence peddling.

The second uncommon valor is modern positioning vis-a-vis the customer and an emphasis on employee welfare. In December of last year, Lebanon's largest insurance company by consolidated premiums undertook its inaugural customer loyalty survey, conducted by a multinational market research company.

> Some insurers appear a bit more equal than others when it comes to thinking about the future

The survey was focused on customer experiences in life insurance, but there are plans to conduct a second survey on non-life insurance, Allianz SNA's chief market management officer Raed Labaki tells Executive.

"It was an external survey to compare the satisfaction of our customers in life insurance with our main peers and with the rest of the life insurance market. We were happy to find that we were the loyalty leaders compared with the average of the market but, most importantly for us, [the survey] helped us to identify our strengths and our weaknesses, both [our customers'] delights and pain points," he says. According to him, the company will now consult with experts in the global group and develop a customer experience action plan to improve on the pain points that were identified. "Our aim now is to maintain this loyalty leader position," he enthuses, adding that the group's lead over the market in terms of loyalty was in double-digit percentages for each measured touch point.

Inspiringly, it is not only the Lebanese units of large foreign insurers but also hometown players that are betting on customer centricity as their new angle. "We decided to become not just customer focused but customer obsessed. Every single client counts enormously for us, because it is an opportunity to make the client our brand ambassador and show people that we value them. This is how we are going to grow our business," says Anthony Khawam, the company's 29-year-old deputy CEO and a third generation member of the family that controls Securite Assurance.

Securite Assurance, which in the past was notable for writing a large part of its portfolio in simple compulsory third-party liability covers against bodily injury in motor insurance, has been shifting out of this market and into more complex businesses, targeting growth of its medical and no-fault motor business as a first step, with plans to focus on developing its term life insurance business.

Next to the emphasis on customer experience and, for distribution of policies, on serving its broker community with high commissions and new digital tools, a third pillar in Khawam's thinking is employee centricity. "People – this is the most important thing in the company, not the service but the employee, because giving great service and having a great brand is nothing [compared with] having a great culture," he says.

In his opinion, every employee is a building block of Securite's corporate culture, and the insurer has therefore contracted employee training consultants and invested in developing a human resources (HR) department led by a chief people officer. "We want to recognize people and make sure that they are rewarded financially and morally; that is the key mandate of this department," Khawam explains. "The most difficult thing to do is change culture. We read many books and papers about culture; and changing people's culture takes a lot of time."

He says the family company has worked for the past three years on building an advanced service infrastructure, and is now in the middle of developing a brand infrastructure. The company took many cues, atypically for a Lebanese insurer, from consumer branding strategies in the Fast Moving Consumer Goods industry. It also is adopting a corporate lingo and communication style that is similar to management consultants.

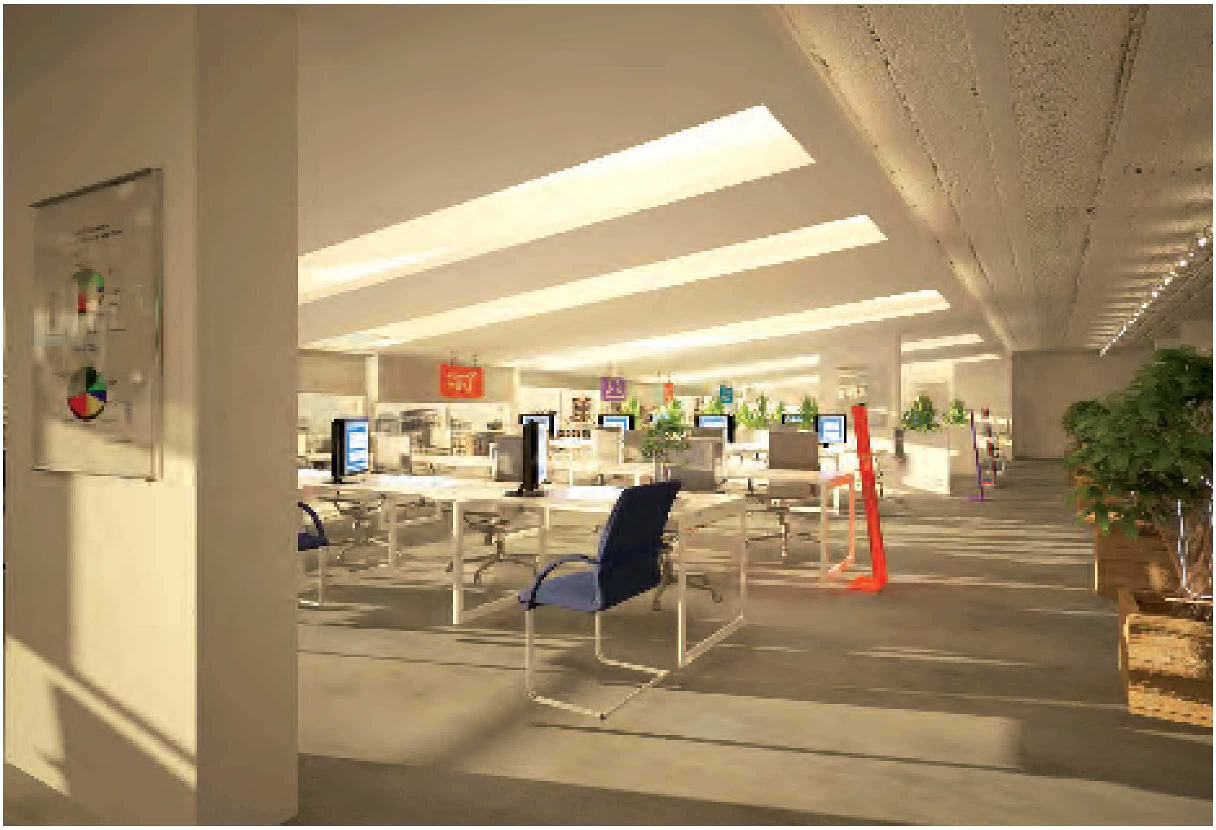
Customer relationship management and human capital development have been established practice for years in companies that applied customer and employee retention, development strategies, and had real HR departments instead of personnel departments. But such corporate philosophies are still out of the ordinary in parts of the local economy. Having said that, managers like Arope GM Fateh Bekdache told Executive years ago of their preference for an appreciative pat-on-the-back in employee motivation, just as a handful of other insurance CEOs in Beirut have long stressed upon the importance of corporate governance in their organizations.

Even the office landscapes of some insurers are developing, with some pleasant surprises. A reporter 10 years ago might have left the premises after an interview with memories of claustrophobic dark walls, intimidating fortress-like desks, warrens of corridors and confusing office layouts.

These days, some insurance companies can be found in buildings constructed especially for them, or are engaged in building their own premises, which in the past one would more commonly see with banks (a clustering of insurance companies even seems to be happening in the Hazmieh/Jisr Bacha neighborhood). Alternatively, insurers might reside in the same buildings as a decade ago (with their uninviting lobbies and old elevators), but have invested in creating much more appealing office environments. A major example of a surprising redesign and jump into office contemporariness is the lair of Securite Assurance, where a transformation to literal office transparency is in progress this year, with the implementation of interior glass walls and new staff amenities that seem right out of a manual for achieving better work-life balance.

> It is not only Lebanese units of large foreign insurers but also hometown players that are betting on customer centricity

Another hopeful sign of soft development in the Lebanese insurance sector is the adoption of new methods, technologies and processes. It goes hand-in-hand with empowerment of the next generation of insurance leaders, in both family-owned and operated firms and in the few corporate insurers on the local scene. For example, one large bank-owned insurer recently hired its first-ever junior digital marketing officer. Another bank-owned



Modern insurance calls for modern offices

provider told EXECUTIVE it was working on a corporate website that actually deserves to be called functional and would present something other than an online billboard. Overall, while digitization is still in its exploratory stages in the country, many sector companies have committed to or have already implemented new websites and evidence suggests that insurers are increasingly thinking about how to communicate and live up to the behaviors of the digital age.

In its overall prospects, the Lebanese insurance sector looks better in 2017 and going forward than it has for quite some years

Such innovations and changes are part of normal corporate existence anywhere, but it gives hope to see that such things are becoming more visible from insurance companies in the local climate. Just as it takes many drops of rain or grains of sand to make a storm, culture change in an industry can only came to fruition when many small components interact. This observation comes with the caveat that the companies in the Lebanese insurance sector are far too numerous to undertake any exhaustive investigation of their new behaviors and the degree of their seriousness and sustainability, or to say what innovations or best practices may have already quietly been bred at companies years ago.

Equally, it is far from visible today where the Lebanese insurance industry might be 10 years from today. One thing that the numbers do tell is that the industry ridiculously still harbors many companies that have either an annual production of gross premiums below $1 million and/or capital that is below any rational consideration for a modern financial firm, and purely based on the outdated minimum requirement for $1.5 million in capital under the current law. Given the sector's fragmentation, consolidation remains a key challenge (see story page 36), but there are hopeful signs reaching the public that this could take place. In its overall prospects, the Lebanese insurance sector looks better in 2017 and going forward than it has for quite some years.

By Thomas Schellen

A desperate chase for consolidation

Insurance sector development needs accurate roadmap for mergers

There is no shortage of challenges present or overdue reforms absent in the insurance sector in Lebanon. The backlog of unsolved issues begins with the need to renew the insurance law that was adopted about the time the Chevrolet Camaro was a new automotive design. It has – albeit once facelifted in the 1990s – stayed in power since. Problems do not end there, ofcourse, stretching to absent corporate governance and transparency in sector companies, to underperformance of insurers as institutional investors in the context of Lebanon's largely dysfunctional capital markets. The legal framework lacks provisions for the proper supervision of mutual societies, for support of life insurance as savings instrument for the masses, and for regulation of distribution channels (such as bancassurance) that were innovative some 30 years ago. The industry faces a future that will be bubbling with new realities, new risks and new distribution channels, but it is still stuck in the past in terms of capital structures and requirements and corporate cultures in many organizations, and is crowded with inefficient actors.

The insufficiencies of the Lebanese insurance industry cannot be blamed on anyone in particular. As with so many other things in this country, they have resulted from conflicting historic trajectories where the ingenuity of local minds clashed with encrusted structures in politics and society. Even if it were possible to point an accusatory finger at one group of persons or institutions, it would do nothing to solve any problems. The question again coming to the fore is: can consolidation transform the insurance industry?

Observers and insiders of Lebanese insurance have, during the past 20 years, said time and again that the market has too many insurance companies and would benefit from cutting that number down by about half: from 50 to 60 existing insurers to 20 or 30 players. The latest idea, which has been discussed in insurance industry circles and by the regulator, the Insurance Control Commission (see interview with acting ICC head Nadine Habbal on page 52), is to convince the central bank of Lebanon to provide soft loans as incentives for mergers and acquisitions.

Posing the question about the value of financial merger incentives to a number of industry members put the issue into perspective. No insurance manager told Executive that a push for mergers would be detrimental or that provision of soft loans would be anything but good. However, sector members pointed out a wide range

of priorities and factors that would feature more prominently than financial incentives in any M&A. And while the recently finalized acquisition of Lebanese insurance company Al Ittihad al-Watani might stoke new interest in the consolidation topic, it hardly seems able to serve as a model for successful consolidation among local insurers.

Acquirer NASCO Holding initiated the negotiations for the takeover of Al Ittihad, but not under a rationale of promoting synergies between its Bankers Insurance and Al Ittihad in the Lebanese market. Instead, the move was driven by the potential that NASCO saw for boosting business in the United Arab Emirates, confirms Marc Abi Aad, manager for group corporate development at NASCO. “The acquisition of Al Ittihad al-Watani in Lebanon, which has a branch in the UAE, will enable us to consolidate NASCO's existing book of business in the UAE at the level of this new vehicle. Instead of fronting it with two third parties, [we can] now capture the whole profitability of the portfolio by underwriting profits in the UAE instead of earning commissions on these premiums. That is one of the main motivations and [an important] driver behind the acquisition," he tells Executive (see story, page 44).

ACQUISITION RATIONALES

The case of a Lebanese insurer that is attractive for a takeover in the context of an international player's regional strategy because of its operations outside of Lebanon has been something of a standard scenario in recent years. The existence of licensed branches in GCC countries is presumed to have been the main driver behind the less-than-perfect acquisition of Compagnie Libanaise D'Assurances (CLA) by Zurich Insurance in 2010, which spawned a court confrontation between acquirer and acquiree. Zurich Middle East, according to the annual report of Lebanon's ICC for 2015, had only a minuscule share of premiums in the local market and did not seem to have an active presence in Beirut. Regional strategy and the aim to leverage a Lebanese insurer human capital for expansion in the Gulf region was also an element in the acquisition of 81 percent of Bank Audi's LIA Insurance by Casablanca-based Saham Finances in 2012, as the Moroccan company's CEO told Executive at the time.

Even if crowned with success, opportunities to push regional expansion by way of aquiring a Lebanese insurer's acquisition are rare, and cannot define a pattern for consolidation among local companies in Lebanon's insurance sector. It may thus be more fruitful to gauge acquisition opportunities on the basis of best practices in corporate behavior as experienced by decision makers who have undergone the exercise in the financial industries of emerging markets. For example, in the experience of regional insurance holding Chedid Capital, which in only the past three years has facilitated the creation of an African insurance joint venture and the acquisition of two broking units (one in Mauritius and one in the UAE), money and financial incentivization is not the top consideration when thinking about M&A possibilities and looking at an acquisition candidate.

MONEY DOES NOT COME FIRST

"First and foremost, as rule one, we look at ethics and integrity of owners and managers in the company. Rule number two is that we look at the potential to grow not only its business but also to enhance its systems, processes and corporate governance. We want to make sure that the company will adhere to our level of corporate governance and risk management, and to our standard of internal controls and ethics," says Farid Chedid, the chairman of Chedid Capital and general manager of multi-country reinsurance brokerage Chedid Re.

When it comes to the acquisition process, money is not Chedid's first concern. His priority is to have a well-structured framework of detailed merger rules. These should then be accompanied by incentives, he adds, saying, "Soft loans are one aspect. What is required is a clear set of rules to protect both the buyer and the seller during an M&A. Once they are protected by rules, you also need to give incentives. Any M&A has constraints, one of these could be financial. There needs to be a set of rules with duties and obligations for each party [to a merger] and incentives that will push investors to buy or existing shareholders to sell."

■ Money and financial incentivization are not the top considerations when thinking about M&A possibilities

For Chedid, the specificities of the insurance industry in terms of reserves, provisions and regulatory capital requirements warrant special care when it comes to a merger or acquisition. Buying an insurance firm is not like buying any other company, where gaining an understanding of its assets would be the main task. "Assets are easy to figure out in an insurer but reserves are difficult. The difficulty is to assess the reserves and their quality, to see if all data is in the system or if some has been withheld from a potential buyer. One of the worst situations would be that a buyer comes in and finds out later that they were misled or that information was withheld," he explains.

Therefore, a new insurance law in Lebanon, if it gets adopted, needs to include rules on corporate governance and internal controls, he emphasizes. "Within the law's rule on corporate governance there needs to be a section on change of control, how it has to be managed, e.g. can sellers sell and be free of [any further] obligation even if they have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misled [the buyer in the transaction]? Can buyers withdraw even if they did not perform proper due diligence? Lacking clarity in such rules and subsequent court battles affect the reputation of the Lebanese insurance industry," he warns, with an unspoken nod to the problems and court arguments which have followed opaque mergers in the recent past.

THE PROBLEM WITH THE LEBANESE GOVERNANCE CULTURE

Indeed, the trajectory of developments in the Lebanese insurance industry in recent years does not bode well for mergers and acquisitions, says Antoine Issa, the MENA CEO and chairman of

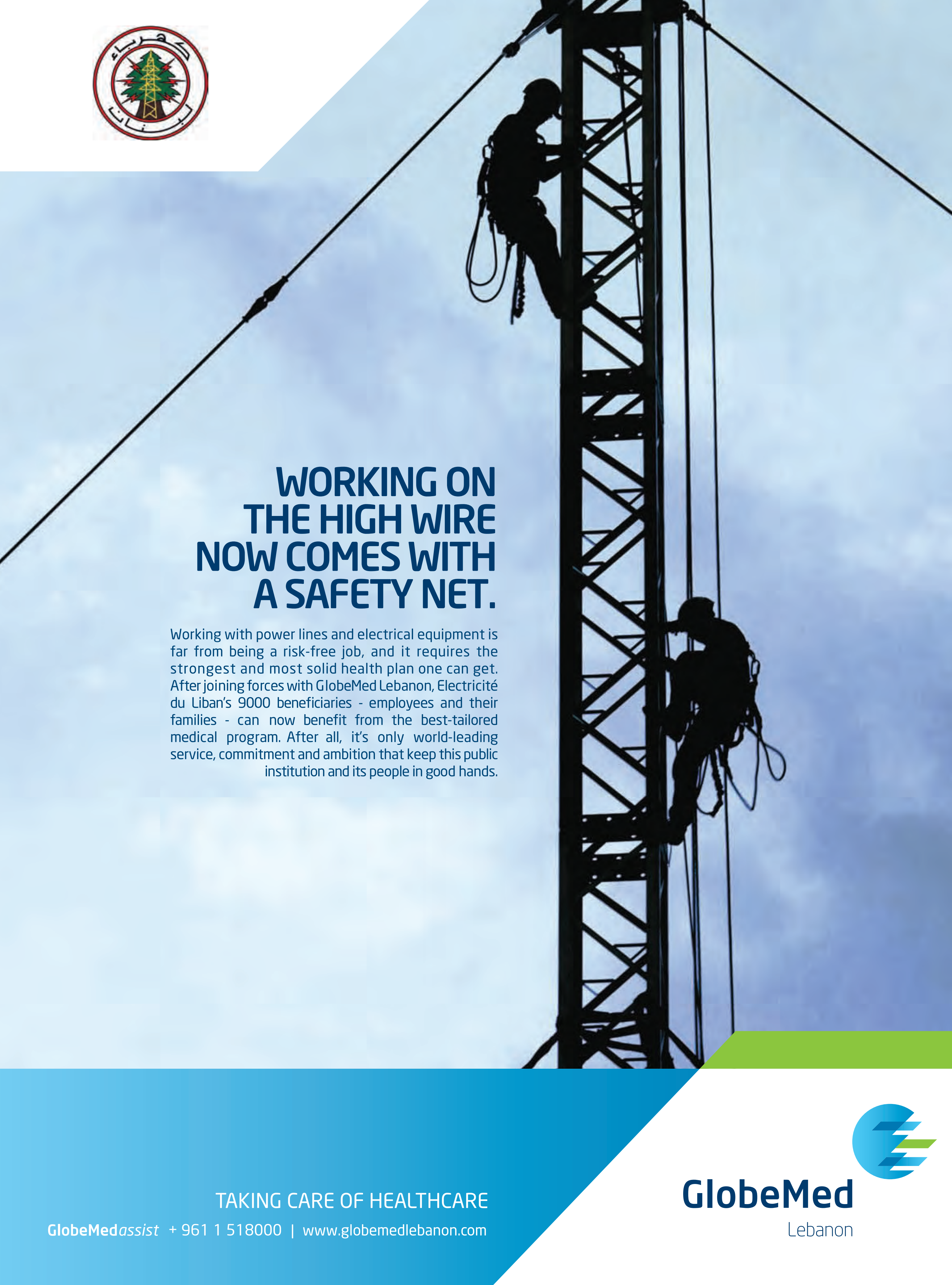
Allianz SNA (the Lebanese unit of the German insurance multinational and leader by overall written gross premiums in the Lebanese insurance sector). In his view, the infrastructure for successful M&As in Lebanon, in terms of regulation and governance, is "probably the lowest in the Middle East today," because many other countries in the region have developed stronger frameworks for governance in the past decade, with Saudi Arabia having led the advance. "So far we have not seen real mergers and acquisitions, but [only] changes of shareholding because small companies are reluctant to open their capital. This is a little strange. We [Lebanese] participated in the development of all these markets in the Middle East but today we are lagging behind in terms of governance, risk management and regulation, capital and solvency, etc.," he tells Executive (for interview with Issa, see page 56). To the question of how mergers and acquisitions in Lebanon could be encouraged most effectively, he responds that, in his view, this is very difficult because best governance structures result from the listing of companies, but the appetite for listing companies is lacking in Lebanon, even in the banking sector. "In a listed company, governance is creating transparency for the public and shareholders," he explains. He advocates that all banks and all insurance companies in Lebanon should be listed and traded on the stock market, but that this cannot be achieved without first instituting a culture of capital markets and transparency in the public sector.

> We [Lebanese] participated in the development of all these markets in the Middle East, but today, we are lagging behind

"Capital markets in Lebanon are very weak; we don't have real capital markets and I think this is bad. We definitely need strong capital markets if we want to develop the economy. To grow a successful family business into an institution, you need capital markets that give access to funding other than having a loan. Unfortunately, we don't have this culture in Lebanon and this cultural lack begins with the public sector. If the government does not have governance in its institutions and if we don't promote governance in public institutions and then in private institutions, nothing will happen," reasons Issa.

NEED FOR RISK-BASED CAPITAL REQUIREMENTS

It seems that the more one asks about M&A prospects in the Lebanese insurance industry, the more alerts to missing requirements one gets. Bernard Sfeir and Charbel Chaanine, heads of the finance and marketing departments at bank-affiliated Lebanese insurance company ADIR, chuckle mysteriously when telling Executive, "We know which insurance companies might be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potential acquisitions for us in future." The two managers confirm that ADIR – thought to be among the top10 in terms of consolidated premiums position in life and non-life in 2016 and the fifth most profitable insurer in Lebanon in 2015 by the bottom-line figures shown in the ICC's annual report – would by its financial strength be able take its pick among any of 40 smaller insurers for an acquisition, but concede that the number of healthy and realistic takeover candidates would be much smaller.

