October 2017 N^o 218

Executive

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Need for responsible oil and gas decisions

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EDITORIAL

License to steal

The Ottomans taught us too well. In exchange for a minimum level of freedom, the rulers of the Empire empowered (and armed) local leaders and tasked them with collecting taxes. Policy makers and stability maintaining were the domain of the central government in Constantinople. This worked brilliantly for the Empire, but in the case of Lebanon, it helped create a mindset that valued rent-seeking over productivity. Hundreds of years later, we are a nation ruled by feudal tax collectors and have lost the policy making and security that once came with it. Our political class has still not learned how to build, develop, and improve a nation, let alone build and bolster a productive economy. Regrettably, our political hierarchy views the state as a cash-cow to milk. Nothing more.

Look no further than our tired roads, clogged with an aging fleet of vehicles which contribute to the country's poor air quality. Where is urban planning? Where is a coordinated and regulated public transport strategy? I would venture and ask about electric cars, but with a solidly unreliable supply of electricity, the question answers itself. Our leaders do not make policy. They drain and exhaust us with ever higher import taxes on new cars.

I fear that this situation will not improve, even with the new public-private-partnership (PPP) law, which would have injected an energizing ray of hope for the transport sector. We worry we won't soon see a new era of nation-building under the PPP law because those who will implement it are more concerned with devouring payoffs than studying key performance indicators when it comes to public works. To effectively benefit from PPPs, we need a new mindset, not a new law.

Most worrying is the fate of any oil and gas the country may have. Politicians have been playing games with this not-yet-established sector for years now. Those games will continue, and the Lebanese people will be defrauded as a result.

Our politicians have pursued extractive, not inclusive, economic planning–enriching themselves and leaving the rest of us out in the cold.

Yasser Akkaoui
Editor-in-chief

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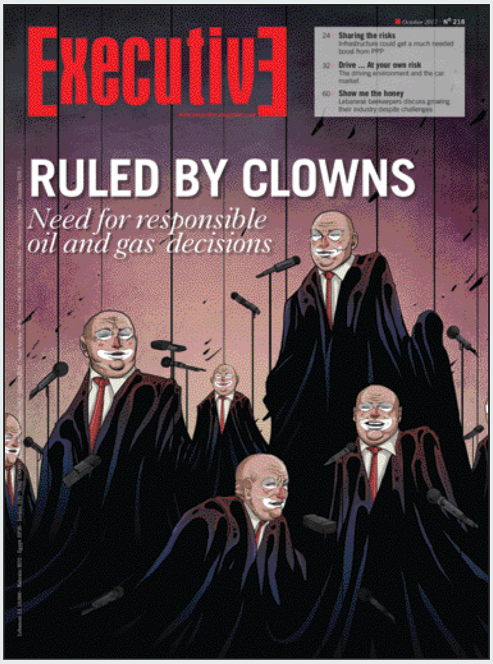

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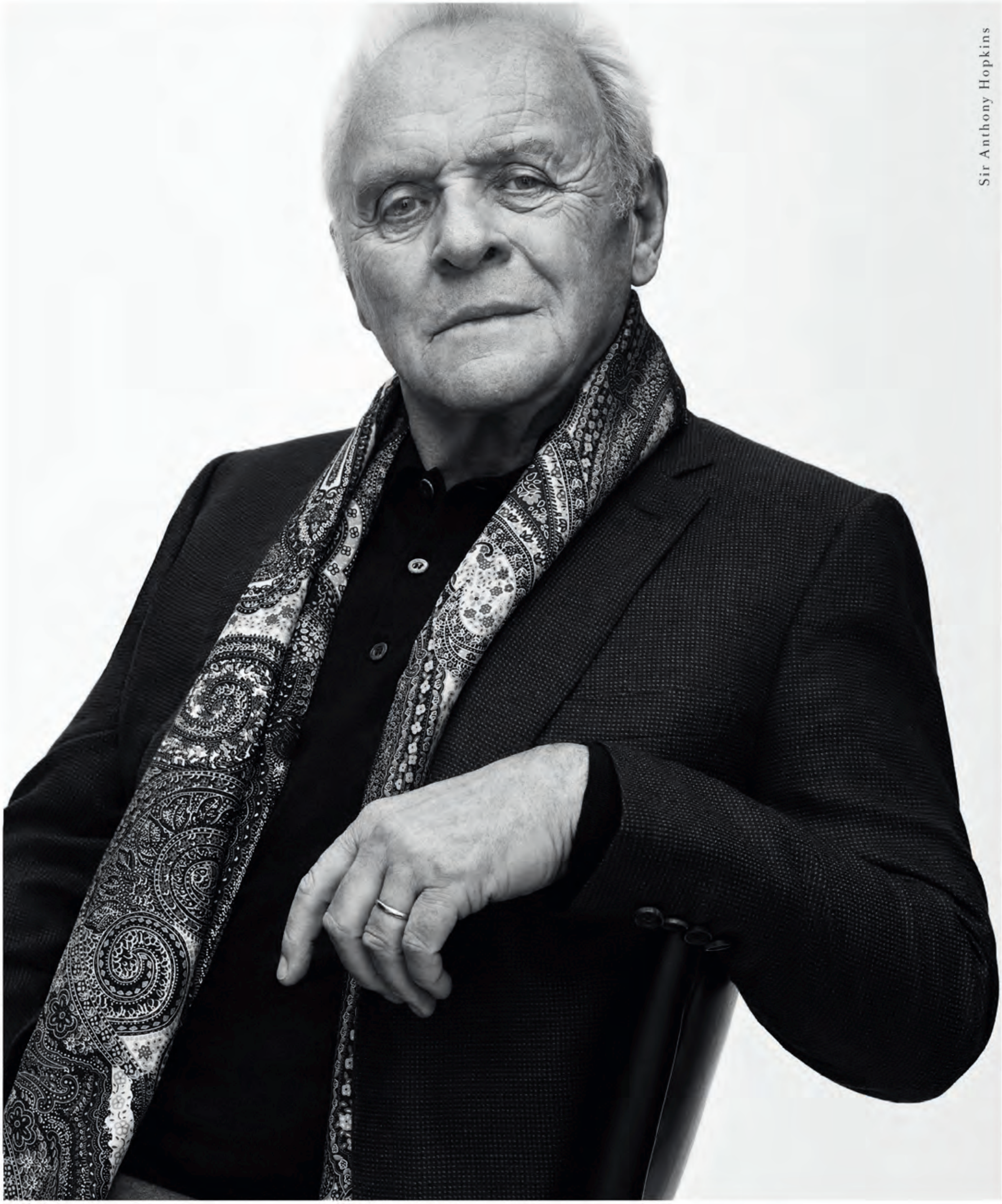

Sir Anthony Hopkins

LAST MONTH

ZOOM IN

Plastic bottles litter the Ghadir riverbed as it pours into the Mediterranean Sea on January 14 near Beirut's International Airport.

Israel prepares for next Hezbollah war

On September 5, Israel began its largest military exercises in almost 20 years, amid growing tensions over the influence of Iran in Syria and Lebanon. According to the Times of Israel, the war games included tens of thousands of Israeli soldiers and reservists, as well as naval ships, drones, helicopters, and fighter jets. They deployed in a mock 10-day war against Hezbollah's military wing, which included simulations of ground, air, sea, and cyber-warfare. The drill was named "The Light of the Grain," and simulated a conflict with Hezbollah that began with a sudden, small attack and developed into a full-scale war.