In the perspective of ADIR's head of finance Sfeir, an acquisition of a small insurer's portfolio could be more interesting than an outright corporate takeover. "Why [would you agree to] have the headache of acquiring a whole company and go through the due diligence process and seek if there are any synergies between your company as a well-built organization and another organization that may be smaller or weaker?" he asks rhetorically. In his view, any of the top insurance companies in the Lebanese market would probably benefit more from acquiring a portfolio and could on its own solicit agents or brokers associated with the portfolio, without going through the trouble of assimilating another company with all its possibly hidden skeletons.

Acquisition of a portfolio would be contingent on its quality, its synergies with ADIR's portfolio and on its acceptance by ADIR's primary reinsurers, and also necessitate a due diligence process on the technical side as well as an assessment of human resources that might be taken over together with the portfolio, Sfeir adds. The central element in his list of merger incentives would, however, be an increase in minimum capital requirements for insurance companies, preferably in combination with a risk-based capital approach. He thinks Lebanon in this regard should learn from European experiences, for example, the long process of drafting and implementing the Solvency II regulation.

> Any generic large hike of minimum capital requirements would promote consolidation but might disproportionately benefit large insurers and hurt small ones

As he sees it, any generic, large hike of minimum capital requirements would promote consolidation but might disproportionately benefit large insurers and hurt small ones. It also would not be as fair and as effective as the implementation of a package emulating the Solvency II evaluation approach, entailing risk-based capital, market conduct, corporate governance and a host of detailed parameters. "A whole concept should be applied to encourage mergers and acquisitions, not only subsidized loans. [Offering] subsidized loans is a good step but only one step. Other steps would be to impose the law, update it when there is a possibility, and most importantly, adopt a risk-based capital approach," Sfeir explains, elaborating further, "Basically, if [Lebanese regulators] want consolidation through M&A in insurance, they should start by imposing minimum capital requirements that are based on a minimum solvency capital requirement. If there is no risk-based approach, we will not get anywhere with just subsidized loans."

Under the ideologies of shareholder value and financial market efficiency, modern concepts of mergers and acquisitions – up to mega-mergers, hostile takeovers or leveraged buyouts – are about as far from the anti-trust and anti-merger concepts of the early 20th century's as a Tesla Model S or Google's autonomous Waymo car is from the American muscle cars of old. M&As nonetheless require great care to be able to restructure and redeploy assets and deliver competitive efficiency in an industry that is rife with contenders of varying quality while simultaneously preserving consumer choice in the face of the markets' perennial gravitation toward economic concentration.

As Lebanon has no real track record of successful M&As in the insurance industry, it seems a valid point raised by some insurance managers such as Allianz SNA's Issa that the soft infrastructure for such transactions, not only in terms of adequate legislation, but also in term of expert lawyers and investment banks with skill in insurance mergers, has yet to be massively improved. Then there is the need for functioning capital markets, corporate governance structures, and transparency of insurance company balance sheets as the foundation for building a consolidated industry that consists of healthy companies.

On top of all that, the sector's consolidation may require egos to become more deeply grounded in reality and readiness to realize the benefits of being immersed in a crowd of capable minds. Insurance in Lebanon today does not appear to sport Napoleon or any other great leader – but that is all the better if one assumes that the task of taking the industry into growth and consolidation needs not bosses but serious group efforts and teamwork. Still, one should not hold their breath waiting to see a wave of successful consolidation moves in Lebanese insurance.

By Thomas Schellen

More acquisition than merger

The rationale for the Al Ittihad al-Watani takeover by NASCO Insurance Group

The sale of Al Ittihad al-Watani Insurance evolved over several years and was rumored in the Lebanese market to involve a number of valuation issues before culminating in an acquisition by NASCO Insurance Group. NASCO, whose founding purpose was brokerage activity and whose main focus is insurance broking, pursued the deal on the grounds that underwriting is becoming more and more heavily regulated and capital intensive.

Not all that much was publicly known about the negotiations for the sale of Al Ittihad before NASCO came to the table. According to a document issued in August 2015, Colina Holding, a Mauritius-based subsidiary of Morocco's Saham Holding – which controlled 81 percent of Lebanon-based LIA Insurance in 2012 – was seeking a $30 million loan from Saham under the rules of the Mauritian stock exchange. The loan's intended use was for the purchase of the 94 percent stake in Al Ittihad recently taken over by NASCO.

This fits with the fact that talk about the negotiations between NASCO and Al Ittihad was present in the Lebanese market for several years. According to Marc Abi Aad, the Beirut-based manager of group corporate development at NASCO Insurance Group, the process of due diligence was lengthy, but this was because of the complexity of the transaction rather than other factors. He said the duration of negotiations was not caused by diverging views on the purchase price, which he declared to have been fair to all parties, but the amount of which he was not authorized to disclose to Executive. "The due diligence was a complex process of analyzing the company; it was purely a technical challenge. The amount of data that we needed to process and the amount of preparatory work that needed to take place took a long time," Abi Aad said.

The reason why the group stayed with the process is clear from the numbers related to Al Ittihad's operations in Dubai and the United Arab Emirates. NASCO's insurance broking operation made close to $500 million in transactions globally in 2016. In the UAE it acted as an agent for two local insurance companies, Abu Dhabi-based Al Wathba National Insurance Company (AWNIC) and Emirates Insurance Company (EIC). NASCO wrote about $45 million last year in business as agents of the two insurers.

EYEING THE EMIRATI MARKET

In the UAE, NASCO has achieved good annual rates of growth over the past few years – as have NASCO units in most GCC countries and certain other markets – but it could not address the local market directly or obtain a new license due to restrictive licensing practices in the Emirates. Al Ittihad's UAE operation showed impressive annual growth in its underwriting and, according to Abi Aad, grew from $33.7 million in premiums to $43.8 million in five years.

This has very positive implications for the group's market position after the acquisition. "The immediate potential we have for Al Ittihad by injecting the NASCO portfolio would propel the insurer to rank between 15th and 16th position in the UAE market, by doubling its premium volume to $88 million. This process will start in 2017, and it will be expected to reach full integration in 2018," said Abi Aad.

> Talk about the negotiations between NASCO and Al Ittihad was present in the Lebanese market for several years

He further explained that besides a boost of about 10 places in its market position compared with listed UAE insurers, the acquisition will open the door to synergies, because NASCO has a regional platform as a broker and underwriter through Beirut-based Bankers Insurance. He confirmed that "having Al Ittihad on board will definitely open new opportunities for NASCO," adding that the portfolio of Al Ittihad will benefit from access to NASCO's regional platform for inter-company business referrals. "The volume of referrals within the group is high and picking up [further]," he noted.

In all this, NASCO does not harbor an expectation to lasso the moon above Dubai or Abu Dhabi.

"We know our place as underwriters and will not compete even for a position in the top-ten insurance companies in the UAE market, but we want to exploit the consolidation potential between our portfolio and the Al Ittihad portfolio to the maximum," he said, adding that the acquisition would probably translate into a sustained or accelerated growth rate for the resulting entity. "At this stage, it is hard to quantify [the growth going forward], but it is going to accelerate. Double-digit growth is achievable, and I would say more than 10 percent [growth per annum] is plausible," he opined.

NO FAVORITES

However, the contrast between the upbeat expectations for NASCO's newly consolidated UAE operation and the outlook for Al Ittihad in the Lebanese market could hardly be more pronounced. "For us, it does not make sense to have two insurance companies that are competing in the same market with redundant costs in both companies. We have already stopped production at Al Ittihad Lebanon and unfortunately we have had to dismiss most of the workforce," Abi Aad admitted.

In recent years, the portfolio of Al Ittihad in Lebanon has weakened considerably – also because of inquietude in the market over the potential sale of the company – shrinking to less than $6 million; a level, which Abi Aad said, did not justify keeping the operation running. However, he noted that of the remaining workforce of Al Ittihad – the company had already gone through two rounds of severances from employees he said – "some employees will be invited to fill positions within NASCO."

As to the fate of the portfolio, he did not see it being automatically merged into the portfolio of Bankers Insurance. "It would be unfair and unjustified to give producers of Al Ittihad portfolios preferential treatment, and [take them] directly into Bankers. Of course, we are open to negotiations if any producer of Al Ittihad wants to roll over their portfolio to Bankers, but [this producer or broker] will have to abide by standards that Bankers has in place."

Here the story appears to return to the UAE. "Bankers is the leading underwriter for NASCO Insurance Group and has developed a set of best practices over the years since 1972, which translated into Bankers being consistently ranked among the top three companies of [non-life insurance] in the Lebanese market. All these best practices are going to benefit Al Ittihad UAE, such as enterprise management and enterprise risk management frameworks, internal audit [skills] etc.," Abi Aad said.

Despite the consolidation, a wholesale merger is not imminent. "For the coming two years, NASCO is planning to keep Bankers and Al Ittihad separate. During these two years, there is a long checklist that needs to be executed before the group can take any decision on how to eventually merge the two entities. Right now, a merger is not on the table, but in the future, anything can happen."

By Thomas Schellen

Lapping up management of health and diseases

Changing TPA business models in medical insurance

As the tide of transformation in the insurance industry makes its way across geographies and business lines, it not only floods the field's core players with uncertainty, but it also affects business models in auxiliary ventures affiliated with insurance. One important auxiliary area consists of enterprises that engage in the management of medical insurance claims. Called third-party administrators or TPAs, enterprises in this specialty services industry bundle the handling of medical claims for a variety of payers – insurers, mutual healthcare mutual schemes and self-insured organizations or corporations.

The TPA business model historically has added value to insurance by providing a layer of efficiency through managerial skills and bargaining power vis-à-vis healthcare providers due to the economies of scale involved. While many insurers locally and regionally might run their medical claims department under the title of TPA, the role of genuine "third-party" organization that is independently serving numerous payers has for more than two decades most strongly associated in Lebanon with the TPA GlobeMed (formerly MedNet).

However, what was a strident growth business in the 1990s and early 2000s (GlobeMed celebrated its 25th anniversary in Beirut in May 2016) currently faces pressures that require serious innovation, concedes Walid Hallassou, the general manager of GlobeMed Lebanon. "The medical insurance business is becoming less of an insurance story and more of a management one. We realized that opportunities in terms of healthy growth in the portfolio through new insurance companies or self-funded schemes were not very visible," he tells Executive.

As he describes the situation, tidal pressures and crosswinds buffer the TPA business model

from different directions. One factor is medical inflation through new medicines and improved treatment methods. Like inflation, which has become understood as a good thing for the economy when it occurs in moderation, the rate of innovation in medical treatments is on the whole regarded as beneficial to the patient. However, it is also associated with increases in costs for patients and their coverage providers. In any case, this rise in costs cannot be stopped and a TPA's capability to mitigate impacts of medical innovation through control of treatments and hospital admission procedures is limited.

Also completely outside of the control of a TPA is the boost factor in medical treatment costs that is related to changing demographics. Populations in the Middle East are ageing, and the shift of countries characterized by high populations under 30 to societies with growing populations over 60 is, well, only a matter of time. Whether their needs are for treatments or long-term caregiving, older populations have higher medical requirements that are also associated with higher costs. With these two driving elements, medical inflation has become a fact of life for TPAs.

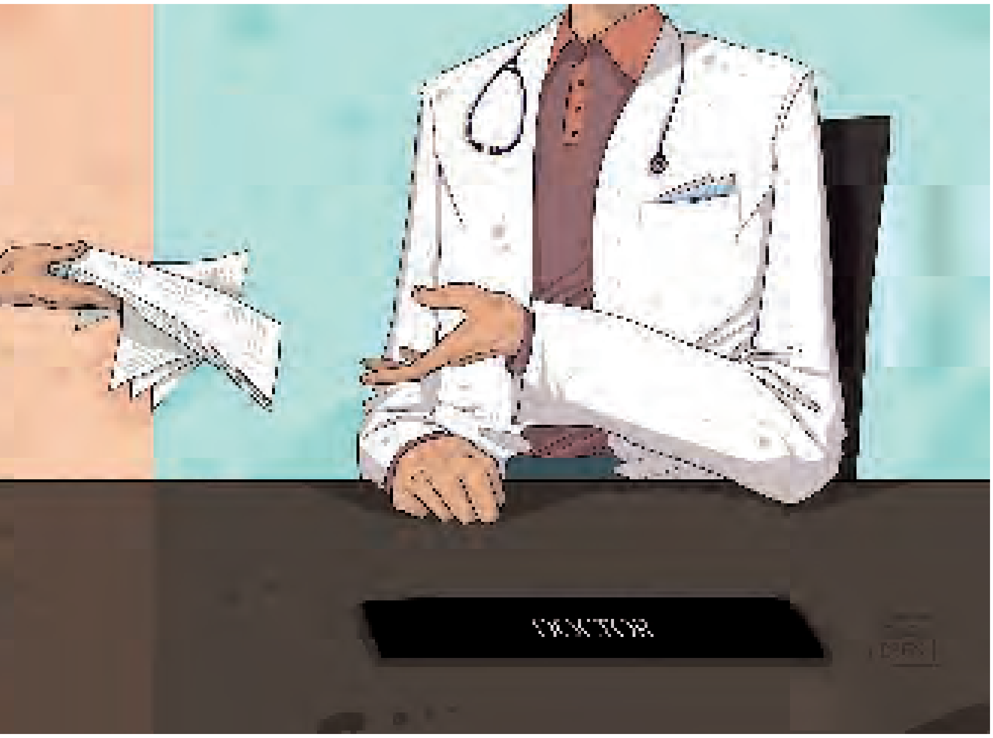
On the other side of this equation, however, stand restraints on their ability to pass on higher costs to the insured population through increased premiums. As TPA clients, commercial insurers face a trade-off where higher medical insurance premiums translate into lower numbers of an insured clientele. Under either scenario of stable premiums and contracting margins, or of higher premiums and shrinking client numbers, the potential for organic business growth from managing medical claims appears to be much lower than in the past.

TALKING AND WALKING WELLNESS

In response to these realities, GlobeMed has developed a strategy of encouraging and assisting people to stay healthy, Hallassou tells Executive. He explains that the TPA can only avert having to pay hospital bills for its insurance clients by promoting health and wellness among its healthy clients and by providing disease management to clients with known ailments or vulnerabilities tokeep them out of hospital as much as possible.

We told ourselves that it is better if we can stop people from being admitted to hospital

"We told ourselves that it is better if we can stop people from being admitted to hospital. [The idea is] to tell them them, 'stay healthy, go see your doctor and do the tests, [and] prevent your diseases. Let us manage you outside the hospital.' There are so many ways for health to be managed. This is where we try to push, and we have developed wellness programs, prevention programs and disease management programs," Hallassou says.



A first practice under the new strategy was initiated in 2016 with a disease management program for diabetes sufferers. The program includes encouraging patients to take tests such as HbA1c, which shows long-term average blood sugar levels – and making insurance providers accept to pay for these tests. The economic rationale for offering the test to the insured is based on global evidence, which indicates that lowering HbA1c average blood sugar levels by one percentage point can exponentially lower the number of complications that require hospitalizations, or emergency room admissions.

According to Hallassou, patients in the pilot program for managing diabetes with assistance from GlobeMed have now received alerts for their health exams for almost a year. "We call them and send them an SMS that it is time for their test, we help them get the results, and we recommend action. All of this is going in the direction of improving the health of the population," Hallassou says.

While it is still too early to assess the financial benefits of reducing treatment needs under the campaign, there has been a reduction of 10 and 12 percent in in-patient admissions and emergency room visits in a test population during 2016 under the GlobeMed diabetes disease management program, according to affiliated wellness partner GoodCare Clinics.

In further development of disease management programs, the TPA plans to roll out to assist in disease management of cardiovascular and pulmonary sufferers. Other measures under the health-focused strategy are to promote wellness and preventive activities to insured populations. As a digital tool for these measures, GlobeMed intends to release a mobile application in the near future, which Hallassou describes as "a wellness app" and "not an insurance app."

Functionalities will include established ones like counting steps and calories burnt by walking, but the app will also contain country-specific databases of available foods, allowing users in Lebanon, Saudi Arabia or Egypt to enter information about the food they are about to consume and receive information on what eating this food means in terms of intake of calories, sugar, fat or the health-boosting mineral potassium. Hallassou says that the app will enable GlobeMed to alert people if they eat something they shouldn't indulge in for the sake of their health. It can also give reminders on when to take medications, alerts of interactions between medicines, store medical records and test results and – having an insurance related function after all – support and track insurance applications and reimbursements.

The new app also fits into an industry scenario, whereby digital technology and consolidation in insurance represent further crosswinds in the path of GlobeMed and the TPA model. On the digital front, the environment in which TPAs operate is changing because newfangled apps and digital gadgets lead to customer behavior modifications and changed expectations in the companies that take care of insured populations, with an overall increase in the importance of digital tools and country-specific systems that an insurer can operate online.

CONSOLIDATION CHALLENGES

As to the other crosswind, consolidation in the regional insurance industry is a necessity but also mixed blessing for the TPA business. Today, the Middle East houses a large number of insurance providers, over 100 of which have contracts with GlobeMed to use the TPA. These are all small companies by international comparison, and they are not capable of managing their claims in-house, hiring an actuary or having a digital transformation, explains Ziad Kharma, GlobeMed group's vice-president for business development, actuarial and international health services.

Consolidation with a field of so many players is necessary and desirable, he tells Executive, but it also means that the needs of health insurance providers will change. "We recognize that these companies are going to get bigger, and a lot of them are already getting larger, to the point where they won't need a TPA anymore. This is why our strategy is not just to have a TPA franchise, as we do, but to add a vendor line where we sell our system so that insurance companies, for example, can manage their own," Kharma says.

> As to the other crosswind, consolidation in the regional insurance industry is a necessity but also mixed blessing for the TPA business

While he acknowledges that software systems designed for the administration of health management processes and medical insurance claims handling are available from many large international software firms, he emphasizes that GlobeMed has developed its own systems over the past 25 years and that these systems are customized and localized for their markets. "We have developed our system from our experience as a TPA, and this is something that we are packaging and selling now as a solution on its own," he says.

The logic behind this pivot from being a TPA into offering systems is to capture the potential for doing business with insurance companies, which grow to a scale where they have enough clout in price negotiations with health providers and can reap the profits of effective medical claims management through their own claims department. "When insurers are getting

bigger, they are not in need of a TPA, they need a system, and this system will include digital platforms to manage healthcare," Kharma explains. According to him, GlobeMed is venturing into the provision of systems with a multipronged approach. We have the option of on-premises setup and offer business process outsourcing; we are very flexible," he says.

Noteworthy in regards to the group's corporate structure is that the GlobeMed brand is not operated by a monolithic company, but by a twin set or corporations consisting of GlobeMed Limited – a company registered in the British Virgin Islands – and of local entities in different countries. "GlobeMed Limited is the holding and the owner of the IT and the know-how and brand," explains Hallassou. "Our model is a franchise model, so each of our operations is a franchise, and we transfer to them our know-how – how to manage a claim, how to do underwriting, how to set up a network," adds Kharma, who notes that GlobeMed Ltd could engage in a country franchise without holding any equity.

> When insurers are getting bigger, they are not in need of a TPA, they need a system, and this system will include digital platforms to manage healthcare

In most countries, the two entities are akin to fraternal corporate twins that share a brand identity but have genetic (ownership) differences from each other. In some jurisdictions, GlobeMed Limited participates with as little as 5 percent in the equity in the local franchisee that operates the TPA, and in some, such as Syria, GlobeMed Ltd. holds all the equity. In Lebanon, the two companies are more like identical corporate twins under shareholding structures, where the same basic investors own GlobeMed Lebanon through a company called Murex Holding and the BVI company, GlobeMed Ltd.

RISING COMPETITION

An adverse force in the company's path, for GlobeMed unavoidable – and in business terms not unusual but rather expected – is rising competition. Whereas the Lebanese company once could claim undisputedly to be the largest TPA in the Middle East, it has in recent years been challenged in regional market leadership by Dubai-based NEXtCare. This TPA, whose corporate parent is the multinational insurance carrier Allianz of Germany, claimed last month on its website to have 3 million "managed lives," meaning individuals with medical covers provided by commercial insurers, corporates, and public sector entities that are handled through the company. NEXtCare, moreover, said on its website that it had a provider network in 14 countries with a total of 11,000 practitioners, clinics and hospitals around the region.

Kharma claims that the regional presence of NEXtCare is not as wide as GlobeMed's but admits that "NEXtCare is the primary competitor for us, and I think we both drive each other to stay ahead of the other." Judging from other information available from the corporate website and sources in insurance companies, NEXtCare is strongest in Dubai. It is pursuing growth in regional expansion, which took it to establish offices in other GCC countries, the Levant, and recently Egypt. According to sources, the company will be a sponsor of an insurance conference in Lebanon next month, and it is reputed to employ competition on price in its growth strategy.

Unfortunately, however, NEXtCare declined to be interviewed on journalistic terms by Executive last month or respond to a list of questions after having requested this list from the magazine through its public relations company. After being contacted by Executive, the "key numbers" information on the NEXtCare corporate website was revised to say the company has over 4 million managed lives and a partner network of over 13,000 providers in 12 countries. Not having been able to interview a decision-maker in the company, Executive cannot confirm if these were 2016 NEXtCare numbers, report on the company's current strategies or compare its corporate structure and position in GCC or Levant markets with that of GlobeMed.

According to Kharma, GlobeMed has more than 1,200 employees regionally, works with over 100 payers, has over 17,000 health providers under contract, and serves between 4 and 5 million people – when one includes those who obtain services through the Ministry of Public Health in Lebanon. In conclusion, it may be a moot question which TPA is currently the size leader in the Middle East in terms of managed lives and network. As only a small portion of the regional population is covered by any managed healthcare scheme, it seems clear that the need for evolving the administration of health and medical services to more inclusivity is greater than the potential for commercial providers to do so profitably.