Lebanon's tap water highly contaminated

Lebanon was revealed to have the second-most contaminated water supply in the world, behind the United States. An investigation released on September 5 by Orb Media, found that 83 percent of the world's tap water is contaminated by microplastics or tiny plastic fibres. Lebanon's tap water was the second-most polluted in the world, at 93.8 percent to the US' s 94.4 percent. New studies have found that the tiny plastic fibers are everywhere, not just in the oceans, but also on land, in food, in the air, and in tap water—leading to urgent calls for research into what effects they are having on public health.

Lebanon delays oil licensing round

Lebanon's energy ministry issued another extension on September 8 to the deadline for bids in the first licensing round of offshore oil and gas exploration, moving the deadline from September 15 to October 12.

The extension is the latest in a four-year delay in licensing prompted by political deadlock. On September 19, however, the Lebanese Parliament passed a petroleum tax law ahead of the new bidding deadline next month.

Lebanon has pre-qualified more than 50 companies to bid for the licences.

UK politician offends Lebanon with Brexit analogy

Sir Vince Cable, the leader of the UK Liberal Democrats, was chastised by Lebanese politicians after he made a comment comparing UK Prime Minister Theresa May's Brexit negotiation position to that of a hostage in Beirut.

LAST MONTH

QUOTE OF THE MONTH

> “If they’re cornered [about the annulment of the tax law], let them search for a solution to the problem that they’ve created instead of attacking the Constitutional Council’s decision.”
>
> *President of the court, Judge Issam Sleiman*

In a comment to BuzzFeed on September 14, the pro-EU politician said, “It’s a bit like being handcuffed to a radiator in the basement of a flat in Beirut, and she is at the mercy of other people.” The comments sparked a backlash in Lebanon from those angered by its outdated image of the country. Member of Parliament Nadim Gemayel told the British press that it was regretful that so many continued to see Lebanon as it was during its civil war. “Unfortunately, Lebanon has gotten used to these outdated stereotypes,” he said. “Those who’ve actually visited Lebanon will realise how ridiculously far Sir Vince’s comments are from the truth.”

Arrest of 19 ISIS militants

Following a deluge of security alerts issued by foreign embassies, the Lebanese army announced on September 15 that it had arrested 19 people connected to ISIS on suspicion of planning a terror attack in Lebanon. Army intelligence revealed that they had discovered a cell led by an Egyptian national Fadi Ibrahim Ahmed (known as Abu Khatib), who was hiding in the Ain al-Hilweh refugee camp. The arrests took place after several army raids. The announcement came as Lebanese authorities sought to calm the panic raised a day earlier after the US Embassy in Lebanon on September 14 issued a notice to its citizens, warning that due to ongoing threats to locations such as Casino Du Liban in Jounieh, the embassy had barred its staff from visiting the casino. The US warning was swiftly followed by similar warnings from other embassies in Lebanon, including the French and Canadian embassies and the United Kingdom’s Foreign and Commonwealth Office, which issued a notice to its citizens citing the US alert and warning that the risk from terrorism was high. The embassies called on their citizens to be vigilant in public spaces, warning that the risk of an attack was high. The raft of warnings prompted criticim from Lebanese authories, with the foreign ministry issuing a statement calling on the embassies to take into account the panic their statements may cause. Interior Minister Nouhad Machnouk also tweeted that the Lebanese authorities were checking the authenticity of these threats and that there was “no need for fear or exaggeration.” Foreign Minister Gebran Bassil tweeted asking for calm, noting that the Lebanese state was aware of the dangers and was confronting them.

Ramco wins Beirut trash tender

The ongoing saga over choosing a replacement for Sukleen, the company contracted to pick up the capital’s trash, moved forward on September 15 when Beirut Mayor Jamal Itani announced that a joint venture between Lebanese company Ramco and the Turkish Atlas Group had been selected. The pair is scheduled to take over from Sukleen in five months, and will also be responsible for implementing a new recycling system to help cut down on waste. But the announcement was not without controversy, as representatives of Beirut Madinati noted that the tender is still awaiting a final decision from the Court of Audit, casting doubt on to the timing of the decision.


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LEADERS

TAXATION

Stalled progress

Whatever taxes come next must be transparent

Public workers were protesting at the end of September out of fear the government might not honor legislation ordering an increase to their salaries and benefits. The protesters feared that the government might suspend the salary increase because the revenue it expected to cover the new spending was struck down by a court ruling. The Constitutional Council, Lebanon's highest constitutional authority, annulled a tax law passed in August by Parliament that would have brought in revenue to cover the deficit expected from the salary increase. If the Lebanese government and Parliament had just passed a budget, which it has unconstitutionally failed to do since 2005, then we would not be in this mess.

The Constitutional Council ruled in favor of an appeal, brought forward by 10 MPs that argued the tax law violated Lebanon's constitution. In its ruling decision—that cannot be challenged—the court said it annulled the tax law for several reasons:

(1) the vote violated Parliament's voting rules—they should have called a roll call vote, but instead, the vote was tallied by a raise of hands;

(2) the tax law violated Article 83 of the constitution because new revenues and expenditures must be included in the budget for the next fiscal year and violated Article 87 of the constitution that says the government must close its financial accounts at the end of each fiscal year with parliamentary approval;

(3) The ruling also took issue with Articles 11 and 17 of the law. The former concerned the taxation of illegal coastal properties, which the court ruled contradicted the constitution because the tax was not clearly defined. The latter raised the tax on the interests on deposits, which the court ruled violated the principle of equality vis-a-vis the tax burden.

On the court's first point, it is surprising that Parliament—whose Speaker has held the position for 25 years, and whose members, thanks to twice extending their own terms, have served for at least eight years—cannot properly vote on a law.

On the second point, in March the Cabinet approved the budget for 2017 and referred it to Parliament, which has yet to vote on it. Still, the 2017 process was an improvement on the 11 previous years, in which Lebanon went entirely without a state budget—for reasons that are quite beyond rational explanation. The closure of public accounts was an impediment, but according to Alain Bifani, director general of the Ministry of Finance, public accounts have been reconciled back to 1997. The government should now be finalizing the 2018 budget and sending it over to Parliament to vote on.

On the third point, the court's remarks on Article 11 and 17 of the tax law are being addressed by the government, according to a Ministry of Finance statement, without elaboration. Local reports tell of an expedited tax law, which is unlikely considering the court has just ruled that taxes cannot be legislated in the absence of a state budget. Hopefully, the ministry's statement was referring to amendments to those articles that will be included in the budget, but at time of publication the government's intention was not clear.

After the court issued its decision, some officials attacked the court's ruling, arguing it infringed on Parliament's right to legislate the new taxes, while other officials called for suspending Article 87 of the constitution. "If they're cornered, let them search for a solution to the problem that they've created instead of attacking the Constitutional Council's decision," president of the court, Judge Issam Sleiman, said in a statement to local media. The "solution [is] approving the state budget and the necessary auditing because their absence for more than 10 years opens the door for the waste of public money and the spread of corruption across all the junctions of the state," he added.

Unless somebody challenges a law in front of the Constitutional Council—which requires 10 MPs' signatures—the court will not review a law on its own initiative. If that is the case, which it seems to be, the Constitutional Council was acting as a safeguard, not an initiator. The question then is, if Parliament retooled the tax measures, would they be challenged again, or would the measures be safe if added to the budget? At the end of September, as Executive went to print, it was not yet clear what, if any, alternative would be pursued.

> The vote violated Parliament's voting rules—they should have called a roll call vote, but instead, the vote was tallied by a raise of hands

What this publication demands is a return to budgetary discipline and an orderly budgetary process in cabinet and in Parliament. Parliament should debate a budget's merits transparently, not keep it hidden from the people.

On the question of tax fairness, because it seems the issue was at least a part of the appeal to, and ruling of, the court, at this point it is difficult to say which taxes would be fair, or which would be adequate. The debate was not transparent—the public did not know for sure which taxes would be levied until they were published as law in the Official Gazette. Executive cannot issue any recommendation on which taxes were good or detrimental because no statistical data has been disclosed that would allow the Lebanese sovereign—the people—to evaluate such taxes. The Ministry of Finance said they ran simulations, but those were not made public before, during, or after the taxes were ratified. Elected and public officials must eliminate partisan politics as much as possible from the tax debate by elucidating the statistical base that is available. If the tax law will be amended, or if the revenue measures are to be included in next year's budget, then due process, proper procedure, transparency, and study of the implications—rather than gamesmanship or distorted claims—must be followed.

AUTOMOTIVE

A storm is coming

The car industry braces for impact

The global automotive industry this fall looks a bit like a hypothetical Caribbean resort on the verge of a particularly active and vicious hurricane season. The water sparkles refreshingly. The models are stunning. Everything is paradisical. The big motor shows (like the Internationale Automobil-Ausstellung, or IAA, held last month in Germany) are full of song and dance.

But behind their glamorous shows, the mood of the spoiled denizens of Car Island is somber. The mansions of the famous makers—the houses of Ford, General Motors, Ferrari, Bentley, Jaguar, Volvo, PSA, Renault, Mercedes, Audi, Toyota, Nissan, Kia, Hyundai, and so forth—are being boarded up. Everyone knows hurricanes are coming; the only unknown is where they will hit, and with what strength.

In a speech that kicked off this year's IAA—which debuted in 1897 and is still the world's largest and longest-running car show—a top German auto-industry official, Matthias Wissmann, spoke of manufacturers that had made mistakes and trust that had been lost, in a darkly obvious reference to the industry's manipulation of diesel-emission tests, yet tried to assert that internal combustion engines "still have enormous potential" and that "mobility tomorrow will be even more individual and more personal."

At the same time, he acknowledged that the industry is in "a high-speed race" with contenders for the new automotive future, involving digitization, alternative powertrains, new mobility concepts, alternative automotive power sources like hydrogen and natural gas, electric vehicles, and autonomous cars.

The global mobility story has indeed accelerated beyond imagination of eight or 10 years ago. With the rise of China and India, the world's largest car markets are no longer under the control of Western hemisphere collaborations between the car industry and governments. So it made a huge impact when China declared that it is researching a timeline for phasing out all gas and diesel engines, the two internal combustion engines which powered the automotive century from their invention.

Observers are discussing when, not if, the auto industry will shift to electric vehicles. According to a Bloomberg story from September, 80 percent of automotive markets could be heading toward some exit from combustion. The world might soon be witnessing a period of creative destruction in a manufacturing industry with millions of workers that could make disruptions of the services sector, à la Uber and Airbnb, look cute by comparison.

This will affect Lebanon. Personal mobility is important to the Lebanese, in spite of all the country's many barriers against better mobility or new solutions in this sector: bad roads, mountainous terrain, poor fuel standards, lousy electric power supply, appalling driver training and etiquette, lack of a government mobility strategy, deep slumber of distributors, and total absence of a forward-oriented car manufacturing industry.

The Lebanese mobility sector is beset with an inadequate car-taxation scheme that undermines the removal of the most polluting vehicles (see overview page 32). It totally lacks incentives that could push drivers to consider buying an electric vehicle (EV) (see story page 38). And its urban planning shows no sign of jettisoning bygone car-centric mobility concepts and replacing them with urban planning (see story page 42).

It is not easy to come up with a country that Lebanon could emulate. The world's leading country in per-capita adoption of individual electric mobility is Norway. Although not far from Lebanon in population size, at 5.2 million, it is in a whole different league for geography, GDP (the third largest per-capita), climate, and culture. But the widest gap between Norway and Lebanon might be in electric mobility and its underlying hard and soft infrastructures: Norway generates 98 percent of its electricity from hydropower and has a taxation regime (e.g. 25 percent basic VAT) that offers the government room to nudge consumer behavior.

It's impossible to know which mobility solutions will be the winners in the coming era, defining freedom in a world growing to a 10 billion strong population. Some contributors to this month's automotive coverage in Executive see the Lebanese future, one generation on, in cars with hydrogen cells, some in public transport, and others in electric mobility and autonomous cars. One staff writer envisions futuristic airborne

LEADERS

traffic along the Beirut-Jounieh corridor—something like Bruce Willis' flying taxi from "The Fifth Element." (Dubai just announced the first urban test flight of the drone taxi that is being developed there by a European company)

But with all that is uncertain about the automotive future here, what is certain is that we cannot wait. Lebanon's quality of life, urban productivity, and economy will only deteriorate if current traffic standards and automotive habits are allowed to prevail. That is why this issue's automotive coverage goes deeper and broader than a marketing-happy look at new models that are on offer for local drivers. (But we have those too, see McLaren story on page 44).

We call on the Lebanese government to revise its thinking around transport, and to overhaul tax legislation that discourages people from switching to cars with better emission profiles. We call on the government to start thinking about incentives for electric mobility in whatever form,

It's not just on the central government—municipalities can also help speed the adoption of green vehicles while creating a better touristic image for all of Lebanon. The coastal municipalities—like Sour, Saida, Beirut, Jounieh, Jbeil, Batroun, and Tripoli—can play an especially important role in promoting electric and hybrid vehicles by installing recharge stations and implementing public transport using electric buses.

Just as we do not want to hear about a new internationally financed study for a transport solution from any public sector stakeholder in Lebanon (we had all the studies we could ever want), we are tired of hearing vacuous consultant talk from the automotive sector waxing about distributors' commitment to the environment, public transport, or people's mobility. We call on car dealers to invest more in future-proof skills such as the ability to advise on, charge, and service electric cars, instead of just building bigger and shinier showrooms to attract customers. Car distributors and agents cannot afford to treat EVs and hybrids as exotic jokes that they can dismiss as readily as dumb journalistic inquiries.

Distributors who offer good service for EVs and who prepare for autonomous driving—which in the opinion of the international car executive Carlos Ghosn will be part of the solution for traffic decongestion in Lebanon, together with infrastructure investments and public private partnerships (see interview on page 48 for Ghosn's remarks and PPP coverage on page 24)—will play a major role in securing a better life in Lebanon's urban and non-urban areas, and in helping the Lebanese economy stay afloat in its race against global competition.

Besides automotive companies, private sector players such as banks, insurers, large retailers, and malls can contribute to boosting the image and practicality of electric or hybrid vehicles that could be brought to the Lebanese market. We want to see things such as green auto loans, insurance discounts for EVs, recharge stations at hypermarkets, and free EV parking at malls.

> ■ We call on the Lebanese government to revise its thinking around transport

The hurricane in the global auto industry is coming, and it will eventually make landfall in Lebanon just like everywhere else. It is time to reinvent the Lebanese wheels, for the sake of our competitiveness and a better quality of life for today's young generation.

OIL AND GAS

Quit clowning around

Incompetence in the sector is no longer funny

At a recent conference on oil, gas, and Lebanon's potential future hydrocarbons sector, a ministerial advisor gave an inaccurate and simplistic presentation, proving that he does not understand the industry, nor how it operates. This is who we have advising the top decision making authorities in the country for this nascent sector.

High-level management of "the oil file" to date has been nothing short of clownish. The country's first offshore licensing round was supposed to close back in 2013. Oil prices were over $100 per barrel at the time. Forty-six international companies prequalified to bid. The situation today is drastically different. The oil price environment since the second half of 2014 means cash flows have significantly reduced compared with four years ago, and exploration budgets have been dropping even as exploration costs have fallen with them. This is not to say Lebanon's licensing round will end in failure on October 12, only that conditions were far more favorable for success back when the round was originally scheduled to close. We missed a good opportunity for reasons that have never been fully


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LEADERS

explained.