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By Thomas Schellen

Taking the long view

Regulatory projects and plans of Lebanon's Insurance Control Commission

The task of improving the Lebanese insurance sector through regulatory instruments, financial supervision and increasing governance has been pursued by the Insurance Control Commission (ICC) at the Ministry of Economy and Trade (MoET) for the past 15 years, with growing vigor and ever-increasing activity. To obtain an update on the ICC's views and projects, Executive conferred with Nadine Habbal, the acting ICC commissioner. (Due to special circumstances, this interview was conducted via email).

E *Can you update our readers on the rolling out of third-party liability coverage against material damages in motor insurance? Has a standard contract template for coverage of material damages and bodily injury under one policy been approved?*

The ICC is launching a project [this month] to organize a framework for [Motor Third-Party Liability Insurance], including bodily injury and material damage coverage. The project will be conducted with the support of a team of experts from the World Bank who will commence their endeavours by meeting a number of key stakeholders in the market. Over the course of this project, the ICC will consider a number of options related to the possible organization of this [insurance]. Major considerations will be the analysis of definitions and limitations of various coverage, the exclusions, claims management and recovery processes, and the implementation of a centralized risk database to enhance the underwriting capabilities of insurance companies. In this initiative, the ICC will build on the experience it gained regarding market practices from its recent on-site visits with insurance companies and brokers.

> The analysis focuses primarily on how a major earthquake could impact the financial condition of the insurance companies operating in the sector

E *How about the design of a standard policy for medical insurance, with mandated minimum prices and minimum benefits?*

The ICC is continuing its investigation into market and international practices with regards to medical insurance, and will consider action in due course. In this respect, the ICC has dual objectives in mind; while it intends to shield policyholders from potentially harmful practices, it is also seriously considering ways to help insurance companies combat the unfair and illegal competition coming from cooperative funds who are not allowed to market medical insurance products to the public. A recent warning was sent to these funds, the impact of which is expected to unfold in the coming period.

E *Are there new developments from a regulatory perspective in relation to insurance pools for earthquake risk, oil and gas risks, or any other pools?*

The ICC is in the process of updating its analysis on the risk of earthquakes in Lebanon. The analysis focuses primarily on how a major earthquake could impact the financial condition of insurance companies operating in the sector. Along the same lines, the risk management practices implemented to mitigate this risk are [being] scrutinized. The analysis has another tier covering uninsured households; this is an area where major losses can be incurred without any existing hedge.

E In their latest Financial Sector Assessment Program (FSAP, released this January), the World Bank and International Monetary Fund mentioned consolidation as a measure that could help create larger pools of resources in the Lebanese insurance sector and attract international groups. What is the ICC's response to this assessment and to industry requests for central bank support for insurance M&As through soft loans and other incentives? Do you regard the recently approved acquisition of Lebanese insurer Al Ittihad al Watani by NASCO as a positive sign for the industry's desire to consolidate?

In order to enhance the utilization of capital and the quality of the services rendered to policyholders, and to reduce the destructive competition on prices, the ICC is working on incentives to encourage companies to merge in a healthy context. Soft loans sponsored by the central bank would be an ideal scenario, provided the money is invested to build capacity in needed areas such as risk management, pricing, and governance. The acquisition of Al-Ittihad-Al-Watani by NASCO Holding is certainly a step in the right direction. A number of companies in the market may not be sustainable in the long run with the present setup; they must realize it, and seek alternatives to ensure they will remain in business in the coming years.

> Corporate governance remains a major concern for the ICC, and a challenging area to address given the historical context, as a large number of companies are family-owned

E The FSAP opined that the insurance sector faces "structural challenges" to its development and voiced several recommendations. The assessment called modernization of the insurance law a "precondition for strengthening the ICC's effectiveness." The FSAP also proposed replacement of the National Insurance Board with a consultative process and effectively suggested legal changes to secure operational independence for the ICC and update the scope of its activities. Do you agree with these perspectives and proposals?

The facts speak for themselves. In the last 18 months, the ICC introduced the first controls and financial returns on brokers, conducted on-site inspections at car registration sites and financial services institutions across Lebanon, took action against unlicensed entities selling insurance products, started a process to review insurance products in the market, opened communication channels with the Association of Insurance Companies of Lebanon (ACAL) and Lebanese Insurance Brokers Syndicate (LIBS) and actively involved them in its process to design regulatory reforms, and much more.

Notwithstanding legal modernization, the regulator needs to assert its role with tangible and useful action; the fact is that the strongest legislation would remain useless if it were not translated into action that left a positive impact on the sector. On the other hand, no one would oppose a regulator determined to fulfill its mission and serve the best interests of policyholders and shareholders, even if its actions were not explicitly stipulated in the law. Replacing the National Insurance Board with a consultative process is a possible solution that mitigates the risk of political deadlock, but it is not the only one.

E What are the ICC's plans in relation to imposing corporate governance regulations on insurance providers, and what legal methodology do you envision for the implementation or enforcement of governance mandates on Lebanese insurance providers?

Corporate governance remains a major concern for the ICC, and a challenging area to address given the historical context, as a large number of companies are family-owned. The ICC is addressing this issue using a risk-based approach on a case-by-case basis, and the sector is cooperating.

It should be stated that companies should not sit back and wait for the regulator to give them instructions on how they should best conduct their business. Corporate governance is not a matter of supervision but a fundamental requirement for the long-term sustainability of any business, let alone insurance. It should be stated that a number of players in the market have implemented advanced governance and extracted significant advantages from it in terms of performance and general business conduct.

E You have revised the ICC's logo and identity in 2016. What is your message with the new logo?

This is a step toward an ICC that will become an independent supervisory body with its own internal governance, in line with the international trend for insurance regulatory bodies. Lebanon has a long insurance history, and the potential to reach a stage where the sector plays a major role in the nation's economy is large. The ICC's aim is to be a primary actor in this transformation.

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By Thomas Schellen

Going further

Lebanese insurance leader begs to differ

Allianz SNA is one of the most active insurance companies in Lebanon and the Middle East. Executive sat down with its Chairman and Regional Chief Executive Officer, Antoine Issa, to talk about the state of the insurance industry and the interconnections between consolidation, governance and institutional investments.

E ***How do you view Lebanon from the perspective of a regionally active multinational insurance company?***

I have worked in most of the countries in the ME region, in some directly and also as a board member of insurers working in these markets, so I have lot of experience in the [region's] insurance sector. I can tell you that, despite everything, the level of technical know-how and the level of quality, and pricing of the insurance market in Lebanon is probably the highest [in the region] still today.

E ***Is that surprising, given that other, larger markets in the region have seen a great deal of insurance development?***

I was asking myself: how can that be when you have 60 companies in a small country like [Lebanon] and very little regulation over the insurance sector as well as all other sectors in economy? [This is a country where] you don't have good governance, and sometimes, you don't have governance at all. So how can it be that you have a very good level of technical know-how, of pricing, of profitability, of innovation and so on? I think this is not contradictory because when you have 60 companies, you have 60 chief financial officers, 60 chief risk officers, insurance technicians, etc. I think [this situation] is promoting competition, innovation and self-discipline, and thus is making Lebanon what it is today.

E ***But the insurance industry in Lebanon has seen relatively little growth or innovation as of late. So what is the problem?***

The market is becoming too fragmented with too many small companies. The lack of strong regulation, strong capital and strong companies is not encouraging and is sometimes not allowing small well-managed companies to grow. But when you want to grow and institutionalize, you need good governance. Otherwise, it is impossible. So we now have some kind of bottleneck. We have some very good small companies that are very well managed, but they are not able to grow, merge or open their capital.

> The lack of strong regulation, strong capital and strong companies is not encouraging and is sometimes not allowing small, well-managed companies to grow.

E ***Currently, investment opportunities for Lebanese insurers appear restricted due to outdated regulation and other factors. Do you have proposals regarding how insurers can work as institutional investors in Lebanon?***

It begins with the new law and new regulation, plus incentives for companies to move gradually into new environments. The regulation is not very restrictive. You have the possibility today, in this country, to invest 50 percent of your money abroad. When you allow companies to invest abroad, there is a larger horizon when compared with other jurisdictions, like KSA or Egypt, where you can only invest locally. However, we would welcome more local investment opportunities, such as funds that are tailored for the needs of insurers. But, it cannot be some small closed-ended fund; that doesn't give me enough comfort. I need funds that are listed in a strong capital market. We need to have a change of mindset and need to start agreeing that we need a minimum [level] of infrastructure.

E *What would be the mentality shift to facilitate insurers to act as institutional investors?*

To have listing, you need trust in the capital markets and the Capital Markets Authority. Today, people don't [have that] trust. Why are people not buying? Because they have not seen transparency. We have good names [of listed banks on the stock market], but we don't see the transparency that one would expect from listed companies. We need more companies to list, and we need to have strong governance, to show us that when we list a company, or tomorrow list a utility, Electricité du Liban or Eau du Liban or whatever, we can as consumers and as institutions start buying the stock because we have good control and good governance. To do this [for the private sector], however, you first need the public sector to accept [a high] level of governance and transparency.

E *How would you describe the relationship between Allianz Société Nationale d'Assurance (SNA) and the Middle East and the relationship between Allianz and SNA? Is what you are going through in the regional and Lebanese insurance markets comprehensible from the perspective of the corporate head office?*

Allianz SNA is a company that is now 100 percent owned by Allianz Group. This was a gradual move by the founding shareholders. The name of the company – Société Nationale d'Assurance – was chosen to signify from day one of our history that this was a company with Lebanese management. The Lebanese shareholders always believed that we needed to have a strong foreign partner, not only to develop the insurance market in Lebanon, but also to develop [it in] the Middle East. [The acquisition of 100 percent of SNA] came at the end of a very long and successful gradual journey to team up with a top-notch foreign partner.

Why are people not buying? Because they have not seen transparency. We have good names [of listed banks on the stock market], but we don't see the transparency that one would expect from listed companies

E ***What is the role of the Lebanese operation for Allianz?***

Allianz is using Lebanon as a platform to develop the rest of the Middle East. Out of Lebanon, we developed Allianz Egypt, and also started our journey into Saudi Arabia. Today Allianz is again using Lebanese talent to further develop these two markets, but also other [new] markets in the Middle East. We are using Lebanon as a hub with a talent pool and expertise in insurance. I think that with time, if we see better governance, regulation, more transparency in the law, in fiscal transparency and in the way we operate here, many multinationals will use Lebanon as a talent pool for the rest of the Middle East, as they did in the past. They went out [in part] due to the war but mainly due to lack of regulation and transparency.

E ***How many countries are under your leadership in the Middle East?***

I have the whole Middle East, but the core markets that we are working in are Saudi Arabia, Egypt and Lebanon. We have joint ventures in Jordan and in Bahrain, but these two markets are not priorities for us because of their size. We have an operation in the United Arab Emirates, but it is in the DIFC [Dubai International Financial Centre], and thus we are not operating in the local market directly. We are operating in the local market by fronting with local companies. We are looking, as one of our next developments, to enter the UAE market.

E ***Do you have a consolidated view on your market position in the Middle East region?***

I think we are one of the larger multinational insurers in the Middle East region. We don't have many multinationals in this region and this is perhaps because we don't have many [multinational] competitors but also because we are in the largest markets. In the UAE, which is the largest market for insurance in the region, we are fronting locally and have a presence; the KSA is the second largest market and we have a strong presence there. The fourth largest [insurance market] is Egypt and we are there and the fifth is Lebanon and we have a presence [here too]. Out of the top five [markets in the Middle East] we are missing Qatar, but Qatar is closed to foreign players.

E ***How is the split between life and non-life insurance in your portfolio?***

In Lebanon we are split 50:50 between life and non-life; in Saudi Arabia we are 75 [percent] non-life and 25 life, because the market is very much into non-life and the size of business in non-life is very big. However, we are a dominant player in life with our small share. In Egypt, it is the reverse: 20 percent property and casualty and 80 percent life. The reason is that we identified opportunities in life when we entered the Egyptian market, which at that time was a virgin market for life insurance and also untapped by bancassurance, which we introduced to this market. We are scaling up this position now and we will continue development in life insurance.

E ***What is your target in terms of the relationship between life and non-life in Egypt?***

Our ideal is to have a good balance between life and non-life like we have in Lebanon. Jordan is also an example of this balance as we have 50 percent life and 50 percent non-life. Allianz is a non-specialized company that is targeting all segments of corporate and retail insurance and all lines of business between life and non-life. Allianz is also known as a multi-access, multi-distribution company with our own sales force, with bancassurance, with brokers and with direct sales. That is why we will participate in the upcoming digitalization conference [of GAIF and ACAL in Beirut next month].

> Digital for Allianz is a priority and part of our strategy

E ***One of your high-end experts participated in the GAIF general conference last year as speaker.***

That was Solmaz [Altin], our chief digital officer. This time, I'm bringing our head of market management and distribution officer [Jean-Marc Pailhol] because we want to talk about digitalization from the distribution perspective. Digital for Allianz is a priority and part of our strategy.

E ***How many banks are you working with in product partnership in Lebanon?***

We have [partnerships with] 11 banks.

E ***What is the rationale behind working with so many banks in Lebanon?***

The strategy of Allianz is [to offer] multi-access. We need to look at the customer. If he wants to deal with us, we should accept to deal with him [through whatever channel]. We are an insurance risk carrier, not a distributor, and we don't have any conflict of interest in this. In our opinion, it is the customer who should decide


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which distribution channel he or she uses and all of the distribution channels have a role and an added value.

E ***Is it correct that the market position of Allianz SNA in Lebanon has improved in recent years?***

Yes, on a composite level we are number one for life and non-life. We aren't number one in life nor are we number one in non-life, but when you take both combined, we are number one. I think what is making us number one is having this multi-access and multi-segment strategy. Because we want to be multi-segment and offer a comprehensive range of solutions for institutions and for retail, we have been able to become number one on a consolidated base. The challenge for us now is to become number one in each line of business and in each distribution channel.

E ***Are you looking to roll out services in new markets, l ike Iraq?***

As I said, our priority, if the law and regulations allow us to do so, is [to establish a stronger local presence] in the UAE where we already have a local fronter. Another market that we are looking at is Iran. I visited Iran in 2015 and it is one of the largest markets in the Middle East. However, before having a local presence in Iran, we are still waiting until all sanctions are lifted. It is a process.

E ***But presence in Iran would be through Allianz SNA, not from Germany, Turkey or France?***

Yes. We are working on it out of Lebanon, but we won't see a local presence before all the sanctions are lifted.

E ***What is your perspective on the Lebanese market in 2017/18, in terms of growth potential and intensity of competition?***

Growth [of the Lebanese insurance market in recent years] has been limited to 3 to 4 percent [per year], and we became number one because we were growing faster than the market. In 2016, we had growth of 6 percent, which was above market. I can tell you that 2017 has started quite well. The market here is a retail market, and retail is very emotional. [To date the positive development in 2017] is linked to the new government, the reconciliation between the parties and the movement toward rebuilding the country. This was extremely well received; January was a great month for us and February also was a good month, particularly if we compare them to [the same months in] 2016.

As far as we are concerned, we have confidence that we will have similar growth as in 2016, if not more. We also believe that the market will witness larger growth than in the past two years.

E ***Some insurance CEOs have the perception that there are too many companies and too much competition on price in the Lebanese market and that this extreme competition is damaging the market.***

I don't have this perception. I think that the number of companies and the number of distributors in the country is creating more innovation, allowing the sector as a whole to increase the penetration rate. Although [insurance penetration] here is the largest in the region together with Morocco with 3 percent, we are still a virgin market in terms of percent [of GDP spent on insurance], and we still have a lot of people who are not insured. The number of insurance companies is definitely creating competition, but not to the extent of reducing the premium. The quality of the management of these companies, even the small ones, is [such that they are] competitive, but not crazy. We still maintain a sound level of technicity in Lebanon.

E ***Were there not, for example, large medical group contracts that were hotly contested and moving from one provider to the next due to price wars?***

This is true, but the competition is still not crazy. We have much tougher competition in other markets, and sometimes we see crazy competition [there]. Also [in Lebanon], we are selling to people that were not insured in the past, and we are still seeing that the market is virgin. I'm quite optimistic for this [reason]. Having said that, I think we will gain by having better regulation and fewer companies, with a higher level of capital. This will definitely help, but I'm not sure that the problem is in the number of companies. I don't have the same position as many of my peers who are saying that it's bad to have a lot of insurance companies. On the contrary, we need to grow and I would be glad to have 60 very strong companies tomorrow. I'm saying they should regulate themselves and their capital should be stronger.

Our priority, if the law and regulations allow us to do so, is [to establish a stronger local presence] in the UAE where we already have a local fronter

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CAREERS launched the 3rd and yet largest edition of Lebanon HR Summit over 3 consecutive days at Hilton Beirut – Habtoor Grand Hotel.

Held under the patronage of the Deputy Prime Minister, the summit was launched on Thursday March 30 through a remarkable opening ceremony gathering more than 250 officials, businessmen, CEOs, managers and HR directors who applauded the brief yet stirring speeches of CAREERS'CEO Mrs. Tania Eid, CCIAB's President Mr. Mohamed Choucair and H.E. Deputy Prime Minister Mr. Ghassan Hasbany then enjoyed a unique Keynote Speech presented by Mr. Mustafa Hamwi, Award Winning Author & Speaker and the World's Top Expert on Passionate Leadership.

H.E. Deputy Prime Minister Mr. Hasbani called for transforming what is known as "Human Resources" into "Productive Human Energies". He stressed that Lebanon needs a major revolution in the HR sector as energies and potentials are definitely present but require to be unlocked, well oriented and efficiently developed!

Mr. Choucair praised the importance of the summit as a "local and regional platform to learn about the latest technologies in the world of HR management especially this year with the presence of Minister Hasbani as he unites 2 projects, e-government and HR management, that complement each other to efficiently activate public administrations and private institutions and increase the productivity of the national economy. He also emphasized on the need to increase cooperation and coordination with Lebanese universities and institutes to meet the needs of the labor market.

Mrs. Eid was proud to highlight that Lebanon HR Summit is the Levant's most edifying and largest HR gathering of the year; this achievement isn't but a celebration of CAREERS' 17 years of achievements and unconditional commitment to the development of the HR and Recruitment field in Lebanon and throughout the region!

CAREERS has always strived to reinforce the key role of HR in the success of any company and driving the overall economic growth. LHRS 2017 brought together more than 150 HR executives from companies across the region with world class global HR thinkers, authors and inspirational speakers delivering thought-provoking and engaging seminars and presenting the latest tools, technologies and strategies being employed in the profession.

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• A 2-hour Keynote with Kate Sweetman - Thinkers50 Top Management Emerging Guru for 2017 and co-author with Dave Ulrich of The Leadership Code: 5 Rules to Lead By among others.

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At the summit's end, the uplifting feedback collected from both the speakers and the delegates were the greatest testimony of this edition's successful impact. Yet, Ms. Eid affirms that once again the most gratifying comment of all was the one unanimously given by the international speakers about the audience's remarkable attentiveness and interaction.

A statement that consolidates CAREERS' deep conviction that the Lebanese human capital is the country biggest claim of pride!

By Matt Nash

The long goodbye

Government waste management scheme not fully implemented

As could have been expected, chaos is ensuing. While the situation is not as dire as it was in the hectic summer of 2015 – when protests raged and trash burned on the streets of the capital and its environs – waste in Lebanon is still far from well-managed. One full year after Tammam Salam's government approved a four-year trash plan covering Beirut and most of Mount Lebanon, it remains only partially implemented. And the new government seems in no rush to address the country's lingering waste crisis. A ministerial committee dedicated to the issue met only once (in early March), according to news reports. Two sources at the meeting (and a representative of a third) ignored requests for information as to which ministry would take the lead in the new cabinet.

FROM NAAMEH TO THE SEA

For more than 20 years, most of Lebanon's garbage (50 percent, according to the Ministry of Environment) has been managed by sister companies Sukleen and Sukomi, children of parent company Averda. From street sweeping and bin collection to transport, treatment and disposal in the Bsalim and Naameh sanitary landfills – the latter permanently closed in May 2016 – Sukleen and Sukomi did it all in Beirut and five of the six districts of Mount Lebanon (excluding Jbeil). The status quo was meant to change in 2015, and the government – through the Council for Development and Reconstruction, a part of the prime minister's office – tendered new waste management contracts for the entire country. A fully-implemented national plan would have been a first for Lebanon. Bidders had to commit to building modern treatment facilities and more sanitary landfills. Instead, within 24 hours of announcing the tender winners, the contracts were cancelled. Around a year later (in March 2016), the government finally settled on a new plan that – aside from the aforementioned lack of full implementation – seems to

THE COSTA BRAVA CHALLENGE

Parking baled waste next to the airport (until an offshore sanitary landfill could be completed) predictably attracted hungry birds. Fears for aviation safety led to new bird-repellent equipment being installed near the airport (among other "solutions"), but also resulted in judicial action. In January, a judge ordered the so-called Costa Brava landfill closed within four months. Executive was unable to reach the judge, however Sabine Ghosn from the Ministry of Environment offers some insight as to why there's no scramble to find a replacement for Costa Brava in the face of the looming closure. "The judgment itself said the closure wasn't a final decision," she explains. Ghosn says neither the Bourj Hammoud nor the Costa Brava landfills were subject to legally required environmental impact assessments before construction began. However, she says the ministry is following up with all concerned stakeholders on "environmental management plans" for the two sites, an effort to mitigate environmental damage from the two offshore landfills.

Trash piled in the outside is still a familiar sight in Lebanon

be sticking. Treated solid waste from the Metn and Keserwan districts will be landfilled in an offshore facility being built near Bourj Hammoud. Waste from Beirut and Baabda will be landfilled in an offshore facility being built south of the airport (the Costa Brava landfill). According to the cabinet decision announcing the plan, physical space to build a landfill for waste from Aley and Chouf still needs to be found.