In the years between then and now, very few of our politicians and self-proclaimed local industry "experts" have bothered to learn anything about the sector. During conference after conference, year after year, the same basic misunderstandings are revealed. While not a single well has been drilled in Lebanese waters, everyone from taxi drivers to ministerial advisors "know" how much oil and gas Lebanon has and—more surprisingly—how much these resources are worth. This ignorance is extremely damaging when it comes to managing expectations (think, for example, of all the petroleum engineers graduating from recently introduced university programs with hopes of working in a local sector that will realistically only employ a few dozen of them at most). Worse, ignorance invites the opportunity for strategic blunder.

Take, for example, the issue of what's known as gradual licensing. For years, certain influential Lebanese used anonymous press leaks and surrogates to argue in favor of awarding all 10 offshore blocks at once. Such a strategy is neither strategic nor in line with international best practice. Because Lebanon has never drilled an offshore well, its risk profile is different from that of a producing country. If commercial discoveries are made in Lebanese waters this could improve Lebanon's risk profile, and information gathered from drilling could be used to fine-tune modeling and interpretation of geological survey data. By gradually awarding offshore exploration and production rights over the course of time—instead of doing so all at once—Lebanon can get better deals in the future if discoveries confirm its seeming attractiveness. This is not a hard concept to understand, yet the debate was only settled in mid-2016 when Foreign Minister Gebran Bassil and Finance Minister Ali Hassan Khalil (who is also a political advisor to Parliament Speaker Nabih Berri) announced the conclusion of an "oil deal" in favor of gradual licensing, according to comments Energy Minister Cesar Abi Khalil made during an interview with Executive shortly after the deal was sealed.

What no one has ever publicly explained is what Berri received in return for his acceptance of gradual licensing. Facts on the ground suggest it was which blocks to put on offer. Back in September 2013, the Ministry of Energy and Water announced five blocks would be open in the first licensing round (1, 4, 5, 6, and 9—see map page 17) at a time when gradual licensing was still not fully agreed upon. After the "oil deal," however, the blocks on offer changed. Blocks 5 and 6 were swapped out for blocks 8 and 10. This means all three of the southern blocks, parts of which Israel is laying claim to, are now on offer. This a clear attempt to assert Lebanese sovereignty, but it could have a detrimental impact on the success of the licensing round.

The original block choices were based on consultations with the 46 prequalified companies back in mid-2013, explains Wissam Chbat, president of the Lebanese Petroleum Administration (LPA), the sector's regulator. Companies voted on which blocks they were most interested in exploring, and the top five blocks were 9, 6, 4, 5, and 1. Chbat explains that more seismic surveys have been conducted in Lebanon since 2013, changing the picture of prospectivity for Lebanon's offshore. However, he admits prequalified companies have largely ignored the new data (meaning they haven't purchased it), which means their picture of Lebanon's offshore is likely the same as it was in 2013, when blocks 8 and 10 received five and three votes, respectively, compared to 19 votes for block 6 and 16 votes for block 5. Chbat says the block change choice was made by the LPA based on in-house data interpretations. He insists the LPA's goal is making the round competitive with an eye on awarding a contract that will lead to a commercial oil and/or gas discovery. Asked directly if offering blocks the companies said they are not very interested in would result in fewer bidders, Chbat dodged the question, explaining that the LPA cannot accommodate every corporate strategy.

While it is not wrong to choose blocks to send political messages, this should be something debated and decided publicly, especially if doing so could result in fewer bids, thus making the round less competitive. Why not open seven blocks in the first round—those the companies wanted and the two extra southern blocks that help Lebanon assert its sovereignty? Is the government purposefully trying to steer bids toward the southern blocks? If the secret goal here is an award in the south, how far will our leaders go to acheive that?

This sector demands sound management based on technical principles. Lebanon must not cede its rights to Israel, but it also cannot sign a bad deal simply to assert itself. The political manipulation of this sector thus far has us seriously concerned for its future. The LPA have proven capable and—having covered their activities since the regulator's creation in 2012— EXECUTIVE can say they have recommended the creation of a fiscal framework in line with best practice. When bids come in, the LPA will evaluate them and recommend with whom to sign contracts. The ultimate decision, however, lies with the Council of Ministers. The Council must make its reasoning for choosing winners public, and any debates about this must also be made public. We cannot continue clowning around.


EQUINOX

By Matt Nash

TICK TOCK

Let the bidding commence

Some view it as a race against Israel Our neighbor—which is definitively not stealing Lebanon's gas—closes its first offshore licensing round on November 15. Israel had previously awarded exploration licenses directly.Lebanon just postponed the close of its own first round—yet again—from September 15 to October 12. The new deadline, however, actually seems to have been chosen this time based not on the usual insistence of local officials, but on comments from Dharmendra Pradhan, India's oil minister.

THE CURIOUS CASE OF ONGC

In July, after a meeting with Lebanon's Minister of Energy and Water Cesar Abi Khalil, Pradhan tweeted: "The meeting was important in the context of @ongcvideshltd participation in the upcoming bid round for offshore gas fields in Lebanon." ONGC Videsh Ltd is India's national oil company, which had prequalified as an operator in Lebanon's first offshore licensing round in April. In September, however, Pradhan told Reuters, "We will definitely bid for Israel's oil and gas blocks." It is unclear, however, how much capital the company has to deploy in either jurisdiction, let alone both. The Mediterranean Sea gets deep fast off the shores of both Lebanon and Israel. Drilling in water more than 1,000 meters deep is expensive, and the Indian company said in an August interview that its planned $150 million exploration budget will focus on Colombia, Kazakhstan, and Bangladesh.

Assuming ONGC is seriously contemplating bids in the Eastern Mediterranean, if Lebanon closes its round before Israel, it could capture ONGC's bid at a time when officials admit the possibility that not many offers will come rolling in. If Lebanon closes after Israel, however, ONGC could bid to the south, complicating a later bid in Lebanon from a political—and possibly even a legal—perspective (Lebanon still technically has a boycott office at the Ministry of Economy). The Lebanese Petroleum Administration (LPA) would not comment specifically on ONGC (or any other bidder), but LPA president Wissam Chbat told Executive in an interview that "we might end up in this situation" (of having only one bid), but "we haven't been expecting [only] one bid."

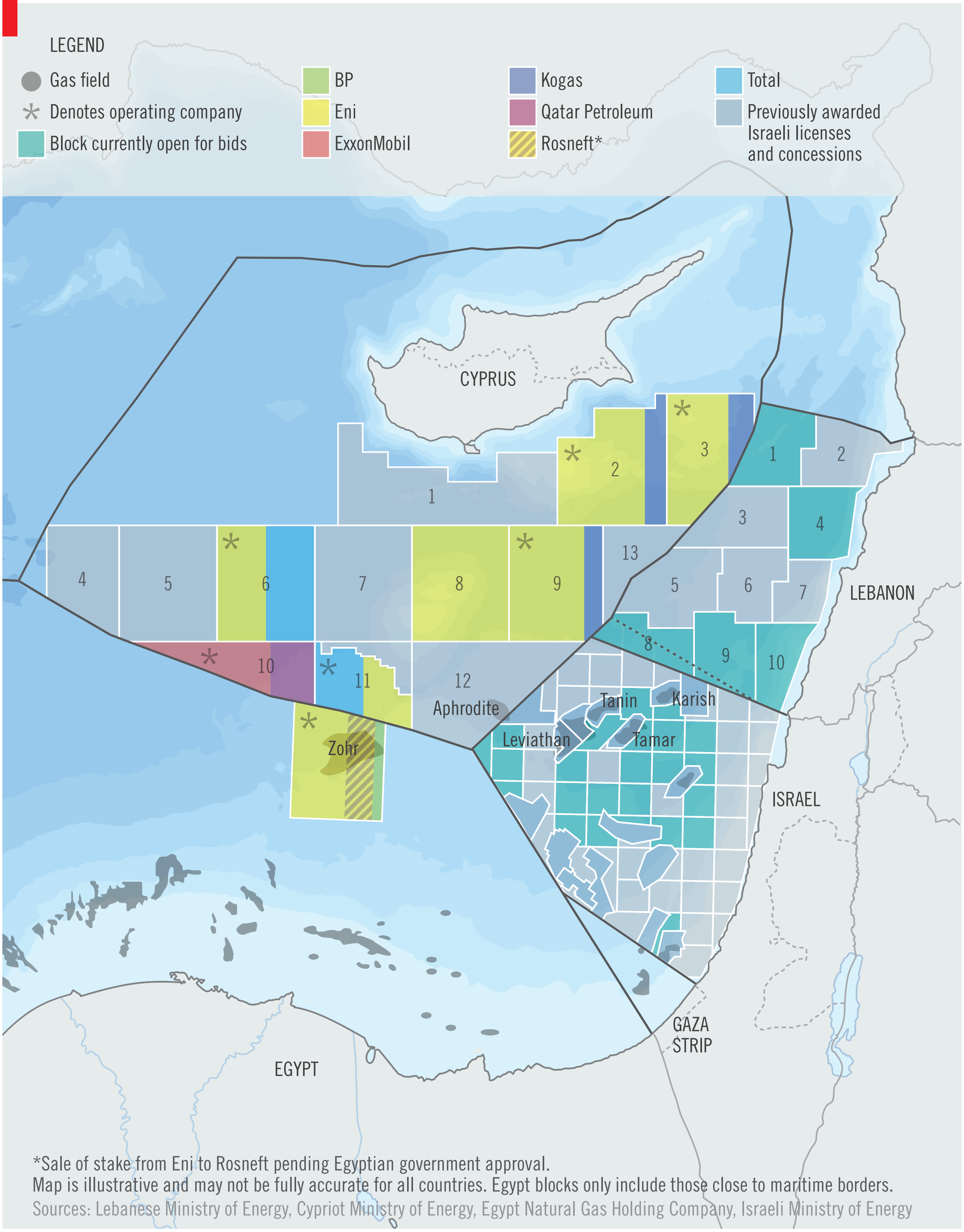
While 51 companies are prequalified to bid in Lebanon, all but five went through the prequalification process back in 2013. It is difficult, therefore, to predict how many will actually bid, especially given that Lebanese law requires companies to form consortia with a minimum of three members in order to submit bids; each consortium must include an operator, and there are only 13 prequalified operators. This means that even if many non-operators want to bid, they cannot do so without wooing one of the 13 operators. On the one hand, extensive seismic surveys that look promising, coupled with big natual gas discoveries nearby, suggest that Lebanon should be attractive as a greenfield investment. On the other hand, the industry currently has a suppressed appetite for the expensive deepwater drilling required to prove whether or not Lebanon has oil and/or gas reserves. Executive has repeatedly reached out to the prequalified companies for comment on their plans in the past and has been repeatedly reminded that companies do not comment on such matters. In a statement released shortly after the most recent postponement the LPA said that part of the reason for the delay was to allow companies to form consortia—suggesting bids are indeed being prepared.

WHAT TO EXPECT ON THE BIG DAY

Once bids are submitted, Chbat says the LPA will have three days to report back to the cabinet about which companies bid on which blocks. The LPA will then evaluate the offers. For the commercial offers, this means running nine different simulations (which include three volume assumptions and three price assumptions) and taking an average of the results. Companies will also be scored on their technical offers, and based on both outcomes, Chbat says, the LPA will choose provisional winners for each block. The list of winners will be provisional because the government/LPA can negotiate with companies on their technical offers, which include proposals for additional surveys of Lebanese waters, as well as the number, location, and depth of the wells they plan to drill. The offers are negotiable, Chbat explains, because requesting slightly more surveying, or a slightly deeper well, results in more valuable information for the state.

The LPA has slated one month for evaluating offers and choosing provisional winners before sending that recommendation to the cabinet, which will ultimately approve which contracts, if any, to sign. While the LPA

RECENT EASTERN MEDITERRANEAN OFFSHORE LICENSING AND PARTICIPATION IN AWARDED BLOCKS



*Sale of stake from Eni to Rosneft pending Egyptian government approval.
Map is illustrative and may not be fully accurate for all countries. Egypt blocks only include those close to maritime borders.
Sources: Lebanese Ministry of Energy, Cypriot Ministry of Energy, Egypt Natural Gas Holding Company, Israeli Ministry of Energy

announced in April that contracts should be signed by November, legally the government has a full six months after bids are received to sign an award. Chbat says the bidders will be announced when the LPA submits its report on the subject to cabinet. Until then, it is a waiting game.

Petroleum Tax Law

By Matt Nash

ICING ON THE CAKE

New oil and gas tax law completes sector's fiscal regime

It came at the last minute. For two years, the Ministry of Finance and the Lebanese Petroleum Administration (LPA) have been drafting a tax law focused specifically on the oil and gas industry. In late September, Parliament approved it just in time for the law to potentially govern the first oil and gas exploration and production contracts the state hopes to sign during or before Spring 2018 (with bids due October 12).

Contract signature is not a given, but with the passage of the tax law, Lebanon's oil and gas fiscal regime is finally complete. The new law is tailored for the oil and gas industry and imposes higher tax rates on oil and gas companies than it does on other corporations registered or operating in the country. Corporate income tax, for example, is set at 20 percent in the oil and gas tax law, as opposed to the 15 percent corporate income tax imposed by existing legislation (even higher than the approved but annulled hike to 17 percent).

The oil and gas tax law was initially slated for parliamentary debate in August, but lack of quorum scuttled the discussion. In early September, partially because the law had not yet been passed, the LPA recommended postponing the deadline for submitting bids in the country's first offshore oil and gas licensing round from September 15 to October 12 (a new deadline officials insist will not change—see story page 16). Model contracts oil and gas companies will use to bid include a so-called stabilization clause, which protects companies from tax increases that come after contract signature. Stabilization clauses are common in the oil and gas industry as a way to hedge tax increase risk given that oil and gas exploration and production contracts typically run 30 years or more in duration. By passing the new oil and gas tax law before signing contracts, the state will increase its tax revenue under any contract, or contracts, signed as a result of the first licensing round.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TARGETED TAX LANGUAGE

As is common around the world, Lebanon's new oil tax law is industry-specific, explains LPA board member Wissam Zahabi. Aside from a higher corporate income tax rate for the sector, there are other differences between this tax law and the standard Lebanese tax code. Some differences—such as an unlimited time period for carrying forward losses, as opposed to the three-year limit in the standard tax code—are incentives for the industry. Others, however, are designed to keep oil and gas companies honest when it comes to reporting costs and revenues (key factors that will impact the government's overall take from potential future revenues from the sector). One example is enshrining the concept of "arm's length" transactions in the oil tax law. This means transactions between related and affiliated companies are evaluated as if they occurred between unrelated entities in a freely competitive environment. Zahabi elaborates: "[Oil companies sometimes] don't tell you their right price. Let's say you buy it from an affiliated company for five, they'll tell you for six. They'd like to inflate the cost. Or whenever they sell, they sell at a lower price, and they tell you higher. So it goes both ways for cost as well as for revenue. If it's an expense, they have an incentive to say it's higher, if they're selling they'll say they sold it at a low price to cash in more profit." This is important because the government's portion of revenues from the sector is directly related to the costs and revenues of their contractual partners, the oil companies.