Sabine Ghosn, head of the urban environment pollution control department at the Ministry of Environment, confirms that work on the Bourj Hammoud and Costa Brava offshore landfills is ongoing. She has no information on whether progress has been made on finding a landfill for Chouf and Aley, and explains that Sukleen stopped collecting waste in these districts when the Naameh dump officially closed on May 19, 2016. It's unclear who, if anyone, stepped in to fill the void created when Sukleen stopped servicing the area. Ghosn says some municipalities or unions of municipalities may be taking matters into their own hands (Executive profiled one such initiative in the higher Chouf last year). She says that while the Ministry of Environment has asked municipalities to report on their waste management plans and practices, only around 10 of more than 1,000 have responded.

NEW CONTRACTS, SAME FOOT DRAGGING

In an emailed response to questions, the press bureau of Sukleen and Sukomi explained the company relinquished responsibility for several sites it formerly managed on December 31, 2016. Ghosn confirms press reports that the new contractor is al-Jihad for Commerce and Contracting (JCC), whose majority shareholder is Jihad al-Arab. The company, according to its website, has won several state infrastructure projects in the past, including the sanitary landfilling of waste from the former Normandy dumpsite, which grew into a trash mountain some 12 meters above sea level during the war. JCC is now managing the Karantina and Amrousieh waste sorting plants, a storage facility in Bourj Hammoud, the temporarily-closed Coral composting facility – also near Bourj Hammoud – and the Bsalim sanitary landfill for inert materials, Ghosn says. She explains that the new contract does not stipulate that JCC increase the amount of waste diverted from landfills for recycling. In 2015, former Environment Minister Mohammad Machnouk said Sukomi was recycling just 10 percent of the waste it collected.

According to both *Al-Akhbar* and the Sukleen/Sukomi press bureau, the CDR announced winners of new contracts for waste management last year. Sukleen's service area, which formerly stretched from Keserwan in the north to Chouf in the south, was broken into three: Metn and Keserwan; Beirut and some of its immediate suburbs; and Baabda, Aley and Chouf. In their statement, Sukleen and Sukomi explained that, anticipating new contractors taking over street sweeping and collection, they have painted some of their vehicles white as "part of the demobilization plan, making it easier and quicker for us to manage the fleet that belongs to Sukleen after the last day of work." That day, however, has still not arrived.

The CDR did not respond to an interview request for this article, and Ghosn was unsure why new collection contracts were not being implemented. *Al-Akhbar* reports the hold-up is related to the plan the United Nations Development Programme (UNDP) is helping draw up for the city of Beirut, which apparently still intends to try managing its own waste. Last year, Executive interviewed UNDP on the subject, and was told the plan would be a look at Beirut's options rather than a detailed roadmap of what the city should do. Efforts to reach UNDP and the president of Beirut's municipal council were unsuccessful this time.

MOVING FORWARD

The end goal of the current waste management plan is building waste-to-energy plants, which involve incinerating garbage and are strongly opposed by environmental activists. As with every waste management plan devised in the past 10 years, the waste-to-energy idea – which has already been adopted once and subsequently abandoned only to reappear in the March 2016 plan– requires finding land on which to build facilities in a densely populated country, where no one wants to live near a waste management plant. This challenge, coupled with a government that is clearly not prioritizing waste management, suggests we may yet relive the summer of 2015 in just three short years.

By Vahakn Kabakian

De-risking green power

Making the sustainable energy portfolio financially sustainable

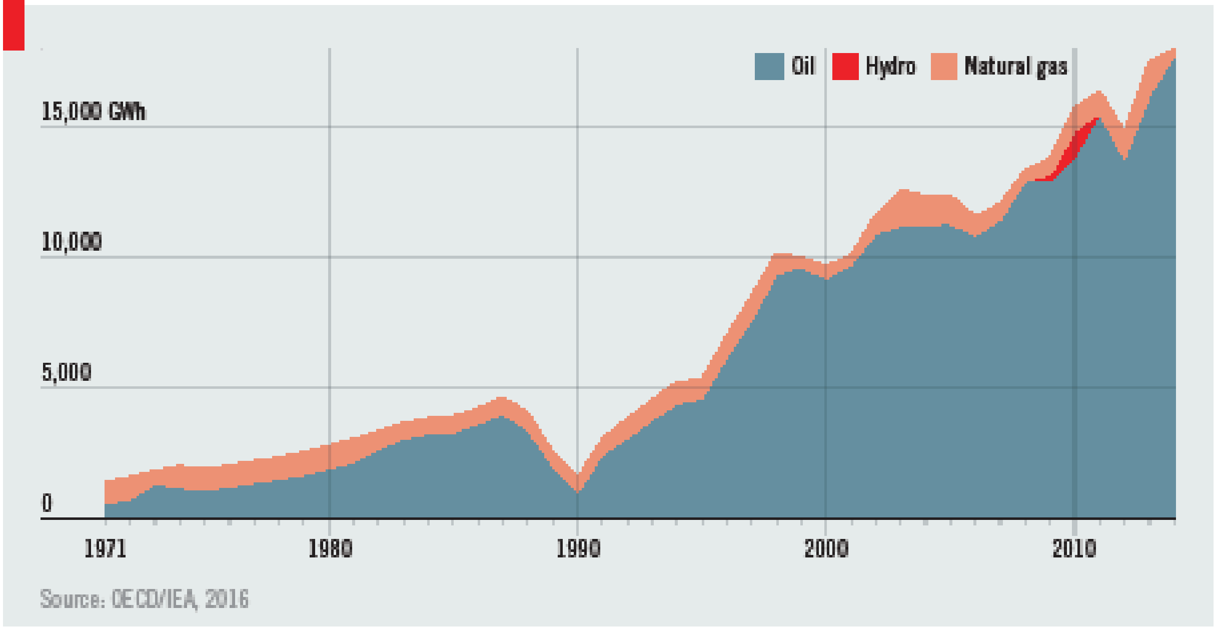
Lebanon's energy sector is characterized by a significant supply-demand imbalance, continuing growth in demand (5 percent per year), high generation costs (partly due to aging infrastructure), and a lack of financial sustainability. Electricité du Liban (EDL) cannot recover its operating costs and depends on the Lebanese government to subsidize operations. In 2013, EDL received transfers amounting to around $2 billion, corresponding to 4.5 percent of the GDP – creating a significant strain on the country's budget and economy.

Lebanon's baseline energy mix is dominated by oil, accounting for over 95 percent of generation (Figure 1). Renewable energy currently accounts for 4 percent of the electricity produced in Lebanon, predominantly hydropower, with less than 0.2 percent from solar photovoltaic (PV).

RENEWABLE ENERGY RESOURCES

The climate change case for investing in renewable energy is well known. A global and local shift to renewable energies, requiring both public and private resources, is essential to achieve the outcomes

ELECTRICITY GENERATION BY FUEL IN LEBANON, 1971–2014



Source: OECD/IEA, 2016

stipulated in the Paris Agreement.

Lebanon has significant wind and solar energy potential. The Ministry of Energy and Water (MoEW) started a wind energy procurement process in March 2013, requesting that wind farms be built and operated under a power purchase agreement (PPA). Three bids from local developers have been considered, and while the procurement process remains ongoing, there is optimism that agreements could be signed by mid-2017, which would bring with them a total of 180 megawatts (MW) worth of wind energy.

As for PV, most of the capacity installed to date is distributed on a small-scale (10 MW by the end of 2015), with an estimated 30 MW installed capacity by the end of 2016. Lebanon has two large-scale PV projects: the Beirut River Solar Snake (1.1 MW) and a second PV plant located within the Zahrani Oil Refinery Installation (1.1 MW), which are both connected to the EDL grid. The MoEW issued a call in January 2017 for parties interested in building solar PV farms in various regions of Lebanon, with the aim of installing an additional 120-180 MW of solar energy. The ministry received a total of 173 expressions of interest.

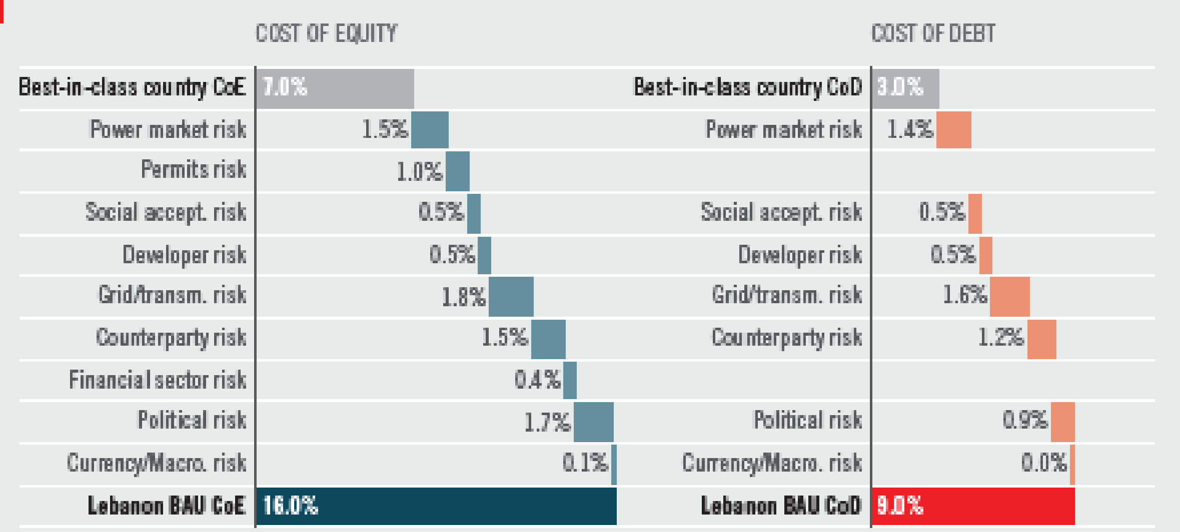
A RISKY MATTER STILL

A great deal of the recent advances in renewable energy can be attributed to increased political will and rapidly declining technology costs. However, financing costs for wind energy and solar PV in Lebanon today are estimated at 16 percent for the cost of equity (CoE), and 9 percent for the cost of debt (CoD). These are substantially higher than in the best-in-class country, Germany, where they are estimated at 7 percent CoE, and 3 percent CoD. Given the longevity of energy assets and the capital intensity of renewable energy investments in particular, the impact of Lebanon's higher financing costs on the competitiveness of wind energy and solar PV is significant compared to traditional fossil fuel powered technologies.

This means that high financing costs are a key factor hindering investment in renewable energy. Interviews with investors in Lebanon have shown that there is considerable interest today from domestic private sector actors, despite the slow pace of power sector reform and procurement activities to date. The high financing costs reflect a range of technical, regulatory, financial and institutional barriers, and their associated investment risks. The graph below shows how a range of investment risks currently contribute to higher financing costs in Lebanon. The risk categories with the largest impact on elevated financing costs are: 1) power market risk, which relates to accessing power markets and the price paid for renewable energy; 2) grid and transmission risk, which concerns the failure-free feed-in of the electricity produced; 3) counterparty risk, which concerns the credit-worthiness of the electricity off-taker (i.e., EDL); and 4) political risk, which concerns a country's general intra and international stability.

By addressing these risks, Lebanon can create an environment conducive to investment and effectively address the concerns of private sector investors. This requires a targeted approach,

BUSINESS-AS-USUAL (BAU) FINANCING COSTS



Source: Lebanon: Derisking Renewable Energy Investment: Selecting Public Instruments to Promote Renewable Investment for the Lebanese National Renewable Energy Action Plan which could include instruments such as: well-designed power market regulations, which reduce risk by removing the underlying barriers that create it; financial de-risking instruments, such as loan guarantees offered by development or central banks, which transfer risk from private to public sector; and financial incentives, such as direct subsidies for sustainable energy, which compensate investors for risk.

While challenging, these barriers are not insurmountable, especially if policymakers seeking to promote renewable energy assemble combinations of public measures to systematically address these underlying risks.

PUBLIC INSTRUMENT SELECTION

In order to specifically address the risk categories identified in the financing costs, a package of public instruments, containing both policy and financial de-risking instruments, needs to be developed and implemented (shown in Table 1). These measures would reduce the cost to the private sector, which in turn would be reflected in lower cost premiums quoted by the private sector when responding to government requests for wind and PV bids.

The 'take or pay clause in PPA' and 'government guarantee for PPA' are estimated to cost $55.1 million for wind and $25 million for PV. Taking a reserved approach, the 'public loans' and 'political risk insurance' are estimated to be $36.3 million for wind and $16 million for PV. This means that for financial de-risking of both wind and PV technologies, $91.4 million and $40.9 million are needed respectively. Policy de-risking instruments are estimated to cost $6.7 million for wind and $4.8 million for PV.

These represent costs (or expenditures) that would be incurred by the Lebanese government to de-risk (or uptake the risk) from the investors. This would allow for the further development of the sector and reduce the cost on future PPAs, as the investors would be bidding in a de-risked environment, and therefore, reduce the long-term cost on the government. This is obvious when the business-as-usual case (i.e., with the current risks) is compared to the post-de-risking environment (i.e., after implementing the policy and financial instruments mentioned above), where lower financing costs can be guaranteed.

For financial de-risking of wind and PV technologies, $91.4 million and $40.9 million are needed respectively

In the business-as-usual scenario, wind energy and solar PV are more expensive than the baseline. The baseline technology mix consists primarily of combined cycle gas turbine (CCGT) plants, which Lebanon will likely use to increase its electricity generation capacity, and to a smaller extent the existing power generation fleet, which could be partly replaced by wind energy or solar PV. This approach results in baseline generation costs of $0.074 per kWh, assuming unsubsidized fuel cost for the CCGT technology. Therefore, the aim is to bring the cost of the wind and PV technologies closer to the CCGT technology.

To meet the 2030 National Renewable Energy Action Plan targets, the de-risking report estimates that $426 million and $140 million are required (in terms of price premium) for wind and PV technologies respectively.

However, the government could spend a total of $98 million and $46 million respectively to de-risk the wind and PV sectors. The de-risking would bring down the wind energy price premium to $205 million, thereby saving the government $221 million in generation costs over the next 20 years and resulting in a net savings of $123 million. The same holds true for PV energy, where the solar PV price premium is reduced to $43 million, thereby saving $97 million in generation costs over the next 20 years and achieving a net savings of $51 million. As such, following government interventions to de-risk the investment environment, and taking into account the resulting lower financing costs, the price premium for wind energy and solar PV would be reduced by roughly 50 percent and 70 percent respectively.

The above clearly demonstrates that investing in de-risking measures is good value for money when compared to paying a premium price for wind and solar PV energy. However, the majority of these measures could take time to implement. In the meantime, the government can offer subsidies to encourage immediate investments in the renewable energy sector. The ultimate risk, especially when generous subsidies are provided, is that the subsidy scheme itself might be vulnerable to a policy reversal. There are a great deal of complex trade-offs involved, and what seems to be of more importance is having continuous and consistent progress toward expanding the renewable energy portfolio. The thermal and renewable energy portfolios should proceed in tandem by introducing renewable energy portfolio requirements for any future independent power producer (IPP) schemes in order to pursue the national 15 percent renewable energy target for 2030.

VAHAKN KABAKIAN
Portfolio Manager, Climate Change.
Lebanese Ministry of Environment

PUBLIC INSTRUMENTS TO ACHIEVE NATIONAL RENEWABLE ENERGY ACTION PLAN (NREAP) 2030 TARGETS

Risk Category	Policy De-risking Instruments	Financial De-risking Instruments
Power Market Risk	• Long-term, legally-binding RE targets • Establishment of an enabling regulatory framework • FIT/PPA tender (standardized PPA) • Independent regulator for power sector	NA
Permits Risk	• Streamlined process for RE permits (dedicated one-stop shop) • Contract enforcement and recourse mechanisms	NA
Social Acceptance Risk	• Awareness-raising campaigns • Stakeholder outreach, including operators of private generators	NA
Developer Risk	• Capacity building for resource assessment (wind only) • Technology and Operations & Maintenance (O&M) assistance	NA
Grid/Transmission Risk	• Strengthen EDL's grid management capacity • Transparent, up-to-date grid code • Policy support for grid infrastructure development	• Take-or-pay clause in PPA[5]
Counterparty Risk	• Strengthen EDL's management and operational performance	• Government guarantee for PPA payments • Concessional public loans to IPPs
Financial Sector Risk	• Fostering financial sector reform towards green infrastructure investment • Strengthening financial sector's familiarity with renewable energy and project finance	• Concessional public loans to IPPs
Political Risk	NA	• Political risk insurance for equity investments
Currency/ Macroeconomic Risk	NA	NA

NA indicates "Not Applicable"

Source: Lebanon: Derisking Renewable Energy Investment: Selecting Public Instruments to Promote Renewable Investment for the Lebanese National Renewable Energy Action Plan

By Gaelle Kibranian Zavzavadjian, Stephanie Nakhel, Gebran Azar

Far off the target

Lebanon mismanages its most precious natural resource

In the first of a twelve-month series investigating Lebanon's capacity to reach the UN's Sustainable Development Goals (SDGs), Gaelle Kibranian Zavzavadjian, Stephanie Nakhel and Gebran Azar take a look at Goal 6: Clean Water and Sanitation.

The Lebanese are blessed with favorable amounts of precipitation, with the highest average rainfall of any country in the Middle East, according to the UN's Food and Agriculture Organization (FAO). The government estimates that there is between 2,000-2,700 million cubic meters of total available water per year in Lebanon, exceeding the country's projected water demand of 1,802 million cubic meters in 2035.

However, water supply shortages are still a major problem in the country. Most of the population faces severe water shortages, leading households to rely on unlicensed private wells, overpriced tanker trucks, and purchasing bottled drinking water to meet daily needs. Among an estimated 80,500 private wells in the country, only 20,529 are officially licensed, accordingly to a 2014 study conducted by the United Nations Developement Programme (UNDP) with the Ministry of Energy and Water (MoEW). This is execerbated by widespread pollution and substandard water infrastructure that restricts the government's ability to meet the demand for water now and in the future. Among the major issues that need to be addressed are poor water storage, deficiency in water quantity, deficiency in the quality of water supply networks, an increase in demand, unsustainable water management practices and an increase in the salinity of groundwater.

To date, Lebanon is capable of storing only 6 percent of its total water resources, making it the country with the least storage capacity in the MENA region. As such, international organizations such as the World Bank expect Lebanon to face chronic water shortages as soon as 2020.

In the wastewater sector Lebanon faces major obstacles, such as insufficient sewerage networks and wastewater treatment plants. Furthermore, constructed plants are still not operational, leading to the unsanitary discharge of wastewater.

The influx of Syrian refugees since 2011 has intensified the problem, leading to additional stress on water resources and wastewater infrastructure. Across the country, particularly in regions playing host to large refugee populations, there has been an increase in demand for water and sanitation provisions.

To better address these challenges, in 2012 the MoEW launched the National Water Sector Strategy (NWSS), a detailed road map for improving water conditions and service delivery in the country. The strategy addressed infrastructural concerns relating to distribution and wastewater treatment, as well as management issues related to institutional, financial, legal and environmental concerns. It also presented a projection of how planned resource augmentation will meet future demand and identified $7.7 billion worth of capital investment opportunities for reshaping the water sector.

The NWSS provides a framework for Lebanon to achieve the sixth UN Sustainable Development Goal of ensuring the availability and sustainable management of water and sanitation for all. The national targets included maximizing the potential and improving the quality of surface water resources, improving the management and protection of groundwater resources, ensuring proper and continuous access to a high quality water supply, and increasing coverage of wastewater collection networks and treatment capacities.

The MoEW, in partnership with UN agencies, international donors and others, is working on several initiatives in line with the NWSS objectives and responding to water issues that were exacerbated by the Syrian crisis.

However, to fully achieve the goal of providing clean and safe water to all, the Lebanese government needs to reform or repeal legislation that still impedes the full implementation of the water strategy, increase public awareness of the 2030 target for the SDGs, and seek funding from internal and external sources to implement the projects in the water and wastewater sectors.

GEBRAN AZAR and STEPHANIE NAKHEL from UNDP energy and envvironment programme, Lebanon. GAELLE KIBRANIAN ZAVZAVADJIAN is governance programme officer, Private Sector and Gender Focal Point.

By Susan Wilson

Bolstering Lebanon's game development

Translating passion into a career

With a touch of the screen, fat bunny bounces his way up the vibrantly colored mountain terrain, munching on the occasional carrot. Press too long or too little, however, and splat goes bunny into the mountainside – game over.

Like many mobile games, Fat Bunny's concept is simple, yet its gameplay addictive. It was launched in its beta version on March 20, the first offering of Lebanese game studio Groovy Antoid, who, along with another Lebanese newcomer, Van Ahmar, were selected as part of a piloted partnership between the startup accelerator Speed@BDD and Arab Arcade, a self-described community initiative.

Game development is not new to Lebanon. Local game studios began appearing 2008-2012, boosted by investment from the likes of Middle East Venture Partners (MEVP), Berytech and Resource Group Holding. But this last year has seen a sudden surge in activity and a more concentrated effort to grow the game development community in Lebanon – at the heart of which lies Arab Arcade.

CREATING A COMMUNITY

The initiative has been operating since January 2016 with a stated mission "to grow and bolster the game development community in Lebanon and connect aspiring game creators across the region."

The last six months have seen a flurry of activity. Arab Arcade organized the Beirut Games Festival back in January at the Beirut Digital District (BDD), alongside a range of other events such as Games Jams (48-hour-long marathons where teams compete to create a game) and Fuck-Up Nights (where enthusiasts gather to learn from each other's mistakes) – all seeking to foster ties between those who are passionate about games and those who are experienced in game development.

It also launched an incubation program for game studio startups that provides everything from office space at BDD, to mentorship, help finding investment, and business and PR support. Groovy Antoid was the first team taken under their wing, and slots are open for the next to apply.

It seems as though the Lebanese game development scene has been touched by an angel; indeed the investors behind Arab Arcade have a particular love for the local industry. "Our angel investors see great potential for gaming in the Middle East," explains Arab Arcade's CEO and co-founder Raja Riachi, who declined to

Inside the Game Looks studio

name the investors or the amounts they've invested. "And on a personal level, they are passionate gamers who want to see more and more games coming out of Lebanon."

Passion aside, there is also money to be made. The game industry brought in close to $100 billion globally in 2016, and Arab Arcade takes either equity or revenue share from teams they incubate – they took equity from both teams in Speed's accelerator. They also arrived on the scene at a particularly prescient moment, with Speed CEO Sami Abou Saab stating that the generalist accelerator has reached a point of maturity, and they are now keen to move into niche markets.

When Arab Arcade approached him about using Speed's space at BDD for their events, a deeper partnership evolved. "Gaming is pretty interesting, since the teams draw technical co-founders on board, which is very important for Speed," he says, explaining what made the case for focusing on gaming startups.

Arab Arcade and Speed officially launched their partnership on March 15, alongside Speed's Cycle IV acceleration program. The two game studios will receive the usual support from Speed, in addition to in-kind gaming-specific mentoring from Arab Arcade. If the pilot scheme proves successful, it could lead to an acceleration program aimed specifically at gaming startups, according to Abou Saab. "We are looking to get the feedback of the startups after the acceleration [program] and how this joint effort helped them build their studios. The traction and end-user engagement with their games is one of the criteria for success that we're looking at," he says.

Yet, there are still obstacles to be overcome before Lebanon can claim a place as a regional hub for game development, namely the lack of funding, resources, and specific talent.

Investment remains challenging for game developers in Lebanon, where there is no venture capital fund specialized in gaming. According to several game developers EXECUTIVE spoke with, there is talk of, but no viable university level degree capable of producing graduates with the necessary skills to transition into the field.

Instead, there is passion and talent on the peripheries of game design. "I think we've got a huge pool of talent adjacent to what a game designer or developer would need," explains Riachi. "Translating that talent shouldn't take too much; we are trying to set up the infrastructure that would make that transition easier."

ENCOURAGING INVESTMENT

The majority of game studios in Lebanon are focused on mobile gaming, seen by some as a high risk/high reward venture. However, Abou Saab explains that investors are only willing to back gaming startups if they have a vision for more than one game. "If they have a plan about how they are going to do it – and also a conception of how they are going to monetize in the future – then the investors are interested."

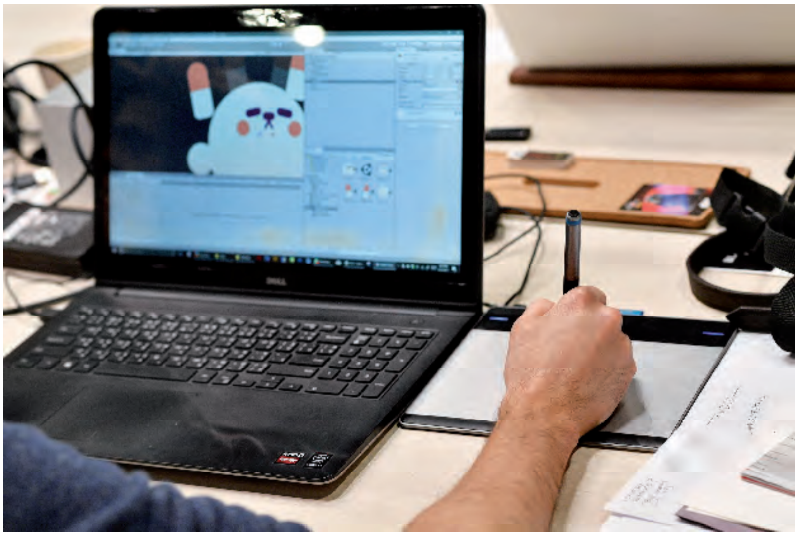
The numbers alone show why investment in Lebanese game development, financial and otherwise, could prove a smart move. Globally, the games industry rakes in billions of dollars annually and is on a path to eclipse other entertainment mediums. "In 2020 it's going to overtake all other entertainment industries; I'm talking movies and music combined," says co-founder of game developer Wixel Studios, Ziad Feghali. Such claims are not so hyperbolic when you consider that the global movie production and distribution market generated $95 billion last year, according to IBISWorld's Global Movie Production & Distribution: Market Research Report, compared to the global games industry's $99.6 billion in revenue – a year-on-year increase

We've got a huge pool of talent adjacent to what a game designer or developer would need of 8.5 percent – according to Newzoo's 2016 Global Games Market Report.

The future may well lie outside the big screen, as the smallest screen is the segment showing the greatest increase. Mobile gaming accounted for 27 percent of the global games market last year, generating $36.9 billion, up from $30.4 billion in 2015. This trend is showing no sign of abating, with the mobile games segment set to rise each year to a predicted 34 percent market share and revenues of $52.5 billion by 2019, according to Newzoo.

While MENA is by no means the largest market – Asia-Pacific accounts 47 percent of the global market, compared to MENA and Europe's combined 24 percent – the potential for investors is still there. "The growth of smartphone adoption in MENA, paired with an increasingly younger population – 50 percent of current MENA population [is] below 24 years of age – support further growth of mobile games in the region," explained MEVP's Wajdi Ghoussoub via email. MENA was also the fastest growing gaming region last year, with a year-on-year growth rate of 26.2 percent from 2015 to 2016, and revenues of $3.2 billion.

When asked what criteria MEVP would look for when deciding to invest in a gaming startup, Ghoussoub identified three key areas: a team that is experienced, can execute their company's strategy and adapt to an ever-changing environment (for example, the growth of mobile games and virtual reality); the business model of the company, whether they are a developer, publisher or both, and how they spend their resources; and return on investment, evaluating user economics and engagement to establish growth trajectory.


Game development is a multi-faceted discipline

In agreement with Abou Saab, Ghoussoub says that while investors would love to come across the next Pokémon Go, sustainable growth is what attracts them. "In theory, we are always looking for a company with the next big game, but that does not mean that anything short of global dominance is a failure. Having a strong portfolio of games and a pipeline for new ones is critical, as it allows the company to diversify its risk and keep on bringing to the market new and engaging games after some might sunset," he explains.

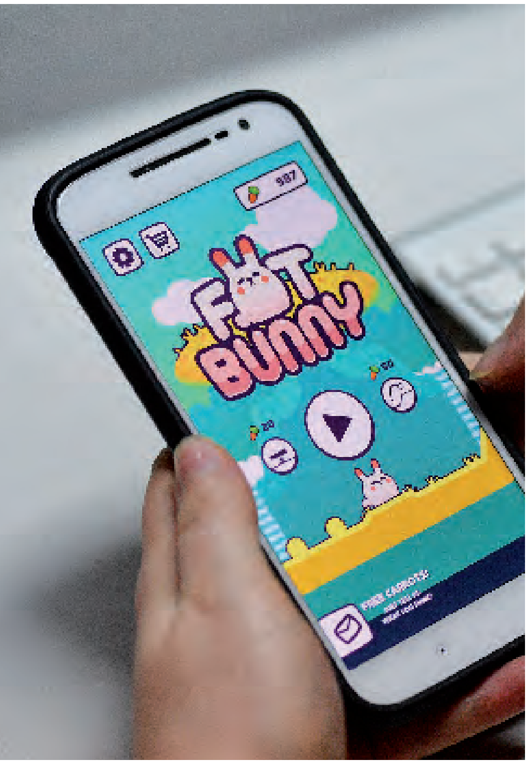
> Mobile gaming accounted for 27 percent of the global games market last year, generating $36.9 billion up from $30.4 billion in 2015

MEVP brought a gaming studio into its portfolio with an investment into Falafel Games back in 2011. Falafel Games runs on what Ghoussoub says, in MEVP's experience, is the most common business model; free-to-play with monetization from ads and/or in-app purchases. "An overabundance of mobile gaming options has forced game publishers to resort to this model as consumers have grown accustomed to a vast availability of titles free of charge," he says.

Games with a smaller reach can still generate significant revenue provided they are able to engage a loyal fanbase, such as Falafel Games' clientele. CEO Vincent Ghoussoub (a distant relation) says that most of the studio's games are MMOs (massively multiplayer online games), which make on average around 40-50 cents per day per active user, with active daily users close to 10,000. The company also closed a small – by industry standards – but significant round of investment last October that brought in $2.6 million from MEVP and iSME Holdings, among others.

Falafel, which counts localization among their business strategies – 50 percent of their market is Saudi Arabia, where language and cultural concerns are part of doing business – recently relocated its headquarters to Lebanon and plans to launch projects that are Lebanon specific, though Ghossoub remained coy on details.

Game Cooks is another profitable Lebanese game studio, counting their daily active users at around 30-40,000, though they are focused on the American market. A year ago they also had an



Groovy Antoid's Fat Bunny

in-app purchases business model, but have recently changed their focus from mobile games to virtual reality (VR), a potentially risky move given the projected growth of mobile gaming and industry skepticism about the longevity of VR.

"VR is not a platform you do a lot of in-app purchases in, it's particularly for premium users," explains CEO Lebnan Nader. The company's first VR game was launched on Samsung Gear at $2, and their latest will be at a higher price on the HTC Vive.

Nader acknowledges that there is no way of knowing yet if VR is a fad – the equipment itself is an expensive investment for the user, with good VR kit costing between $500-800 and requiring a top-of-the-line PC. Yet, he was convinced that it was the right direction after seeing both the interest of investors in VR at the Game Developer Conference in San Francisco and experiencing the "unbelievable immersion" of VR games first hand.

BUILDING FROM THE GROUND UP

While established gaming studios have managed to find funding, monetize and expand, there are still barriers to creating a vibrant Lebanese game development community.

"One of the major problems we have is that, although we have a lot of gamers, we don't have the suitable belief from universities that this can actually be a career," says Feghali.

Feghali knows this firsthand, as he and Wixel co-founder Reine Abbas teach courses for a Masters degree in Game Design and Development at the Lebanese University, one of the few games-specific courses in the country. They argue that without the foundation of a BA program, this can never be fully fledged. "Developing games is a mindset," Feghali explains, a multifaceted discipline that needs a dedicated program.

With Lebanon and the region woefully behind in gaming education, he and his wife Abbas took matters into their own hands in 2014, launching the Spica Tech academy, which teaches children ages five and above about game development.

"We are shifting these kids from dumb digital consumers to smart digital producers," explains Abbas. The courses, which are always free for girls – part of Abbas' desire to see more women in gaming – run across Lebanon, with an online platform under construction to launch the academy globally.

Wixel Studios was founded back in 2008 by the couple and Karim Abi Saleh, and has always had a social tint to its games. Their latest, Antura and the Letters – a partnership between Wixel, Cologne Game Lab and Video Games Without Borders – was selected in March 2017 as one of the winners of the Education App for Syria competition.

Wixel is further evidence that game development is viable in Lebanon, staying profitable through creating advertisement games for clients and also receiving funding from Berytech back in 2013.

What they and other successful entrepreneurs agree on is the need to redirect talent into game development. "I think, if one or two big universities in Lebanon open up a game development course, that it would be a very good start," says Nader. "People can learn how to think about a game, how to take it from idea to development to execution – and obviously how to market it."

For the Game Cooks CEO, the biggest challenges faced in Lebanon – other than the usual annoyances of infrastructure – are putting a team together, and finding funding in a landscape wary of games.

All also agree that Arab Arcade's push to create a game development community that is business literate about the is a good first step. "There are finite cases of experienced people who don't talk to each other. So the Game Festival and Arab Arcade in general foster a liquidity of experience," says Falafel's Ghoussoub.

One of the major problems we have is that, although we have a lot of gamers, we don't have the suitable belief from universities that this can actually be a career

There is still much work to be done if Lebanon is to become a regional hub for game development. It remains to be seen if Speed and Arab Arcade's partnership will prove successful and, if so, become the model of how to support a new generation of Lebanese game developers.

ZAPPING WITH THE STARS

Concert Live
Biel Sat 22 Sun 23 April

heartbeat
treating children with heart disease

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AÏSHTI ALESSI Bank Audi Choueiri Group LAND ROVER ROADSTER DINER SYLVIE SALIBA TAMER

By Nabila Rahhal

When snacking becomes healthy

New local producers bite into a growing market

Whether it is quinoa chips or chia seed cookies, snack food products, once dismissed as pure junk, have taken a turn toward the healthy and natural, and it seems the world's consumers couldn't be happier.

Globally, consumers are increasingly aware of the importance of a good diet on their health, according to Reema Mansour, founder of Biolicious, a Lebanese company which produces organic and gluten-free snacks and foods. "People are much more aware that what they eat has a direct impact on how they feel. Plus, there has been a large global rise in food sensitivities and allergies," Mansour explains.

This increased awareness has come with a splurge in spending, too. According to Euromonitor, a global market research firm, worldwide sales of health food products are estimated to reach $1 trillion by the end of 2017. Between 2015 and 2020, the global organic food market is projected to register a compound annual growth rate of 16 percent, according to a TechSci Research report entitled "Global Organic Food Market Forecast and Opportunities, 2020."

The agro-industrialists Executive spoke to believe that healthy and natural snack food is not just another passing fad, but a lifestyle change that is here to stay. "I don't see the health food industry dying any time soon. It's one of the fastest growing industries in the world, and everything is being switched to something healthy: equipment lines are being redesigned to produce healthier food and chocolate companies, such as Cadbury and Mars, have reduced their portion sizes. Everybody is trying to ride the bandwagon of health. It's not a trend; it's a fact and reality," emphasizes Soumaya Merhi, founder of Lebanese company BreadBasket sal, which produces several varieties of healthy snacks branded Taqa.

Eshmoon uses locally grown apples and oranges

THE LEBANESE SCENE

Lebanon has only recently hopped on the organic and natural foods bandwagon. Less than 10 years ago, the few brands of natural or health foods available in Lebanon were restricted

Major food producers in Lebanon have woken up to the potential profit in healthy snack foods

to a couple of shelves in the corner of the supermarket labeled "diet." Today, however, many of Beirut's and Mount Lebanon's supermarkets have dedicated health food sections, which are awash with imported brands of gluten free and organic items. Moreover, there are at least 20 specialty shops across Lebanon that only sell natural or organic food products.

Although there are no numbers that quantify the market size of healthy snack foods in Lebanon, indicators suggest that it remains a niche, despite its rapid development. This could be due to the price of such products – especially when imported – or the lack of awareness of the importance of healthy eating among many Lebanese. "In Lebanon, there are many locals who lack health awareness. For example, many don't eat olive oil because they think it's fattening and they don't know its health benefits; or they eat gluten free bread since it's the trend," says Hill Skaff, processed food value chain leader at the USAID funded Lebanon Industry Value Chain Development (LIVCD).

MADE IN LEBANON

While snack food production is arguably well-developed in Lebanon, it is no easy task to find locally produced and healthier varieties of savory or sweet treats. Recently, major food producers in Lebanon have woken up to the potential profit in healthy snack foods and have introduced alternative snacks to their existing production lines. Examples include Masters Chips introducing air-popped rice crackers, Al-Oumara bakeries launching rice cakes and oat breads, and Castania Nuts producing trail mixes.

Meanwhile, the past five years have seen an emergence of small-to-medium sized enterprises that solely produce healthy snack foods. Their number, however, remains quite low, and they face numerous challenges.

The most common challenges that companies voiced to Executive were elevated production costs and difficulty in gaining market exposure. "These companies need support to get more exposure and awareness among consumers. On the technical level, in healthy foods production, they need semi or full automated equipment to decrease their cost of production, and standardize products," says Skaff, giving the example of how LIVCD invested in semi-automated machines to help ready-to-eat *kibbeh* producers decrease the time spent on producing them manually.

> Executive profiled four of these companies to learn more about their particular challenges and goals.

BIOLICIOUS

In 2013, Reema Mansour found out that the aches in her joints and back were a result of an autoimmune disease, which meant she had a high level of inflammation in her body. To control these pains, she decided to cut all foods from her diet that might cause this inflammation, such as grains and pulses.

This left her with a very narrow list of foods available to eat in the Lebanese market, especially when it came to snacking. “The texture of food available to me was very restricted, and I started craving food with a crunch. What was available in Lebanon in terms of healthy food of that kind was very limited and very expensive. There were a couple of very good shops that were bringing in organic produce of excellent quality, but the tastes of these specific things that I wanted were not very good,” recounts Mansour, adding that the vast majority of the products she found were imported.

So Mansour, who says she has always enjoyed cooking, took matters into her own hands. “I started doing some research and making my own foods. In the meantime, I was doing an online course on holistic food coaching, and that opened my eyes to the possibilities, and how I can make things happen in terms of creating and marketing healthy food,” she explains. Mansour recounts that she started out small by making vegetable crackers, which she distributed to friends and family. Gradually, through word of mouth, the reputation of her products grew and friends in the food industry became interested.

Using an initial investment of $80,000 secured from a personal fund, Mansour was able to officially launch Biolicious in 2015 with a line of vegetable crackers, which she dehydrates at a very low temperature to save the nutrients, a process she describes as lengthy and time-consuming.

Following the positive response to the crackers, Mansour introduced kale chips a year later, and wafers the year after that, translating into a new product line every year, with more to come. “I still have a lot of recipes in my repertoire and want to expand, but [I] have to choose ones which would be viable in the market in terms of shelf-life and demand. It also takes time, so I am growing slowly,” she explains. Biolicious’ products have a shelf life of four to six months.

Biolicious products are certified by Instituto Mediterraneo di Certificazione, an Italian certification body operating in Lebanon, and therefore comply with international standards, such as having completely organic ingredients.

She says that it has not been easy in Lebanon as the market for organic produce is underdeveloped, therefore driving her cost of production up.

> What was available in Lebanon in terms of healthy food was very limited and very expensive

Whenever possible, Mansour tries to use locally produced organic ingredients in an attempt to lower costs. As such, fresh produce used is grown in certified organic farms in Lebanon, and ingredients such as *tahini*, molasses, sun-dried tomatoes and apple vinegar are brought from Adonis Valley, a local producer of organic food products.

Still, Mansour believes organic and health food producers like herself would benefit from more support and development for this sector, so they can at least man-

Biolicious vegetable crackers are dehydrated at a low temperature to save the nutrients

age costs. "Supporting organic and alternative productions in the agro-industry in general would be a very good step in supporting small producers like me. If there was more organic production in Lebanon, I would buy at a lower cost, and then be able to produce at a lower cost," she explains, citing Berytech's Agrytech program as an example of support and funding for the agro-food sector.

Mansour has to import whatever ingredients are not found in Lebanon. This is another challenge, as she has no storage space, and thus, must purchase small quantities – further increasing the cost of production.

Beyond the cost of production, Mansour says that there is the cost of the environmentally friendly packaging and the one employee she recently hired to handle distribution. Otherwise, she works alone in a semi-industrial kitchen. A small box of crackers is $3.50 while a bag of kale chips is $5.67.

While today Biolicious is present at 25 points of sale, concentrated in Beirut and Mount Lebanon, Mansour says she would like to have wider distribution and more exposure. "A challenge is that it is a very niche product, in a niche market. I work with a lot of organic and health shops, delicatessens, specialty stores, high-end supermarkets, diet centers, gyms … but it could be a lot more. I would like to expand on many levels. I tried chain supermarkets, but the payment terms for small producers are very difficult," she explains.

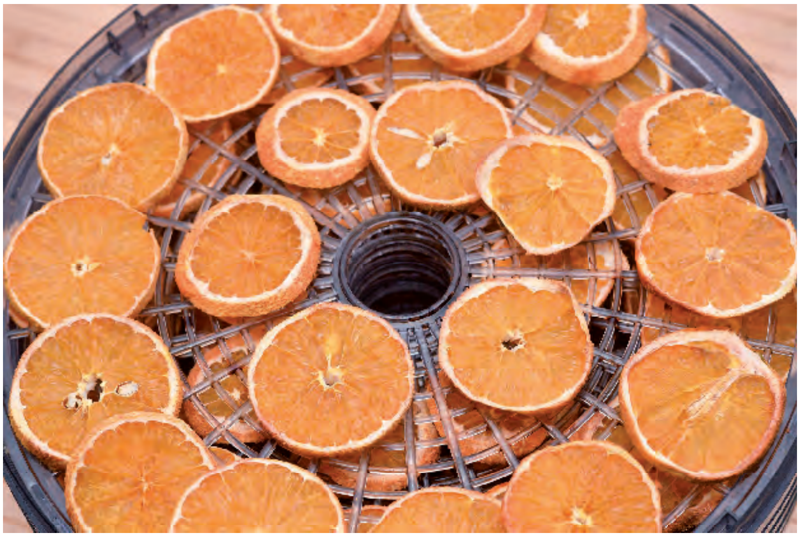
Mansour first started promoting Biolicious in exhibitions and farmers' markets in Lebanon. She still sees them as effective tools to reach consumers and give them the chance to try her healthy snacks. "It's very helpful that I can go to markets and participate in any activity happening by offering samples of my products. That's what people like. You might have looked at this [box of crackers] for half an hour on the supermarket shelf and not bought it. But when you taste it, and you like it, that's what matters to me," enthuses Mansour.

Mansour recognizes the need to be present in regional markets to grow Biolicious, saying she has the facilities to expand production and hire workers, but needs the right opportunities. She would prefer the kind of direct contact she has with the consumer in Lebanon when expanding to international markets and again laments the lack of support for such initiatives. "I want to go to these fairs and exhibitions and take a stand to show my products and get things distributed there, but it's not an easy task. If you look in other countries, they have systems and bodies that support such industries, and they go together as a country to share new things like this."