LEBANON'S FISCAL TOOLBOX

Taxes are only one means of several the Lebanese government will use to capture revenue from the sector. Additionally, the model contracts impose a royalty on both oil and gas production. According to the contracts, the royalty on gas is set at 4 percent and the royalty on oil ranges between 5 and 12 percent based on the amount of production. Royalties can be taken in cash or in kind meaning oil companies either deliver the government oil and/or gas it can use, or sell on its own; they can give the state the requisite cut of commodities the companies sell on their own; or they can do a combination of both.

In addition to royalties and taxes, the government will have a share of hydrocarbon production as well. Like royalties, this share can be taken in cash or in kind, but unlike royalties, the share progressively increases over time. The government's share is biddable in the model contracts and related to project cash flows. Deepwater drilling is expensive, and the time frame between incurring expenses (drilling) and realizing revenues (production) can stretch to several years. As is standard in the industry, Lebanon's model contracts allow companies to recover their costs. Production-sharing "payments" from companies to the state (whether in cash or in kind) will be made quarterly. Each quarter, companies can deduct their costs from revenues and the contracts call for a recovery ceiling of 65 percent. This is a biddable item, so companies may well bid lower than 65 percent to produce a more attractive offer from the state's perspective.

What this means is that until costs are recovered, every quarter that companies generate revenues from oil and/or gas sales they are able to "keep" at least 65 percent of those revenues, splitting the rest with the state. The initial split must be at least 30 percent, according to the contracts. This percentage, however, is also biddable, meaning it can be higher. The other two biddable fiscal components relate to the revenue split percentage after costs are recovered and the point at which this new percentage will be triggered (i.e., once costs have been recovered by a factor of 1.5).

A STEP IN THE RIGHT DIRECTION

Passing the oil tax law was important for the sector because it completed the fiscal regime. The government's share of benefit from this sector comes from multiple sources—as is current international best practice—and having all of the rules in place from the start is wise from a regulatory perspective. There is still, however, a bit of work to be done in terms of passing a few implementation decrees so the law's provisions are fully enforceable, Zahabi says.

■ Taxes are only one means of several the Lebanese government will use to capture revenue from the sector

As for how the law stacks up against other global tax laws, Zahabi says the LPA hired consultants to help draft it, referred to OECD guidelines, and benchmarked Lebanon against eight other countries to produce the law. Passing it just weeks before bids are due, he speculates, will not have an adverse impact on how ready companies are to present their bids because they arguably saw this coming. "We've already done some presentations about it, so we gave them the general headlines," he says.


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By Mona Sukkarieh

Lebanon's fiscal conundrum

What would make a good deal for Lebanon?

There are two arguments being made today. Both agree the state should maximize its share of benefit, though they do not agree on what is the maximum benefit achievable. Some aim for a bid round that is as competitive as more comparable bid rounds—while others demand a greater level of state participation.

While it is commendable to stand up for Lebanon's rights, we would all be well advised to avoid misinformed populism. To put it simply, arguing Lebanon deserves a fair share implies the existence of a "share." This share can only exist if the state contracts partners to explore for and produce potential resources. There are two parties to the deal; the terms must be attractive enough for both sides to commit to signing a contract. If no contract is signed the "share" vanishes, given the absence of indigenous capacity to conduct upstream operations.

Contrary to some claims, perpetuated by a political class that is struggling to manage expectations, current market conditions are unfavorable for Lebanon. The country's offshore area is mostly deep and ultradeep waters. Low oil prices since late 2014 means expensive exploration in Lebanese waters is unattractive at the moment. Companies must actually be persuaded to bid by Lebanon offering attractive fiscal terms.

Opponents of how Lebanon is conducting its first licensing round argue: (1) the model exploration and production sharing contract decree is in conflict with the 2010 offshore oil and gas law as it prevents the state from participating in the tender, distorting the system from an originally-intended production-sharing model to a profit-sharing model; and (2) the royalties and taxes, set out in the contract degree and tax law, are too low compared to a "global average."

In fact, the 2010 offshore law explicitly says the Council of Ministers may establish a National Oil Company (NOC) "when necessary" but only "after promising commercial opportunities have been verified," which rules out an NOC in the first licensing round as this cannot be verified ahead of exploration. Moreover, the state retains ownership of resources in the ground and a share of the produced hydrocarbons once the company recovers capital and operational expenditures, meaning Lebanon's chosen model contract is a classic production-sharing system. The distinction some wish to establish between a production-sharing model and a profit-sharing model is non-existent.

As for the fiscal terms, comparing them to a "global average" may seem to lend an air of seriousness and professionalism, but in reality, it is closer to comparing apples to oranges given the diverse range of countries with oil and gas resources. These countries include legacy producers with resources located in a variety of environments and other aspiring producers. One cannot compare a country with proven reserves to a country where drilling has not yet begun. Similarly, one cannot compare countries or provinces where exploration is relatively cheap and easy to countries or provinces where it is expensive and complex. Finally, one cannot ignore Lebanon's political risk, especially considering the country's first licensing round is now slated to close more than four years behind its original schedule. These are all elements that affect how attractive a country is to foreign companies. One way to compensate for Lebanon's relative disadvantage (i.e., no proven reserves in both a high-cost drilling and high-risk political environment) is offering attractive terms for potential investors.

A more coherent approach would entail identifying a group of countries or provinces with similar basins (deep-water offshore, and a more or less comparable status—early exploration or production activity). Ideally, we would also add other elements: A local market that is comparable in size and the existence of little or no export infrastructure, in addition to the sociopolitical environment. By comparing Lebanon to a "global average," those making this argument have steered the discussion toward unreasonable demands and inflated expectations.

Future licensing rounds will not necessarily be governed by the exact same legal framework. Future exploration and production-sharing agreements (and the royalties included in them) will not necessarily be the same. Fiscal terms are not set in stone. Though regulatory stability is important, they may change in the future to adapt to new realities. Realism is key, whether now or in the future.

Mona Sukkarieh is the cofounder of Middle East Strategic Perspectives (http://www.mesp.me), a Beirut based political risk consultancy


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By Jeremy Arbid

> PUBLIC-PRIVATE PARTNERSHIPS

Sharing the risks

Lebanon's infrastructure could get a much needed boost from PPP

A new law passed this summer could help facilitate sorely needed investment to fix the country's infrastructure. The legislation, a framework for public-private partnerships (PPP), puts into law new options for sharing risks between companies and the government when investing in, building, and operating new public works.

Ziad Hayek, secretary general of the Higher Council of Privatization (HCP), tells Executive that Lebanon needs at least $6 billion to revitalize its infrastructure. The country's roads are jammed with traffic, it has no long-term garbage solution, and its electricity supply is unreliable. Amongst other proposed infrastructure projects, the government has recently announced intentions to expand capacity at Beirut's airport and to re-open Tripoli's Rene Mouawad Air Base to passenger traffic.

Lebanon has had difficulty structuring PPP projects, and the new legal framework should help clean up that process. Lebanon has already had a few PPPs: Jeita Grotto, the waste treatment plant in Saida, and LibanPost. But judging their success through the lens of the new PPP framework, Hayek says, those examples—at least in the case of LibanPost—have deviated from the terms and conditions of their contracts, and are not great examples. "We want to make sure that when we talk about PPP, we really have fully successful projects that live up to the letter of [the] contract, that provide periodic reports on operation and how they are meeting key performance indicators, that are held responsible for [meeting those] indicators, where any payment from the government is dependent on their meeting those indicators."