Still, Mansour says she has garnered interest from Singapore, Qatar, United Arab Emirates, and Saudi Arabia; having already shipped small quantities to Singapore. She believes Biolicious' competitive edge is in its Mediterranean taste and speaks with pride of her products' reception in these markets. "I went to Dubai to check things out, and I was very proud because these countries have access to similar high-quality items produced in the USA and Europe, but they were interested in Biolicious. So I am very happy," concludes Mansour.

ESHMOON

We chose to start with food because it is the basis of everything



Samer Tutunji, a chemist and yogi, says he was driven by the holistic health philosophy promoted by yoga to start Eshmoon, a company that develops "products that promote conscious minds." Eshmoon is named after the Phoenician demigod of health and was established in 2003, with the intention of promoting a natural well-rounded lifestyle for the emerging niche market of health conscious consumers in Lebanon.

While Tutunji originally wanted to make use of his chemistry background to produce natural beauty products and soaps, he felt the Lebanese market would not trust such products just yet and decided to start with food. "We chose to start with food because it is the basis of everything. If you eat healthy, it means your mind is healthy," he elaborates.

Tutunji decided to start his business with the most universally loved food product, chocolate. "We started with chocolate because it is a tasty treat – and therefore we can sell it – but is usually considered junk. People are addicted to chocolate even though they know it is bad for their health, but now we are giving them an alternative, which is made of all-natural healthy ingredients," says Tutunji, giving the example of how he uses grape syrup, instead of sugar, for sweetening.

Tutunji launched Eshmoon with an initial investment of $150,000 – from personal funds and family support – which he invested into testing and small-scale equipment. The company gradually grew, securing revenues by producing chocolate for weddings. Tutunji then reinvested another $150,000, from the profits generated, into developing his kitchen and designing a $25,000 outlet in Boushrieh, Metn (adjacent to the industrial kitchen), where Eshmoon products are currently sold.

Eshmoon gradually added more products to its offerings, and Tutunji says this expansion only intensified in 2015. Eshmoon currently produces a variety of chocolate products, organic cereals, honey and molasses. Tutunji adds that he is looking into producing organic nuts next.

Eshmoon's prices are at least 1.5 times as expensive as the mass produced versions ($7.50 for a box of chocolate cereal, for example), but Tutunji says that his products are both tastier and lighter. He justifies the price as due to the high cost of production since although he tries to use locally produced ingredients, he still has to import many items. "In our choice of ingredients and products, we are aiming toward locally produced, but at the end, there are some products which are simply not grown in Lebanon. Still, we try to promote rural agriculture through the choice of our products whenever possible," he says, giving the example of the locally produced molasses used as a sweetener, or the locally grown oranges used in the chocolate-coated oranges.

Other costs are relatively low, since many of Eshmoon's ingredients are locally sourced and Tutunji has a small team (seven employees maximum during peak times such as holidays). "We don't want to drown in fixed expenses as we need to remain versatile," he explains, adding that they use recycled material for packaging and the store's layout to remain cost efficient, and also to be in line with Eshmoon's minimalist philosophy.

In addition to the store, Eshmoon is present at several points of sale and has gained exposure through social media and its participation in many exhibitions and fairs, such as *Souk El Tayeb* and Salon Du Chocolat. "In exhibitions, we have the chance to make people taste, so we're growing through word of mouth, which is proving to be a success," enthuses Tutunji.

Tutunji acknowledges that there has been a mistrust of locally produced foods, but says this is slowly changing. "The healthy snack foods trend is here, but we imported a lot of products because consumers did not trust locally produced items. This is slowly changing, and there is a niche of consumers who want to buy local to reduce their carbon footprint and eat fresh," he explains.

While Tutunji says the local market for Eshmoon, and health food in general, is growing in Lebanon, he still sees it as limited. "The market in Lebanon is very narrow in that it is restricted to Beirut and Mount Lebanon. So if we need to grow, we have to start exporting and are aiming for that," says Tutunji, adding that he would export anywhere health-minded consumers can be found.

Tutunji believes Eshmoon products can compete globally because of locally produced ingredients, such as grape syrup or carob molasses, which are not found internationally. He had considered exporting to the Gulf countries – where according to him, Lebanese foods have acquired a positive reputation – but the high cost of shipping following the closure of land trade routes through Syria has since discouraged him.

Although the desire to export is there, Tutunji says he needs to expand production and work on marketing, which requires time and capital. While Tutunji is satisfied with the organic way Eshmoon has been growing, he is not against bringing in investors at this stage – if they believe in the company's philosophy and mission. "I am not looking for investors who are just in it for the cash because they see there is money in organic and healthy [products] nowadays. I want an investor who would sacrifice his or her money as part of investing in the cause. Of course, it will bring them back their money, but I want to feel that they are giving it as a donation, not as an investment," argues Tutunji.

Eshmoun has a variety of chocolate produced at their outlet in Boushrieh

NATURE'S HEART

For Malek Karam – owner of the company United Market Team that produces Nature's Heart, a line of cookies and crackers – it all began with the natural sweetener stevia.

Karam first learned of stevia when he grew concerned about his health and began researching sugar substitutes. Upon discovering stevia, a natural plant-based sweetener – as opposed to the artificial sweeteners found in the market, such as aspartame whose harmful effects on health are well known – he saw the potential in bringing it to Lebanon.

In 2012, Karam began importing processed stevia, produced in Malaysia, to Lebanon under the brand name Green Light, which he distributed in both bulk form to dessert producers, such as Bachir Ice Cream, and in packaged units to retail spaces.

While Green Light succeeded among Lebanese consumers, Karam observed that it was mainly being used as a sugar substitute in hot drinks; his goal was for it to have wider consumption. "People were mainly using it in their coffee, but I wanted them to use it in their cooking as well and in their cold drinks; in everything that needs a sweet taste," he says.

Karam tried to promote the varied usages of stevia by giving talks in universities and distributing pamphlets in health stores. But when that did not achieve the desired results, he decided to lead by example and use stevia in a food product. "Because I wanted to grow the market for stevia in Lebanon, I introduced sweet cookies and biscuits under the brand name of Nature's Heart as a first step to promote stevia as an ingredient. Because of stevia, we became cookie producers," Karam muses.

It all began with the natural sweetener stevia, which is extracted from the leaves of the plant species with the same name

Nature's Heart's production of wheat cookies began in 2013. Karam invested around $220,000 – $100,000 of which came from a Kafalat loan, with the remaining amount personally funded – into constructing the factory in the basement of a building he owned and buying the industrial stove needed for production.

The response for the wheat cookies was positive enough that Karam focused his efforts on developing and refining Nature's Heart. He introduced oat cookies almost six months after establishing the brand to accommodate for those with gluten sensitivities. He also worked on refining the packaging to make it more attractive and to extend shelf life. Because of the vacuum seal bags and air tight plastic containers, Nature's Heart products currently have a shelf life of six months.

About a year and a half after establishing the line of cookies, Karam decided to enter the savory snacks market by introducing all-natural oat crackers. As opposed to non-natural crackers, Karam explains, Nature's Heart's crackers use real ingredients for flavoring, rather than artificial ones (for example, real black olives are used in the mix of the olive flavored crackers). For him, it was the right time and place to take the step

into the savory snacks market. "I noticed that Lebanese like to have a salty snack with their drink and that there are no natural locally produced alternatives to chips and crackers. I already had the industrial stove, so I thought why not?" he recalls, explaining how he developed the recipes for each cracker flavor purely through trial and error.

Today, Nature's Heart employs 12 people and produces 40,000 to 50,000 bags of crackers and 6,000 boxes of cookies per month. Karam explains that external distributors take a 20 percent cut, and so, he has an in-house distribution team of five people and is present in over 200 points of sale across Lebanon, including health stores, gyms and major supermarket chains. According to Karam, Nature's Heart's selling points in the local market are its flavors, which appeal to the Lebanese, and its affordable price when compared to similar imported goods. A bag of crackers is priced at $2.60; while an eight-piece box of cookies is $2.

The natural flavors of Lebanese cuisine (such as aniseed in cookies, and thyme and white cheese in the crackers) are also a selling point in the countries Nature's Heart exports to, which are Saudi Arabia (Farm and Panda supermarket chains), Jordan, Kuwait, and France (the Lebanese market in Paris).

Karam explains that his expansion into export markets was possible due to expats and Arab tourists who would try Nature's Heart on visits to Lebanon and wanted it to be available in their own countries. He has set his eyes on the United Statesas an export market, which he plans to target through the speciality Lebanese markets there. Karam says getting to the US has been his biggest challenge so far, since there is no support system or network in Lebanon that would facilitate reaching that market, although he has tried to communicate with the Lebanese American Chamber of Commerce, to no avail.

Now that demand is growing in export markets, Karam plans to invest a further $130,000 in an automated production line, which would allow him to cut down on costs and produce larger volumes. He is also considering producing a line of potato chips, made from potato starch, and thus complete his savory snacks line.

TAQA

It began with oat bread produced in Tripoli

Soumaya Merhi returned to Tripoli, Lebanon from Montreal, Canada in 2013 with the plan to work in organic foods.

Eight months prior to her arrival, her father had started Bread Basket, a brand of oat bread, produced with a single bread machine in Tripoli. Merhi, who describes herself as a "doer," decided to help expand the brand. "I saw that something was being done, and I had to sell, so I picked up the idea and started selling cookies at Souk El Tayeb. After that, I started to move very fast in the 'niche market,' meaning high-end delicatessens, or farmers markets. There were a lot of people doing healthy cookies at that time," recalls Merhi.

A year and a half after taking over Bread Basket, Merhi created the Taqa bar. Taqa (which means energy in Arabic) is Lebanon's first locally produced energy bar and is made with Levantine flavors, such as rosewater and orange blossom.

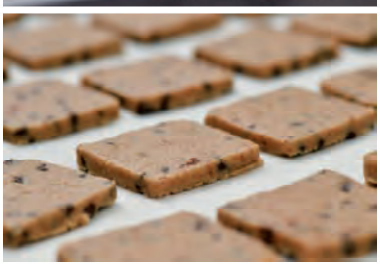
Merhi, a swimmer, says that the idea for Taqa bar came to her when she realized that there was no healthy, locally produced, energy providing snack. "As an athlete, or even if you are just having a busy day, you want energy on the go. We didn't have something that is easy, quick, healthy and branded in the Lebanese market," she explains.

Merhi always had big ambitions for her company, and in 2016 she decided to set the path to realizing them. "I am not working in an artisanal mindset, I want to be able to make it (the company) scalable. When you have scalability, then you become a key player in the trade market. It's been very difficult to get to the point where I am – and it involved a lot of pushing and shoving – but I also work very hard," says Merhi emphatically.

Driven by the need for scalability and larger consumer demand, Merhi focused on the ability to maintain and increase the company's level of performance. She upgraded the factory and bought automated equipment, which helped her increase volume and add products to her lines.

She then decided to rebrand, morphing Bread Basket products to Taqa, explaining that it is a catchier name for export markets and is more fitting for the company's diverse offerings. The Taqa brand will replace Bread Basket in May 2017. Today, Taqa is a confectionery bakery that specializes in off-the-shelf products, such as oat cookies, vegan maamoul, flat bread, buns, and dried fruit and nut bars. According to Merhi, "Bread Basket Square SAL aims to offer and constantly innovate a variety of different product lines, ranging from wheat-free, GMO-free, gluten-free, vegan, vegetarian, [along with] preservative, additive and improver-free, by sourcing premium raw materials."

Merhi also rethought the packaging and design, with the aim of prolonging shelf life and making it competitive with imported products in Lebanon, as well as in the export market. Taqa's new packaging, which will be introduced to the Lebanese market in May 2017, is simple and clean, with ingredient listings and nutritional facts in both Arabic and English. Products come in individual packets, as well as in single serving packets within boxes, with a shelf life of up to six months, despite having no additives. Merhi says they produced 24 tons of bread and 15 tons of baked goods and nut bars in 2016.



Nobody imposes standards on you, so I impose high standards on myself and the company

To be taken seriously among established tradespeople – and because there are no reliable regulatory or certifying bodies in Lebanon – Merhi decided to work toward the ISO 22000 2005, an international food management certification, which she admits is ambitious for a small factory like hers. “In Lebanon, it depends on your tenacity as a business owner to put the regulations in place because you want to grow. Nobody imposes standards on you, so I impose high standards on myself and the company,” Merhi says. As Executive was going to print, Merhi had achieved the certification by SGS (formerly known as Société Générale de Surveillance), making her one of the only three factories in Tripoli which are ISO 22000 certified.

In May, Merhi will also be launching the Taqa coffee shop on Pasteur Street in Gemmayze to bring her products closer to the consumers. “I’ve always loved having a small coffee shop, and it’s a place for people to meet the brand. As a consumer, how often do you get to meet the business behind the food you eat?” she asks.

All these developments and improvements to Taqa required a substantial capital investment, which Merhi raised in 2016 from an angel investor, a venture capitalist and an environmental foundation based in Lebanon. Although she declined to provide the amount raised, she says it was enough to cover the costs of the ISO certification, the rebranding, the upgrading of the factory and the creation of the showcase store on Pasteur Street.

Today, Taqa and Bread Basket products are available at 150 points of sale – mostly within wellness and fitness related spaces. Merhi has also signed with a local distributor to grow the products’ reach further, and be present in chain supermarkets. She explains, “If you really want to grow, you cannot just be in health stores or places that match your image, you have to be in supermarkets to reach the highest number of Lebanese. If this brand is not able to meet the heart of the Lebanese, from the south to the north, I have failed as a business owner, because I will be relying on a very small number of people who would spend on high-end [products].”

While Merhi admits that her offerings are not mass products just yet, she says she is trying to be as cost competitive as possible in order to reach the widest number of consumers. A small packet of cookies sells for $3.50 while a Taqa energy bar is $2.

The local response to Merhi’s products has been favorable, despite the usual preference for imported goods among high-to-medium end Lebanese consumers. “The Lebanese niche who are into health food are starting to become much more open to the idea that there are viable companies in Lebanon trying to do a very good job with their products,” she says.

Merhi has also signed with a buyer in both Kuwait and Saudi Arabia. She believes her edge over European imported brands in regional export markets is in the flavors of the Taqa bars, and the single serving sizes of favorites such as maamoul.

Although the brand is doing well, Merhi says it has been an uphill struggle. “Small manufacturers, of a sizable potential, in Lebanon need to be catered to because right now we don’t have support. If I continued the way I had started, I could not have sustained myself because I could not have grown to get interest from buyers. The niche market is too small and there is a threshold, but the good news is that it’s definitely growing,” she concludes.

By Nabila Rahhal

Of burgers and pizzas

Classic Burger Joint and Tomatomatic talk expansion through franchising

It all started in 2010 with a small shop flipping burgers in a mainly residential area of Achrafieh facing Sodeco Square. Seven years later, Ministry of Food – the hospitality management company that owns the restaurant brands Classic Burger Joint (CBJ) and Tomatomatic – boasts a total of 30 CBJs and five Tomatomatics (with a sixth on its way in Hazmieh), and its growth and expansion targets don't end there.

According to Angela Sawan, franchise manager at Ministry of Food, the company aims to have 100 outlets – including the two brands both locally and regionally – by 2020; an ambitious figure for a company that only began to aggressively franchise in 2016.

A SOLID FOUNDATION

From the start, CBJ resonated positively, particularly with young Lebanese, who were drawn to its trendy branding and modern vibes. Karl Ghorra, the company's CFO, says that despite local instability, the numbers have been growing since day one, with a steady year-on-year increase. "Last year the increase was perhaps not as strong as before due to the economic situation in Lebanon and the region, but we managed to maintain profitability and even increase it despite a slower increase in sales," explains Ghorra.

In terms of an increase in sales, store-to-store comparisons both locally and regionally have yielded very good results in the last few years, according to Ghorra. He adds that this is despite the heavy cannibalism in 2016 brought on by many CBJs and Tomatomatics opening in the same year. For full-fledged year round stores in solid locations, Ministry of Food aims to have an annual turnover of close to $1 million per year, per store – another ambitious estimate – with a profit margin of 25 to 30 percent.

THE FACES OF THE MINISTRY

Sawan attributes the success of Ministry of Food to its founders, whom she says are all active partners and come from diverse backgrounds that provide unique strengths to the company. Donald Battal, whom Sawan calls the "guru in F&B," uses his expertise in the hospitality sector to drive innovation, research and development, and the vital expansion strategy.

Brothers Boudy and Walid Nas-

The company observed that sales from their pizza delivery far outweighed dine-in sales, and decided to reconceptualize Tomatomatic as quick service and delivery

rallah are the founders of the design company Wonder Eight and are behind the branding and marketing strategy of both CBJ and Tomatomatic. Sawan says that although Wonder Eight is a separate company, and Ministry of Food has their own internal marketing department, there is a lot of synergy between the two.

Also among the partners is chef Ahmad el-Chami, who developed the menus, and Maroun Chammas, a financial entrepreneur who supported the formation of Berytech and the Beirut Digital District, he brings expertise in economic development and public relations.

BURGER BEGINNINGS

While plenty of diners have been serving burgers in Lebanon since the 1990s (examples include Roadster Diner and Crepaway), Sawan argues that CBJ was the first to pioneer dedicated burger joints in Lebanon. The "burgers only" concept was already a big trend in the USA and Europe in 2009, when Ministry of Food decided to adapt it to the Lebanese market, attracted by the idea of a single-item operation. "Burgers were a trend outside of Lebanon, and so, we thought of being entrepreneurs, in a sense, and bringing the trend to Lebanon. It was in the vision of the founders of the company to create single-itemed stores where the focus is really on perfecting this item," says Sawan, explaining that operating such a model is easier because one can control costs better and focus on innovating the main menu item.

CBJ expanded fast, and following their first outlet in Sodeco, they opened a branch in Jal el-Dib that Sawan describes as a strategic location, which allowed them to serve a larger consumer base. The Jal el-Dib store was followed by joints in Uruguay Street, Zaitunay Bay, Hamra, and Le Mall Dbayeh.

TIME FOR PIZZA

A year after the launch of the first CBJ, and fueled by its success as a single-item F&B concept, Ministry of Food's partners introduced Tomatomatic, which operates in the same model as CBJ, only here the focus is pizza. The first Tomatomatic was launched in 2011 as a casual dine-in concept located in the same Sodeco building that housed CBJ.

However, the company observed that sales from their pizza delivery far outweighed dine-in sales, and decided to reconceptualize Tomatomatic as quick service and delivery only. Sawan argues that the American-style pizza they bake is inherently better suited for delivery, and illustrates her point by giving the example of Pizza Hut rebranding itself from a dine-in concept to PHD, a delivery only model.

Tomatomatic relocated its operations to Geitawi, where Sawan says they have lower visibility than in Sodeco but are more central, and thus, able to deliver to a wider area. Other benefits from the change to the quick service model include lower rent and lower expenses when compared to a dine-in concept.

CBJ'S FRANCHISING PRESENCE

Sawan says that Ministry of Food's main goal from the start was to grow their brands through franchising. "We wanted to expand the footprint of [CBJ], and we wanted to franchise the concept," says Sawan.

Internationally, CBJ has franchise outlets in the UAE (Dubai), Kuwait and Cyprus, with plans for an expansion to Iraq also in the pipeline.

While at first the company was directly operating its stores in Lebanon, it began franchising domestically in 2016,

With only one product to focus on, CBJ can work on perfecting their burgers.

the "year of the franchise" for CBJ. "The big leap for franchise was in 2016, when we started franchising locally, and therefore doubled our store number. We also had multiple franchisees abroad, and each one worked on a parallel development project. So, in Kuwait we opened four stores, in Dubai two … There was one opening every five weeks in the last 18 months," says Ghorra.

The first three franchised branches of CBJ in Lebanon are fully operational year-round and are located in Mansourieh, ABC Achrafieh and Jounieh. They now include the franchise in North Lebanon, where the franchisee for the region has opened a shop in a food court in Zgharta, as well as seasonal kiosks in Balamand, Cedars, Ehden and Batroun.

According to Ghorra, each store opening takes between four to six weeks for logistics such as marketing, training and identity development, and utilizes all the company's operations staff (16 to 20 people in the head office, plus the team of Wonder Eight who have implants in the company to support franchise expansion).

The franchisee territory for Tomatomatic outlets is divided into zones – each of which has between 50,000 to 100,000 potential customers

MORE PIZZAS IN THE OVEN

Growth for Tomatomatic has been slower, and only two franchises were granted in 2016. "For Tomatomatic, we are now focusing on growing the brand locally like we did with CBJ. We tested the franchise model by operating the store ourselves, and then by franchising locally. So, we are ready to go regionally when the time is right," says Sawan, explaining that they plan to have 10 Tomatomatics in Lebanon and one franchise in Iraq by the end of 2017.

Sawan enthusiastically explains that Ministry of Food's aim is to grow Tomatomatic into multiple stores that act as a network. "It is a brand that lives and feeds on outdoor marketing campaigns, so what we do is take a chunk of the marketing money we make from each store and invest it into that campaign. The more branches we have for Tomatomatic, the more we can afford to spend on outdoor marketing, and the more clients we get," she elaborates.

To ensure that oversaturation does not occur, says Sawan, the franchisee territory for Tomatomatic outlets is divided into zones – each of which has between 50,000 to 100,000 potential customers – and is delineated by a 15-minute drive by a motorcycle at a speed of 40 kilometers per hour.

All delivery calls are directed to a unified call center, which dispatches the order to the assigned territory. Sawan says they invested over $50,000 in the modern hardware and software for the call center, which is shared with CBJ. It was established a year and a half ago, and Ministry of Food sell its services to their franchisees. "This allows us to control and streamline the service, and at the same time reduce our overhead cost."