WEAK FINANCES

Prime Minister Saad Hariri stressed Lebanon's desperate need for new infrastructure at an April aid conference in Brussels. There, he asked donors to fund a $12 billion "large-scale capital investment program (CIP)" to help Lebanon rebuild its economy and continue supporting the more than 1 million UNHCR-registered Syrian refugees living in the country. Since then, the government has not articulated any infrastructure investment plan, but has indicated that it wants around 25 percent of financing for the CIP to come from PPP approaches, says Peter Mousley, a PPP specialist at the World Bank's Beirut office (see Q&A page 30). "We're anticipating the government will move forward with this CIP, [and] that they will be wanting to reach out more to potential private investors," he tells Executive.

While the government has known for years that it needs to fix its infrastructure, it has not been able to set much money aside for capital expenditures. According to the most recent numbers from the Ministry of Finance, only 4.4 percent (or less than $600 million) of the more than $13.5 billion in total public spending for 2015 went to capital expenditures, a percentage that has not varied much since at least 2011. Last year, Lebanon spent almost $5 billion more than the revenue it brought in; about a third of that went to interest payments on debt, public worker salaries, benefits, and pensions, and to cover losses by the nation's electricity utility, Electricité du Liban. The country covers its deficit by issuing debt, which totals nearly $77 billion as of July. In August, Moody's, a credit rating agency, downgraded Lebanon's borrowing grade to a B3 rating, indicating that it considers Lebanon's finances to be weak. In a press release, the company stated, "The principal driver of the downgrade is the rise in the country's debt burden. Moody's estimates Lebanon's 2018 government debt to reach close to 140 percent of GDP [...] government debt will remain close to 700 percent of government revenues next year."

Would Lebanon's credit rating be an obstacle to financing a PPP project?

Zouk power-plant

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Renewables is one sector that could benefit from PPP

For the government, such a project can be cash-neutral because it could participate with an in kind contribution, such as land. But when the government contributes financing, it does so by issuing bonds, not debt. The downgrade could have an impact on pricing, says Iyad Boustany, managing director of local investment firm FFA Private Bank. Low credit ratings mean the bond issuer, here the government, offers higher premiums to the investors buying the debt issue. A rating downgrade would “increase cost of funding, as investors would want higher returns for their investment,” Boustany wrote to Executive in an email. The HCP’s Hayek hopes the new law will help Lebanon issue securities and develop a capital market, as the government sells bonds to pay its share of financing a PPP project. Rather than straight debt, bonds are tradeable, and can be moved in a secondary market. For Lebanon, that could mean a reinvigoration of dormant and always-demanded capital markets.

PPP financing, Mousley explains, typically includes equity. “There’s a lot of liquidity in the market, [and] the financial sector is very robust here. But the indications from a lot of the commercial banks here is that they would like to diversify, and PPP gives them that opportunity,” he tells Executive.

Risk, then, is another reason why Lebanon has not poured money into fixing its infrastructure. Hayek tells Executive that PPP is “a partnership in risks.” What he means is that the private company winning the PPP tender, depending on the terms of the agreement, might take on the risk of financing, constructing, and operating the project, while the government deals with revenue guarantees to the company, political risk, or environmental risk. “For each of these risks, then, [comes] a conversation about how you’re going to mitigate it,” Hayek says, adding that transparency is important in the tender process. Companies do not want to invest heavily to prepare bids—designing the project and negotiating financing options with banks can be costly—if the evaluation methodology is not made public and the selection process is opaque. “Obviously [local banks] want to take informed risks,” Mousley says. “Doing it in a PPP framework that takes proper account of the risks involved is liable to create a more enabling environment for infrastructure investment.”

> 🟥 Risk, then, is another reason why Lebanon has not poured money into fixing its infrastructure

Transparency has two parts, according to Hayek. First, the process of preparing to tender the PPP project should involve an open consultation with all stakeholders, public and private, so that expectations regarding deliverables and compensation are determined upfront. “No longer can [tendering] be a black box within a ministry,” he says. Open information matters too: Companies should know how their bids are evaluated, and the model contract should be publicly accessible. Hayek says these conditions are all spelled out in the framework, adding that “transparency is paramount for PPP success.”

The HCP is now scaling up to meet the demands of the new PPP legislation, and Hayek says that it will have the capacity to coordinate up to three projects in the foreseeable future. That is okay, says Mousley of the World Bank. The takeaway from other countries’ experiences with PPP, he says, is that it is best to move slowly and build a pipeline of PPP projects over a long period of time.

As for the HCP’s first PPP project, that depends on the government’s priorities. For now, it has yet to outline a long-term infrastructure investment plan, and the projects it wants—and needs—to undertake. There is an ongoing tender for wind and solar power plants that could benefit from the new PPP framework, though Hayek says the electricity sector is not an area the HCP would recommend—there are too many competing interests to make it a successful first project. Instead, Hayek says that while the HCP has not agreed on which projects it will recommend to the government, his preference is to start with a project related to transportation, a public building like a hospital or school, or a project to rehabilitate a sports facility. “I think one of these will be the way to introduce PPP to the nation,” he says.

By Jeremy Arbid

> PUBLIC-PRIVATE PARTNERSHIPS

A partnership in risk

Ziad Hayek, secretary general of the HCP, explains what's changing

This summer, Lebanon ratified a new law enabling the government and private sector to share risk in investing, building, and operating infrastructure projects. The legal framework, known as a public-private partnership (PPP), encourages companies to provide services that the government cannot afford to deliver at efficient costs to end users (see article, page 26).

To understand the applicability of the new law and its potential, Executive met with Ziad Hayek, the secretary general of the Higher Council for Privatization (HCP), the public agency now responsible for coordinating new PPP projects with the private sector.

E ***Lebanon has infrastructure projects that have had at least elements of PPP. What difference will the new law make?***

We do not have PPPs that have worked out well. That was the main problem. PPPs are a very special type of procurement, and they really involve a dialogue about the sharing of risks and the mitigation of risks. And they're done on the basis of the specification of outputs rather than inputs for a particular project. Instead of saying, 'I want this project to be built by the private sector,' you say, 'I want this service to be provided by the private sector,' so that's output as opposed to input specification. It's not a partnership in equity or investment. It's not a partnership in revenue. It's not a partnership in profits. It's a partnership in risk. This is the definition of PPP.

Until now, PPP has been approached in Lebanon like normal procurement. It's always been done wrong because there's been a tender to find out the price—who is going to offer the lowest price. This is not what PPP is about. This is what we tried to do in this legislation: insist that from now on, PPP projects have to be subject to international practices in tendering. And the main aspects of that are, first, insistence on transparency because this is paramount for the success of PPP; and second, having an organ within the government that has the expertise to deal with PPP projects and with the private sector—the Higher Council for Privatization.

E ***What role will the HCP play, as per the new law?***

The HCP's role is to assist the government in tendering projects that are PPP in nature. We're still a small team; we're in the process of drafting the Council of Ministers' decisions that enable us to increase the size of our team, and adjust our budget so that we can cope with new responsibilities. We couldn't do that until now because there was no legal basis for us to do this. Now there's a legal basis for us to have these responsibilities. Until that is done, we have a very small team, so we cannot manage more than three projects at this point in time.

I'd like one of the projects to be related to infrastructure—most likely in transport—and one project to be related to public buildings because that, I think, will be one of the ways to introduce PPP to the nation. And the third project could be what we call people-first PPP, a project having a social dimension like a hospital, or school, or rehabilitating a sports facility, or something like that. But I don't know what projects they will be. They will have to be presented by the ministries and agreed [to] by the HCP, which is not just me. The HCP [is governed] by a permanent ministerial committee. And I head the staff of that committee.