FRANCHISING THE BRAND

Ministry of Food has a well-defined franchising model in place to ensure that everything runs smoothly. Domestically, Sawan says they mainly sell single-unit franchise licenses, but they have given multi-unit franchises in certain areas such as north Lebanon. "In multi-unit franchises, the franchisee takes over the territory and is in charge of expanding the brand there," explains Sawan, adding that the opportunity exists in south Lebanon for a similar model.

According to Sawan, the profile of a local CBJ operator is an entre-

preneur with a senior or management post in an F&B operation "who shares the same culture and values of the company and appreciates our brand."

However, the profile differs regionally as franchises are given to very large territories, so seasoned F&B developers or corporations are required, explains Sawan. "To qualify, these operators should have had success in managing brands that are similar to CBJ in that they are casual. For example, our franchisee in Kuwait is the development agent of Subway, and in Dubai he is the franchisee of [Kahwet] Leila," she says.

Meanwhile, Tomatomatic is described by Ghorra as having a "low barrier to entry" business model. "It is much easier to get a franchise for Tomatomatic, at least financially and training-wise. You can also be a non-F&B person and get it," he says.

THE MONEY TRAIL

As for franchising fees, Sawan explains that there are two main expenses: an area development fee and a unit franchise or license fee, which is related to a single location. Additionally, there are ongoing royalty fees and marketing contributions.

The area development fee differs from one country to another, according to Sawan, while the license fee is based on the number of branches. The more outlets the developer adopts, the cheaper this fee becomes.

> The profile of a local CBJ operator, according to Sawan, is an entrepreneur with a senior or management post in an F&B operation "who shares the same culture and values of the company and appreciates our brand."

Ghorra explains that the initial fee is related to the number of branches a franchisee will take on in a country or area, and the monthly fee is a fixed percentage of turnover. All in all, he estimates that it costs $120,000 to start your own Tomatomatic, while it would cost three times more for a CBJ.

GRILLING FOR GROWTH

As Ministry of Food grew its number of franchisees and developers, it had to become vertically integrated to be efficient and competitive. The company originally had a central kitchen in Lebanon, but when planning for franchising, they decided to close it in favor of having their suppliers produce the company's proprietary ingredient using its recipes.

Although these suppliers have an exclusive contract with Ministry of Food in Lebanon, this is not the case regionally, as Sawan explains. "Outside of Lebanon we changed this because franchisees were asking for facilities closer to their territories to cut down on shipping expenses. So, we started to approve factories in the GCC region, and we added a factory in KSA to our portfolio. This factory will help our Kuwaiti and Dubai franchisees when they want to import and also help us when we expand to KSA," explains Sawan.

When it comes to Tomatomatic, Ministry of Food is more lenient on ingredients, and while some items are integrated into the supply chain, the majority can be locally sourced according to certain specifications. "The only two ingredients which must be used like us are the Italian tomato sauce brand that we use and our secret spices recipe," says Sawan.

A NEW MARKETING APPROACH

Marketing and promotion was another area that Ministry of Food had to rethink in order to facilitate their brand expansion. Sawan explains that at the beginning, franchisees would come up with marketing ideas or pro-

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motional campaigns based on their outlets' needs or performance, and Ministry of Food, through Wonder Eight, would do the production and send them the materials to use.

However, with the increasing store count, this strategy was no longer viable. "We decided to elect local marketing agencies wherever franchisees are to drive the brand. So, we asked regional agencies to pitch for the brand, and we selected the best agency to present our brand there," says Sawan, insisting that they will still feed the agencies a brand level strategy to use, which will be "strictly followed up on and supported by the head office in Beirut."

FACING THE COMPETITION

In a landscape covered with international and Lebanese franchises, such as the Gulf, it is hard to stand out from the crowd. Sawan sees several areas where their brands have a competitive edge for their brands over American or European franchises. One of them is market adaptation and cultural literacy, whereby they adapt their marketing strategy based on each country.

Examples include the Kuwaiti burger (a best seller produced only for Kuwait, which includes flavors that nationals appreciate), the soup and dates served during the holy month of Ramadan, and the fish or mozzarella burgers they add to the menu during Lent. "Cultural literacy is high in our brand identity, and this is what the international brands might miss. For us, it's easy to cater to such requests since we have less bureaucracy, are fast and supportive in that area, and are only a short plane ride away," Sawan explains.

In countries where there is a large Lebanese presence, Sawan sees brand loyalty playing a role in sales. "Up to 30 percent of our clientele in Dubai are Lebanese, and in a market as competitive as Dubai, loyalty really makes a difference," says Sawan.

ONLY TIME WILL TELL

"Our vision and our aim is franchising," repeats Sawan emphatically, and indeed, it is clear that all of the company's energy has been poured into this goal.

Sawan sees the region becoming increasingly competitive, and with the struggling GCC economy, they are now shifting their franchise focus to emerging markets with high population densities and improving economic situations, such as Egypt or Turkey.

It is still too soon to tell if Ministry of Food will hit the 100 store mark by 2020. Many Lebanese-grown concepts before them have tried to expand this way, only time will tell if Ministry of Food holds the keys to franchising success.

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*"The arts are the best insurance policy a city can take on itself." - **Woody Dumas***

ART PHOTOGRAPHY AT THE PHOENICIA

FIRST EDITION OF THE PHAP COMPETITION

Words by ***Olga Habre***

The Phoenicia Beirut is no stranger to the arts. The hotel itself is a testament to modern architecture, so much so that it was featured in multiple films (mostly spy flicks) from the 1960s-80s. It was originally designed in the 60s by a group of architects led by Edward Durell Stone – the man behind such famed buildings as New York's Museum of Modern Art (MoMA) – with another wing added later by Lebanese legend Joseph Philippe Karam, who famously designed Downtown Beirut's "The Egg." The hotel was restored in the 90s after the Lebanese Civil War by one of the world's largest architecture firms, HOK, whose portfolio includes a long list of large-scale projects, such as the regional landmark Dubai Marina. Even today, a few years past its 50th anniversary, the hotel remains a magnificent building inside and out.

The hotel also houses an impressive collection of artwork by renowned international and Lebanese artists, including the signature "Mud Circle," painted with real mud directly onto a giant wall at the hotel's entrance by British artist Richard Long, whose work is featured in museums around the world. "The Phoenicia Hotel has always been heavily involved as an art hotel and supporter of creativity and artistic talent," says Mazen Salha, chairman of Societe Des Grands Hotels Du Liban sal (SGHL), parent company of the Phoenicia.

Most recently the hotel has focused its involvement on a growing artform in the country: photography. The Phoenicia Hotel Art Photo (PHAP) competition launched a year ago, but it was only this spring

that the public was able to view the end product, with an exhibition featuring 12 images, each taken by a different photographer – some professional, others amateurs. Over each month of the past year, the hotel has offered a participating artist a night's stay in the lap of luxury, to fuel their creative fire and help inspire a work of art. The result was 12 photos, each as unique as their creators, ranging from a soft black and white shot of the folds in an unmade bed, to a carefully choreographed photo of the Phoenicia's grand stairway, occupied by men and women jumping and posing theatrically.

The exhibition launched March 16 in the Phoenicia's lobby and continued through the end of the month. A winner was expected to be announced at the opening, however, the panel's judges – well-known Lebanese photographer Roger Moukarzel, art collector Tarek Nahas, president of the Videoinsight Foundation Rebecca Russo, former general manager of the hotel George Weinlaender, as well as Mazen Salha and his son, PHAP founding judge Najib Salha – were deadlocked. "By coincidence, two photographers had an identical score and a third photographer was only 2.5 points behind. It was very close for the top three!" the elder Salha explains. Ultimately, two winners were declared: Chady Khalaf for "Life in Wanderlust," a striking long-exposure shot of the hotel's exterior, and Mamad Mossadegh, for his work "Devoured," showing a man jumping into the lobby's central chandelier (with the Mud Circle visible in the background). The jury assessed the works based on their creativity, image quality, use of light and color as well as their ability to elicit an emotional response. The other photographers featured in the exhibit were Virginia Khuri, Genia Maalouf, Mario Daou, Antoine Eid, Loukman Nasreddine, Angela Solomon, Charbel Bouez, Jeroen Kramer, Ghaleb Cabbabe and Diane Aftimos. While there was no requirement that the pieces feature the Phoenicia, most participants chose to, not surprising given how easily the hotel lends itself to being photographed. Salha observes that "their interpretations have been eye-opening, even to [those of] us who see the Phoenicia every day."

The two winners are splitting just over $5,000 in prize money, but the real winners are hotel guests and employees – who get to relish even more culture and beauty than usual as they walk through the premises – and all the participants, whose works were displayed to many influential passers-by. Limited editions, five prints per photograph were offered for $500 each, with 50 percent of the profits going to a charity of the artists' choice.

Inspired by a similar initiative in Paris, the hotel wanted to support visual arts, namely photography, viewing it as a growing field. Salha adds that PHAP is just one of many art initiatives at the hotel. "We support many forms of creativity and art and have several other projects in the pipeline."

The hotel is already moving forward with a call for applicants for the next year, with the hopes of making PHAP an annual competition.

DINNER AND DIVORCE AT MONNOT THEATER

CARLOS CHAHINE'S NEW ADAPTATION OF "DINNER WITH FRIENDS"

Words by ***Olga Habre***

For Lebanon's largely religious, family-oriented society the alarming rate of divorce in the country is a sensitive issue. Whether you blame the economy, social pressures or simply a global trend, there is no doubt divorces are occurring more frequently than ever before, and while divorce is still widely considered taboo in Lebanon, this uptick has made it an increasingly prominent subject for popular discussion. So, it's no surprise that divorce has made it onto the stage, addressed carefully and comically in Carlos Chahine's new adaptation of "Dinner with Friends" or "*Kif Ken el Asha*," which premiered at Monnot Theater on March 23 and is continuing its run through April. A Lebanese take on the Pulitzer Prize-winning play by Donald Margulies, which was made into a 2001 movie of the same title starring a quartet of Hollywood A-listers, it's a look at a married couple's breakup from multiple perspectives.

It's a story of love, desire, monogamy, fidelity, and friendship that starts with a dramatic dinner and announcement of divorce. The two couples in the story have been friends for years, and with each scene, the plot thickens and layers of both couples' relationships are peeled away. It's not nail-biting suspense, but rather more the gradual revelations of the true character of each person, much like real life. As the audience sees both couples interact with each other, and how their own relationships change with time and as a result of the news, it's clear that there are multiple sides to every story. There isn't a "right" solution to issues in relationships, and marriages go through different kinds of natural progressions. Ulti-

mately, the play doesn't dictate a moral as much as it illustrates variations and evolutions in matrimony and friendship.

After two months of rehearsals the comedy-drama looks great live on stage, starring local talents Alain Saadeh, of last year's box office success "Very Big Shot" or "*Film Ktir Kbir*," Serena Chami, who's starring in the recently released film "*Mahbas*," as well as Joseph Zaitouny and Sahar Assaf. The production's picturesque but simple sets change with each scene, with melodic Arabic love songs playing while stagehands rearrange the setting in the dark.

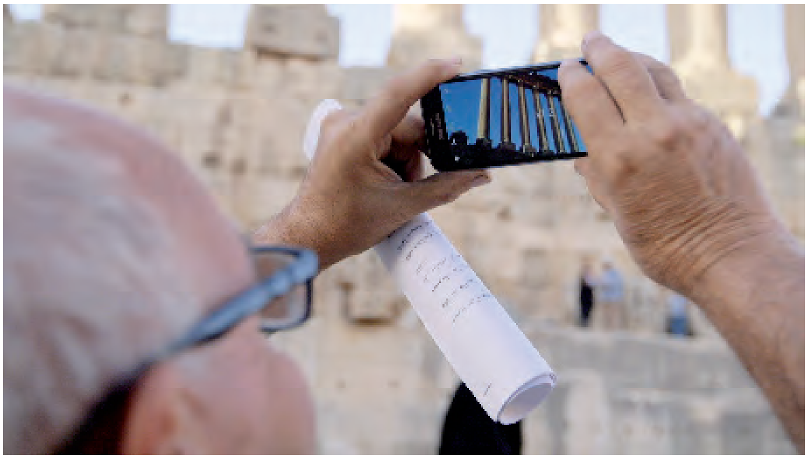
What's compelling about the play is it has more questions than answers and will have you thinking about your own life long after you've left the theater. Its director, Chahine, who lives mostly in Paris and is also an actor and film director, was inspired to tell the story for the first time in Arabic to his Lebanese audience after reading the play in a New York library four years ago, saying it was the right time to present "a play that can be easily understood by a lot of people." Describing the performance, he says, "It's the story of two couples who have known each since university and spend [a lot of time] together. One couple decides to divorce, while the other can't accept the idea. It can be seen as sad, or it can be happy, the question is: What is best? What should someone do when they're unhappy? Stay together for the children and society, or have the courage to start a new life?"

It's a painful debate many couples encounter, but divorce definitely deserves a conversation. Talking openly about this and other taboos encourages understanding and sensibility. Seeing divorce discussed on a live stage, approached with lightheartedness, sincerity and seen from multiple angles, may not stop divorces from happening, but it's a great example of how art can contribute to enlightening society, alleviating people's pains and helping them feeling less alone in difficult times.

A DIFFERENT BAALBEK

APEAL DOCUMENTARY HIGHLIGHTS NEED FOR MORE INCLUSIVITY IN ART

*Words by **Olga Habre***



Art is for everyone – this sentiment seems to echo more and more across Lebanon's art scene and is the central vision of the Association for the Promotion and Exhibition of the Arts in Lebanon (APEAL). In addition to launching plans for a free contemporary art museum, the Beirut Museum of Art (BeMA), the organization is thinking outside the capital's borders, with plans to bring art to more neglected areas.

During the fall of 2016, APEAL worked together with the Zoukak Theatre Company to engage an unlikely group of people – elderly residents of Baalbek – in a community outreach program that included a theatrical production in the town's historic Roman temple. Award-winning Lebanese director Roy Dib was commissioned to create a documentary following their journey. Besides documenting rehearsals, Dib interviewed participants individually, inquiring into their personal relationships with the city and asking them to show him around their favorite places. The beautiful, hour-long film, "*Serrak Sahel* (Plain Secret)," is itself a work of art. It offers a glimpse at the hidden gems of Baalbek, narrated by conversations with locals who know their city incredibly well and showing sides of Baalbek that outsiders don't normally see. It premiered on March 21 at the Metropolis Cinema Sofil and is now available online.

While the majority of Lebanese know of the city's grandiose Roman Acropolis, a UNESCO World Heritage Site and among the most impressive Roman ruins in the world, there's a lot more to the living, breathing city of Baalbek, one of Lebanon's most legendary and misunderstood cities. Far from the tourist-drawing temples, the documentary shows a ravine leading to caves that allegedly stretch for hundreds of meters underground, as revealed by program participant Omar el-Solh. In today's Baalbek, Batoul Kasem, a midwife with the Red Cross, takes viewers into the Ras el-Ain public park, while Ahmad Kassab, a long-time employee of the famous Palmyra Hotel, reminisces about the landmark inn. Imad Mortada allows cameras into his private garden, the site of a small local recycling project, and agricultural engineer Hadi el-Miselmani is interviewed in a local cafe he's been frequenting since childhood.

The film follows the process of putting together a theatrical production with elderly residents, who have never done anything like it before. Participants contributed to the writing of the storyline and script, and performed it in front of a live audience all within a few days. Creating and performing the play helped residents explore their own relationships with the heritage and history of their surroundings, as well as with their own identities.

Zoukak's Hashem Adnan, one of the instructors in the program, says theater is a particularly effective medium for bringing art to people. "It's a living experience. This specificity of theater differentiates it from other art forms," he says. "[Theater] is very intense and brings a certain kind of artistic, social and political experience I don't think you can achieve with other arts to the same extent."

The final performance saw the amateur actors stand on the same stage as the legendary acts who have graced the Baalbek International Festival. Though the festival draws thousands of visitors every summer – and their money – the influx of outsiders has caused a disconnect between citizens of Baalbek and their city's famous attractions.

Nada El Khoury, artistic vice-president of APEAL, explains that the production was timed to coincide with "The Silent Echo," a contemporary art exhibition organized at the Temple of Bacchus by Studiocur/art. The first-of-its-kind show featured Lebanese and international artists, including one of the most acclaimed artists of our time, China's Ai Weiwei. Held from September 17 - October 17, it shed light on the importance of on-site museums, and explored how monuments

and artifacts become symbols of an obsolete past, subject to destruction, iconoclasm and erosion, raising issues of preservation, ethics, and questions of how to best preserve the vestiges of the past.

El Khoury says they chose to work with the elderly because "they are the origin and the memories [of the city], telling the stories of Baalbek," and that it made sense to run the two historical projects in parallel.

El Khoury says APEAL's mission is to give people from all areas of Lebanon and all walks of life the opportunity to experience art: "We believe art is the best language." Unfortunately in Lebanon, it's often a language people are afraid to learn. El Khoury agrees that even free cultural spaces can be intimidating for the general public, but that APEAL is working to combat this feeling. "Art shouldn't be intimidating. That's why we are going to people, to villages, and we are telling them you shouldn't be scared to step into a museum, on the contrary, [they should feel welcome]," she says, adding that many museums are shifting their strategies to become more inclusive.

The Baalbek initiative follows on the heels of APEAL's art residency and exhibition at Ras Maska, Koura, in spring 2016. This May, APEAL plans to continue its mission to bring art to communities around the country by going to Jezzine, where they will host a month-long art residency program and several cultural events.

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A global tradition of annual activities commemorating World Water Day every March, launched by the **United Nations** in 1993, will reach close to 2,000 more students in Lebanon this year through six events conducted by **Nestlé Waters** and its global NGO partner Project **WET** (Water Education for Teachers).

To celebrate Mother's Day and the arrival of spring, **Ladurée Beirut** invited a select group of ladies, social figures and media to an elegant and tasty brunch on March 23.

Following the completion of a landmark three-year partnership, **Total** and the **Badminton World Federation** recently announced a three-year extension of the partnership until 2021.

March 23 was marked by the premiere of the **Pulitzer** winning play **Dinner with Friends**, brought to the Arab world for the first time by actor and director **Carlos Chahine**. This special event, held at the **Monnot Theater**, gathered elite guests with the contribution of **Cynthia Sarkis Perros** – Luxury Limited Edition.

The jewelry collections by **de GRISOGONO** embodies the distinctive style of **Fawaz Gruosi**, the natural-born creative who loves shaking up conventions, and revisiting basics and classics with disconcerting boldness.

Brides and grooms can open an "I Do" account at any **Credit Libanais** branch and benefit from several services designed to facilitate this important stage of their lives, notably the "Online Wedding Gift."

The second generation of the groundbreaking NMD series, the NMD_R2 W stepped out in two brand new colorways in March, courtesy of **adidas Originals**.

Bassoul-Heneine sal, the official **BMW** importer in Lebanon, produced the "Mother's Day Happy Box" maternity packs, which were then donated to the "Birth and Beyond" Assameh. The packs were distributed to mothers in need at the **Governmental Hospital of Beirut Quarantine.**

Hospitality Services held a press conference under the auspices of the Minister of Tourism, H.E. Avedis Guidanian, on March 23,at **Phoenicia Hotel Beirut** to launch the 24th edition of **HORECA Lebanon**, the region's premier hospitality and foodservice event. HORECA will take place from April 4-7 at **BIEL**, opening daily from 3-9 p.m.

Milan Fashion Week witnessed fashion and technology fuse in an exciting partnership between **Huawei Consumer Business Group** and dynamic fashion label **Ricostru** to celebrate the launch of the HUAWEI P10 and HUAWEI P10 Plus smartphones.

Saxo Bank Group published its 2016 full year results. The operating income for the Group in 2016 was DKK 2.9 billion, up from DKK 2.1 billion in 2015. Clients' collateral deposits grew to new historic highs with an increase of almost DKK 15 billion to DKK 92.3 billion by the end of 2016, a testament to clients' confidence in the bank.

Jack Saba, General Manager of Public Affairs at **Sasol** in Qatar won the **CSR Innovation Award** during an award ceremony that was held under the patronage of H.E. Sheikh Abdullah bin Nasser Al-Thani, the Prime Minister and Interior Minister of Qatar, and in the presence of **H.E. Salah bin Ghanem Al Ali,** the Minister of Culture and Sports, who was named **CSR Person of the Year 2016.**

Speed@BDD officially launched its fourth acceleration program on March 14 at **Junkyard**, Mar Mikhael, in the presence of investors, key startup ecosystem players and media representatives.

GROHE Sense and **GROHE Sense Guard** are GROHE's latest intelligent solutions for the smart home. The GROHE Sense smart water sensor monitors humidity, detects leaks and alerts homeowners instantly in case of a problem, while the GROHE Sense Guard is installed in the main water pipe and can switch off the water supply in case of a burst pipe.

Under the patronage of the United Nations Information Centre in Beirut, "SMART Centre" organized a debate on "**Women's Quota in Lebanon,**" in partnership with the International Debate Education Association.

During a press conference held at **Sursock Museum, Maqamat** announced the program of the 13th edition of the **Beirut International Platform of Dance**, set to launch on April 13.

On March 21 **APEAL** hosted a special screening at **Metropolis-Empire** cinema, unveiling "Plain Secret," a documentary by artist and director Roy Dib, portraying the unique experience of an outreach project led with elderly residents of Baalbek.

Ericsson has signed a multi-year contract with the **BBC**, one of the world's leading public service broadcasters, to provide post-production and media management services for **BBC Creative**.

Following its big launch in November, **SteakBarSushi** makes news again with an event that further anchors its position as an avant-garde landmark in Lebanon's culinary industry. Hosting the sixth-generation winemaker and **Chateau Kefraya**'s renowned oenologist, **Fabrice Guiberteau**, the restaurant held a wine tasting and food pairing session.

After a very successful year of sales, with a record 42,100 cars distributed globally in 2016, Maserati has chosen the 87th **Geneva International Motor Show** to introduce its **GranTurismo** and **GranCabrio Sport** Special Edition versions.

A total of five **BMW Group** brand models received the internationally renowned "iF Design Award 2017." A high-class jury honored the MINI VISION NEXT 100, the ROLLS-ROYCE VISION NEXT 100, the BMW Motorrad VISION NEXT 100 as well as the BMW Concept X2 in the category "Mobility/Professional Concept" for their innovative design and their future-oriented technologies.

This Year's Dubai **Lynx** awards were a triumphant evening for **Impact BBDO Middle East, Africa and Pakistan,** during which the group won a total of 40 trophies and the prestigious "Network of the Year" title.

"Water. Intelligence. Enjoyment." This was the motto chosen by **GROHE** for its exhibit at **ISH 2017.** Building on the promise of its "Pure Freude an Wasser" slogan, the motto shifts the attention to the manufacturer's smart solutions.

On March 12 **Ferrari** launched its official celebrations for its 70th anniversary. To coincide with the official start of the celebrations and to commemorate the events of 70 years ago, Ferrari also released a special video featuring a re-enactment of the first 12-cylinder to sport the **Cavallino Rampante** on its bonnet.

Lebanon-based NGO **Media Association for Peace,** in collaboration with **UNIC Beirut**, organized the sixth **Annual Peace Journalism Workshop 2017** under the theme of the UN Campaign "Together: Respect, Safety and Dignity for All."

With its vision and commitment to make a tangible difference in the lives of underprivileged children, the **Happy Childhood Foundation** Lebanon organized its successful second edition fundraising auction on March 9 at **MIM Museum-Beirut,** with the support of **Christie's London**.

Advanced Construction Technology Services announced that it has been engaged to provide its services in connection with five **World Cup** stadiums and three related energy centers being built for the **2022 FIFA World Cup in Qatar**.

Less than a year after her successful appointment as Chairwoman of the Board at **Royal Financials SAL,** Dr. Zeina Zeidan headed to the **United Nations'** Headquarters in New York City to participate in the sixty-first session of the **Commission on the Status of Women.**

CME, the leading technology company and end-to-end engineering solutions provider in Lebanon, announced the winner of its competition "Reimagine Lebanon" during an Award Ceremony held under the patronage of the Minister of Economy and Trade Raed Khoury.

In the 2016 financial year, **Porsche AG** achieved record highs in terms of deliveries, revenue, operating result and number of employees. Deliveries increased by 6 percent to 237,778 vehicles, thereby achieving a revenue of 22.3 billion euros (an increase of 4 percent).

Bossini has launched their latest **Minions** collection and everyone is going bananas. The line includes shirts, sweaters and hoodies, featuring the fun-loving Kevin, Stuart and Bob.

As the number one real estate developer in the country, **SAYFCO** has sold over 6,000 units totaling over $3 billion since 2010, of which 3,000 units have been delivered and registered. Being the leading real estate promoter, proudly representing the largest number of projects and with a successful portfolio of more than 30 projects since 2010, SAYFCO has always strived to better itself.

Grand Hills, a luxury collection hotel & spa, chose to honor media mothers during an elegant lunch at Pool Café on March 15 for the occasion of Mother's Day.

Ford Motor Company handed over a total of $27,000 grants to environmental projects in Lebanon as part of the 2016 **Ford Motor Company Conservation and Environmental Grants** initiative.

Tinol Paints organized a lunch for its agents on February 25, at Riviera Hotel Beirut. In celebration of its 60th anniversary, the company embarked on a series of festivities gathering different members of its community.

After being a communication consultant, Manhal Nacouzi joined **ITS Communications Group** in the capacity of COO as of March 2017.

BEIRUT ART FAIR has selected London-based independent curator Rose Issa, a world-renowned expert on contemporary Middle-Eastern art, to curate the focal exhibition of its 2017 edition. Entitled Ourouba, The Eye of Lebanon, the exhibition will

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reflect the aesthetic, conceptual and socio-political concerns that have surfaced in the Arab world over the last decade.

Etablissements Antoine Massoud held a series of masterclasses for **Skinos Mastiha**, the unique liqueur with an exceptional Mediterranean taste at **The Malt Gallery** across a period of two days in the presence Paschalis Kapsalis, the International Brand Ambassador.

In the framework of the **European Union**-funded project "Promotion of Social Dialogue in Lebanon", the Ministry of Labor in cooperation with the **Economic and Social Council of Lebanon** conducted a series of training workshops for Tripartite Social Partners from the public and private sector.

Dubai-based airline **flydubai** announced the addition of three new destinations for the upcoming summer season. Batumi in Georgia, Qabala in Azerbaijan and Tivat in Montenegro are the latest destinations to join flydubai's growing network and will operate from June to September 2017.

Arabia Insurance Company recently adopted an "Emergency Response Plan – ERP" to deal with various emergency cases in collaboration with a company specialized in this field.

Huawei Consumer Business Group announced that five of its devices were awarded at the **International Industrial Design Forum 2017** held in Hannover, Germany.

All of the legendary **Alfa Romeo** models combined heritage, speed and beauty, making them the highest expression of Italian style in the automotive world, and the new Giulia, which has just been launched in Lebanon by **Gargour Automotive Company,** is no exception.

City Centre Beirut, member of **Majid Al Futtaim,** the leading shopping mall, retail and leisure pioneer across the Middle East and North Africa, launched a new edition of its Spring Summer fashion week.

Toyota Motor Corporation announced cumulative global hybrid vehicle sales of 10.05 million units as of January 31, surpassing the 10 million unit mark.

Renowned Lebanese mountaineer **Joyce Azzam** achieved yet another accomplishment in her career by successfully reaching the summit of Cerro Aconcagua, the highest peak in the Argentinian Andes chain.

The culmination of a 12-month photo competition and the launch of an exhibition showcasing the results were celebrated during a cocktail reception at the **Phoenicia Hotel** on March 9.

The **Panerai Classic Yachts Challenge** has long been acknowledged as the leading international circuit for classic and vintage sailing yachts. Celebrating its thirteenth outing in 2017, the circuit spans 10 of the world's most fascinating and maritime tradition-rich regattas.

On the occasion of the World Patient Day, **Bellevue Medical Center** launched its collaboration with Diakonia organization on March 1, aiming to ease the burden of chronic illnesses on patients, their families and involved staff.

On the occasion of International Women's Day on March 8, and as the first of many initiatives aimed at strengthening gender diversity across its offices within the region, **Careem** announced its proprietary program – **Careem Women Empowerment and Engagement Network**, which will focus on ensuring equal job opportunities, flexibility and transparency for its female talent pool.

flydubai celebrated International Women's Day with an all-female crew operating flights FZ001/FZ002 between Dubai and Doha.

GS announced the addition of the German brand **Marc O'Polo** to its portfolio. Premium modern and casual, Marc O'Polo embodies the concept of "Follow Your Nature."

Adir Insurance, the leading Lebanese insurance company, held its annual gathering at **Villa Linda Sursock** in Ashrafieh in the presence of its employees and managers.

Photomed Liban awarded the **Portfolio Reading Prize** for 2017 to Elias Moubarak, director and photographer, with the support of LIA Insurance.

Football fans are feverishly awaiting the friendly match of legends between former players of Spanish archrivals **FC Barcelona** and **Real Madrid** that will take place on April 28 at the Camille **Chamoun Sports City Stadium**.

City Centre Beirut, member of **Majid Al Futtaim,** the leading shopping mall, retail and leisure pioneer across the Middle East and North Africa, won the supersize silver **Picasso D'or** award for the 2016 summer outdoor campaign.

Building on its early success and the rapid growth of the segment, the 2017 **Chevrolet** Trax is now available at IMPEX.

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BUSINESS ESSENTIALS

Company Bulletin

Dubai Lynx, the International Festival of Creativity, came to a close in an Awards Ceremony that saw eighteen Grands Prix presented.

Majid Al Futtaim, the leading shopping mall, communities, retail and leisure pioneer across the Middle East, Africa and Asia, launched a new regional marketing campaign designed to inspire people to spend more quality time with loved ones.

On the occasion of International Women's Day the **United Nations Industrial Development Organization** together with the **Ministry of Industry** organized a workshop on "#ResilientWomen" at **"Creative Lebanon"** in Gemayzeh, Beirut.

Ferrari kicks off its 70th anniversary with the world premiere of its most powerful production car yet, the 800 horsepower 812 Superfast.

Prepare to spend even more time on your mobile as **HMD Global**, the home of **Nokia** phones, announced a new version of the cult status game, **Snake** for Messenger, part of **Facebook**'s Instant Games cross platform experience.

On March 1, **Kempinski Summerland Hotel and Resort** launched their chocolate and high tea experience held in their lobby lounge "Le Salon."

This year, the **Bassoul Heneiné Group** will launch the new **Sandero** and **Sandero Stepway** models – modern, inviting vehicles for a serene driving experience.

Volvo Cars revealed the long-awaited new **XC60** premium SUV at the **Geneva Motor Show**. The new car replaces Volvo's highly-successful original XC60, which in the nine years since its launch became the bestselling premium midsized SUV in Europe with nearly a million units sold globally.

Total Liban inaugurated a French language laboratory at the Fouad Chehab Academy for Command and General Staff in Hazmieh on February 15.

Organizers of the **Lebanon International Oil and Gas** Summit announced that they launched the 2017 edition of the event, which will be held at **Hilton Beirut Habtoor Grand Hotel** on May 9 and 10 under the patronage of Cesar Abi Khalil, Lebanon's minister of energy and water, and in collaboration with the **Lebanese Petroleum Administration**.

By keeping its focus strong on performance and customer satisfaction, **T. Gargour & Fils Lebanon** earned the **Mercedes-Benz Trucks Award** 2016 by **Daimler**. In addition, T. Gargour & Fils and Mercedes-Benz trucks have reached another milestone in Lebanon with new record-breaking sales in 2016.

Banque Libano-Française, with the Association "**Help Lebanon**", contributed to the rehabilitation of 60 residential facades in Tripoli Mina during the past two years.

Ahliah School in Downtown Beirut opened its Centennial Celebration Art exhibition. Five artists in one century, in the presence of the **Ministers of Education and Higher Education,** MP Marwan Hamadeh and MP Atef Majdalani representing Prime Minister Saad Hariri, and three of the artists, were joined by a host of art and culture lovers and media representatives.

Solicet is pleased to announce that the internationally acclaimed and theatrically spectacular "**Slava's Snowshow"** started performing live in Beirut on March 14.

BLOM BANK launched a new and avant-garde campaign revolving around the Bank's mission statement anchored in providing people with 'Peace of Mind' through its vision, mission, services and products. The campaign is based on the concept of storytelling where four visionary Lebanese directors were empowered to exploit the depth of 'Peace of Mind' through its diverse expressions.

Grave violations against children in Syria were the highest on record in 2016, said **UNICEF** in a grim assessment of the conflict's impact on children as the war reached its sixth year.

Within the framework of the final winter trials, a **BMW** testing team completed a challenging testing programme in wintery North Sweden. In the landscape around the small town of Arjeplog, pre-series models of the new **BMW X3** had to prove that they are also able to withstand cold, ice and snow.

Keen to expand **INFINITI** facilities in Lebanon, the official dealer of INFINITI, **Rasamny Younis Motor Company** kicked off the year with the long-awaited grand opening of the whole new INFINITI showroom in Chiyah, expected in April 2017.

Johnnie Walker, the iconic whisky brand, launched its new campaign in an empowering ceremony held on March 23, 2017, in **01NE BIEL.** Hosted by **Diageo**, the makers of **Johnnie Walker,** the evening reflected the brand's commitment to remarkable achievements and progressive spirit.

BUSINESS ESSENTIALS

Events

CONFERENCES

	ORGANIZERS	CONTACT	WEBSITE
LEBANON			
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@magagoup.com	www.magagroup.com
9-10 May	**OIL & GAS SUMMIT** Global Event Partners	+ 44 1737 784956; enquiries@gep-events.com	athompsett@gep-events.com
12-14 May	**BEIRUT INTERNATIONAL PROPERTY FAIR** Promoteam	+961 1 339 050; promoteam-ltd.com	www.promoteam-ltd.com
23-24 May	**FINANCING AND DEVELOPMENT OF REAL ESTATE IN THE ARAB COUNTRIES** Union of Arab Banks	+961 1 377 800; a.majed@uabonline.net	www.uabonline.org
DUBAI			
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
11-12 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
30 Apr - 1 May	**TWELFTH HUMAN CAPITAL FORUM MENA** Naseba	+971 4 367 1376; prachid@naseba.com	www.naseba.com
30 Apr - 2 May	**5G MENA** Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
1-2 May	**CLOUD MENA** Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
7-11 May	**STRATEGY EXECUTION AND PERFORMANCE FORUM** Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
15-16 May	**DIGITAL TRANSFORMATION TELECOMS SUMMIT** Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
19-21 May	**WORLD ECONOMIC FORUM ON THE MIDDLE EAST AND NORTH AFRICA** World Economic Forum	+41 22 869 1212; contact@weforum.org	www.weforum.org
22-23 May	**MIDDLE EAST INVESTMENT SUMMIT** Terrapinn Middle East	+971 0 444 2500; enquiry.me@terrapinn.com	www.terrapinn.com
ABU DHABI			
1-2 May	**FUTURE DRAINAGE AND STORMWATER NETWORKS** Advanced Conferences and Meetings	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
3-5 May	**FIELD SERVICE MANAGEMENT & WORKFORCE MOBILITY** Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
QATAR			
10-11 Apr	**SECOND ANNUAL SMART PARKING QATAR** Advanced Conferences and Meetings	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
8-9 May	**FOURTH ANNUAL LIGHTING TECH QATAR** Advanced Conferences and Meetings	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
15-16 May	**INDUSTRIAL CONTROL SYSTEMS** Advanced Conferences and Meetings	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
SAUDI ARABIA			
9-11 Apr	**ROTATING EQUIPMENT RELIABILITY & MAINTENANCE** Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events

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BUSINESS ESSENTIALS

Events

	ORGANIZERS	CONTACT	WEBSITE
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
8-9 May	**EIGHTH KINGDOM SMART MEETING** Naseba	+971 4 367 1376; prachid@naseba.com	www.naseba.com
8-11 May	**THE KINGDOM CUSTOMER EXPERIENCE** Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
15-17 May	**PLANT SHUTDOWN AND TURNAROUND 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; dmg@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

25-27 Mar	**THE ARAB BANKING CONFERENCE FOR 2017** Union of Arab Banks	+ 961 1 377 800; a.majed@uabonline.net	www.uabonline.org
8-9 Apr	**THIRD EGYPT INVESTMENT FORUM** Al Iktissad Wal Aamal	+961 1 780 200; forums@iktissad.com	www.iktissadevents.com
26-27 Apr	**CYBER SECURITY NORTH AFRICA SUMMIT** Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events

KUWAIT

4-5 Apr	**KUWAIT FINANCIAL FORUM** Al Iktissad Wal Aamal	+961 1 780 200; forums@iktissad.com	www.iktissadevents.com

JORDAN

15-18 May	**THE FOURTEENTH INTERNATIONAL MACHINES AND ELECTRO-MECHANICAL EXHIBITION** Golden Gate	+962 565 8501; goldgate@go.com.jo	www.jordan-fairs.com
19-21 May	**WORLD ECONOMIC FORUM ON THE MIDDLE EAST AND NORTH AFRICA 2017** World Economic Forum	+41 22 869 1449; contact@weforum.org	www.weforum.org

OMAN

4-6 Apr	**OMAN DOWNSTREAM EXHIBITION AND CONFERENCE** Golden Gate	+971 4 327 7733; hazel.nocellado@omanexpo.com	omanexpo@omantel.net
15-17 May	**BUISNESS CONTINUITY & EMERGENCY RESPONSE** Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events

EXHIBITIONS

	ORGANIZERS	CONTACT	WEBSITE
LEBANON			
4-7 Apr	**HORECA LEBANON** Hospitality Services	+961 1 480 081; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb
11-14 May	**SMARTEX INFORMATION TECHNOLOGY AND TELECOM EXHIBITION** MICE	+961 1 384 791; lara@micelebanon.com	www.smartexlebanon.com
12-14 May	**BEIRUT INTERNATIONAL PROPERTY FAIR** Promoteam	+961 1 339 050; sm@promoteam-ltd.com	www.promoteam-ltd.com
16-19 May	**PROJECT LEBANON** IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
23-27 May	**GARDEN SHOW AND SPRING FESTIVAL** Hospitality Services	+961 1 480 081; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb
23-28 May	**BEIRUT BOAT** IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
DUBAI			
13-15 Apr	**GULF EDUCATION AND TRAINING EXHIBITION** International Conferences and Exhibitions	+971 4 335 5001; info@icedxb.com	www.icedxb.com
1-2 May	**SEAMLESS MIDDLE EAST 2017** Terrapinn Middle East	+971 1 4440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
22-25 May	**INDEX DESIGN SERIES** dmg World Media Dubai	+971 4 331 9688; dmg@emirates.net.ae	www.dmgeventsme.com
ABU DHABI			
18-20 Apr	**CITYSCAPE ABU DHABI** Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
SAUDI ARABIA			
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			
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 17 299 123; info@hilalce.com	www.hilalce.com
EGYPT			
18-19 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
11-14 May	**USED MACHINERY EXPO** USED	+202 2 524 7996 ; usedexpo-eg.com	www.ifg-eg.com
QATAR			
2-4 Apr	**FOODEX QATAR** Al Fajer Information and Services	+971 50 640 3275; rupa@alfajer.net	www.alfajer.net
8-11 May	**PROJECT QATAR** IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
KUWAIT			
19-22 Apr	**JEWELLERY ARABIA KUWAIT 2017** Arabian Exhibition Management	+973 17 55 0033; fawzi@aeminfo.com.bh	www.aemallworld.com
OMAN			
1-28 Apr	**COMEX-IT,TELECOM & TECHNOLOGY EXHIBITION** Oman Convention, Muscat	+968 24656000; info@oite.com	wwww.oite.com
18-20 Apr	**OMPEX 2017** Oman Convention, Muscat	+968 24656000; info@oite.com	wwww.oite.com

LAST WORD

By Natascha Schellen

Investing in women and girls

Female empowerment requires worldwide commitment

An inspiring group of female leaders were honored in Lebanon on the occasion of International Women's Day on March 8, but that is just a drop in the bucket of what needs to be done to empower women on all levels. Sadly, in most countries around the world, women represent a huge potential for national economic growth that remains largely untapped to this day. This global issue was at the top of the agenda during the 61st session of the United Nations Commission on the Status of Women (CSW61), held in New York last month.

For two weeks, the UN headquarters became an arena for civil society leaders as well as government representatives to discuss the hurdles that women face on a daily basis. These ranged from misogynistic tweets and the discrimination against female professionals seeking upper management positions, to the shocking prevalence of physical and sexual violence. Particularly in conflict zones such as Syria, women and girls can become heads of households overnight and are easy prey for smugglers and sex traffickers, not to mention abusive members of their own families.

Although there is an increase in legislation being passed in various parts of the globe to further protect women's rights, that alone is not enough. In a statement to civil society leaders on March 17, UN Secretary-General Antonio Guterres drove home this point: "We live in a male-dominated world and a male-dominated culture, so the issue goes beyond protection. The central question is empowerment."

Guterres went on to say that his office stands firmly behind the goals of achieving gender parity, eliminating the pay gap and ensuring equal representation in government, on the boards of companies and in other decision-making positions. Indeed, the gender equality target of Planet 50-50 by 2030 reverberated throughout the halls of the UN building as (mostly) female leaders from around the world tackled the CSW61 theme of women's economic empowerment and the changing world of work.

WORRYING GLOBAL TRENDS

One aspect of this changing world refers to the worrisome global trend of right-wing populism and resistance to the gains achieved by women in recent decades. Proposed spending cuts in the United States' budget are of concern to non-governmental organizations everywhere, not just in the US. The adverse effects of US policy were highlighted during a morning briefing on March 15 by Phumzile Mlambo-Ngcuka, the executive director of UN Women, who also addressed the fact that a number of civil society colleagues had been denied entry to the country, and thus could not attend. "We don't have the figures yet, but the fact that it happened is obviously a problem for all of us," she added.

The world is also witnessing growing inequalities within and between countries, which leads to greater discrimination against women and girls. Nowhere is this more evident than in Arab states currently dealing with the refugee crisis. According to Mlambo-Ngcuka, in Jordan only 7 percent of refugee women are working, compared to 60 percent of refugee men. Female refugees are also much more likely to suffer from abuse when they cannot find cash-for-work opportunities and are unable to provide for their families. Conversely, women who suffer from domestic abuse and sustain injuries are often forced to miss many days of work.

The Egypt Economic Cost of Gender-Based Violence Survey 2015 reveals some staggering numbers. Around 46 percent of surveyed women aged 18 to 64, based on a sample of 20,000 women representing the five major regions of Egypt, had been subjected to some form of spousal abuse, and the vast majority of these cases had gone unreported. Often women cannot afford to lose the main breadwinners of the household, and domestic violence is commonly viewed by society as a private family matter not to be taken to court. The annual cost of gender-based violence, which includes services such as prevention, prosecution, shelter for those who leave their homes, medical and psychological care for both mothers and children, as well as the lost days of employment and productivity, is estimated at 6.15 billion Egyptian pounds ($338 million at the issuance of the report in 2015). Thus it is not just the women themselves who bear the financial burden, but society and the state as a whole as well.

Perhaps if more Arab countries were to conduct national studies on the economic cost of domestic violence, as well as the positive contributions that 50 percent of the population could add to the gross domestic product, talk about women's rights would no longer fall on deaf ears.

Natascha Schellen is Middle East representative of the Women's Federation for World Peace and currently an MBA student in Bonn, Germany. She grew up in Lebanon.

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