You've been the HCP secretary general for nearly 10 years, and the law was in draft form for nearly as long. In Lebanon, there really never is a clear path to legislating, but is there any reason that August 2017 was the month the PPP law was finally ratified by Parliament?

I think it has to do with the nature of PPP. First, it's not a concept that's easily understood by people. I faced a lot of objections. The public sector was like, 'What, you want to let the private sector do such things? This is privatization.' And the private sector was like, 'Partnership with the government? You want a government representative to sit on the board with us? We'll never finish with the bureaucracy. No, we don't want anything to do with government.'

It took almost three years to get people to understand [that] when we talk about PPP, no, we don't mean mixed investment companies. We're talking [about] the private sector providing a service to the government, which then provides that service to the citizens. And then it took us a long time to get the legal community to agree that it will not violate the constitution—because there's an article that states [that] you cannot give concessions without a specific law—and [to agree] that PPP is not a concession. Then, it took time to get to the Council of Ministers, and then [the government] changes all the time. Every time it was presented to cabinet, a committee would form to study it, then the government would change, and then we would wait for another government. Then it took a long time in Parliament.

As you put it, the HCP is now scaling up its institutional capabilities to advise the government, and it will take a lot of time to develop potential PPP projects. In doing so, what's it's interaction with the private sector?

Presenting a proper PPP offer or bid can cost upward of $1 million, versus the cost of around $10,000 when preparing a bid on a tender under normal procurement rules. [Under procurement rules], if the government is buying a power plant where it will determine all the variables and specify exactly what it wants, it will then offer a tender, and whoever gives the lowest price wins the bid. In this scenario, a bidding company will take the list of what the government is asking, make a few phone calls to get the pricing, add in a profit margin, and present the bid. It costs like $10,000, and if the process is not transparent, at the end of the day somebody wins the bid, but no one knows how; $10,000 is an acceptable cost of doing business when failing to win the bid.

In PPP it's not like that. If I'm bidding on a power plant, I don't know what the power plant is going to be—I just know that the government wants to buy the cheapest electricity possible. How am I going to produce it, and what technology am I going to use; how many turbines am I going to have; how much fuel storage will I use? Consulting firms for designing a power plant is not cheap, and then I have to sit and negotiate with banks because even if I have the same design as a competitor, if that competitor has financing at a quarter percent less than mine, they're going to win. So I have to negotiate [with] the banks, and to do that, I need financial experts with me to structure the bid, whether this is going to have mezzanine financing or Islamic financing as part of the structure. These cost a lot, and it takes a long time, so when I present my bid, I'm not willing, if I'm a serious participant, to participate in a tender where I don't know at the end of the day how the bid will be awarded.

> "When we talk about PPP, no, we don't mean mixed investment companies"

Is the PPP law a first measure in this path to correction that needs to put in place, and are there other laws that you see could help the private sector flourish again? Regulations?

What makes me excited about PPP is that as you invest in infrastructure, you create jobs in large numbers. A major infrastructure project is going to employ thousands of people, and not all are going to be construction workers. You're going to have accountants, managers, IT, architects, and engineers. And investing in infrastructure is, by definition, the basis on which you then build your economy. When you invest in infrastructure, you're investing in things that are going to stay. We ran a study: If we invest $6 billion in infrastructure projects, how many jobs would we create? Our analysis showed—and it depends on the type of projects that you invest in—that we would create more than 200,000 jobs in five years' time. That's huge compared to the size of our labor force.

Lebanese banks and investors certainly have the capital, and maybe the appetite, to invest in infrastructure projects. Will the PPP law encourage their participation?

We will probably not see this in the first generation of PPP projects, but what I hope for future projects is listing on the Beirut Stock Exchange because then we're going to be creating a snowball effect. Lebanese companies have, for decades, been obliged to generate capital internally. Having access to an efficient stock exchange to raise money you need means businesses could grow from the level of an SME [a small or medium-sized enterprise] to [the] level of a corporation. And if you're a corporation, you can generate more jobs than you would as an SME: this is the snowball effect that I'm hoping PPP would start.

By Jeremy Arbid

> PUBLIC-PRIVATE PARTNERSHIPS

A marriage of convenience

The World Bank's Peter Mousley talks benefits and risks of PPP

After a nearly decade-long wait, Lebanon's legislature finally ratified a law encouraging private-sector investment in public infrastructure. The new framework for public-private partnerships (PPP) could allow the private sector to deliver some public services at lower prices than those currently available, says Peter Mousley, the program leader for trade and competitiveness, finance and markets, and PPP at the World Bank's Beirut office. Lebanon's commercial banks, Mousley says, have signaled their readiness to diversify portfolios, and an appetite for investing in public infrastructure.

E ***What's the difference between privatizing public services and public-private partnerships?***

One way of looking at it is [that] privatization is a divorce and PPP is a marriage. They're two very different things. One is where a government sells assets to the private sector; the other is where, under certain terms, a government makes assets available to the private sector to deliver public services, but the assets remain owned [by the state]. What they're primarily trying to do with a public-private partnerships is distribute risk to get a more cost-effective service delivered. So, if the private sector [is more] willing to take the risk under a PPP model, you try to incentivize them to take that risk.

E ***Should countries new to PPP exercise caution, beginning with a trial project?***

Yes, you take time. This is a skill that is not immediately created, and the [Lebanese] Higher Council for Privatization and the line ministries that want to do PPPs are going to have to develop the right expertise to manage the process. It's very different from public procurement, so if they build up a pipeline of PPPs, it will be done over a long timeframe.

E ***What can go wrong?***

Well, you can do bad analysis about what the allocation of risks are. You can underestimate or overestimate the revenue base. There are so many elements to it. Usually, in preparing a PPP, you do an initial prefeasibility [analysis], which sort of says: Okay, this is a sector that has revenue flow. And if it doesn't have revenue flow, [the private sector can be] confident that the government entities that would be making revenue, if it's not the end user, are creditworthy and are able to make the payments to the private sector. And if it isn't going to be based on end user [revenue], then does the government have the fiscal capacity to honor what is called "availability payments," which is often how these are financed? Bearing in mind, what you're essentially doing is asking the private sector to [take on] front-end risk in the investment in capital development against a long-term flow of revenue. So they need to have confidence that long-term revenue is coming from a creditworthy source.

E ***Lebanon has witnessed almost seven years of sluggish economic growth, for many factors, but elected and public officials arguably did little in that period to facilitate or ease the challenges of the private sector. Is the PPP law an example of legislation that can help Lebanon's economy, and does the World Bank advise other legislation or regulatory fixes?***

Look at the World Bank's Ease of Doing Business rankings for Lebanon and you [will] know there are areas that, if you deal with these things, you'll generate more investment. [Foreign direct investment] flows have been declining, [and] there are lots of reasons for that: political security as overriding. We did a survey a couple of years ago, [and] the significance of political insecurity as a disincentive for investment had gone right up relative to previous surveys. Then there is a host of investment-climate items, from starting up a business to creating a more inclusive financial system, through legislation Parliament has in draft form. So there is a whole range of things the country could do to move forward, and in terms of generating more private sector investment. In the back of the Spring 2017 edition of LEM [Lebanon Economic Monitor—a World Bank publication], we list a lot of the policy priorities that we recommend. Frankly, I don't think any of these ideas are unknown to the government—the reason they haven't gone forward is they haven't got very clear awareness of the importance of these. PPP is a great one and is a good start, but there are many others that arguably have been pending parliamentary approval or implementation for a few years. Cumulatively, they would all make a huge difference.


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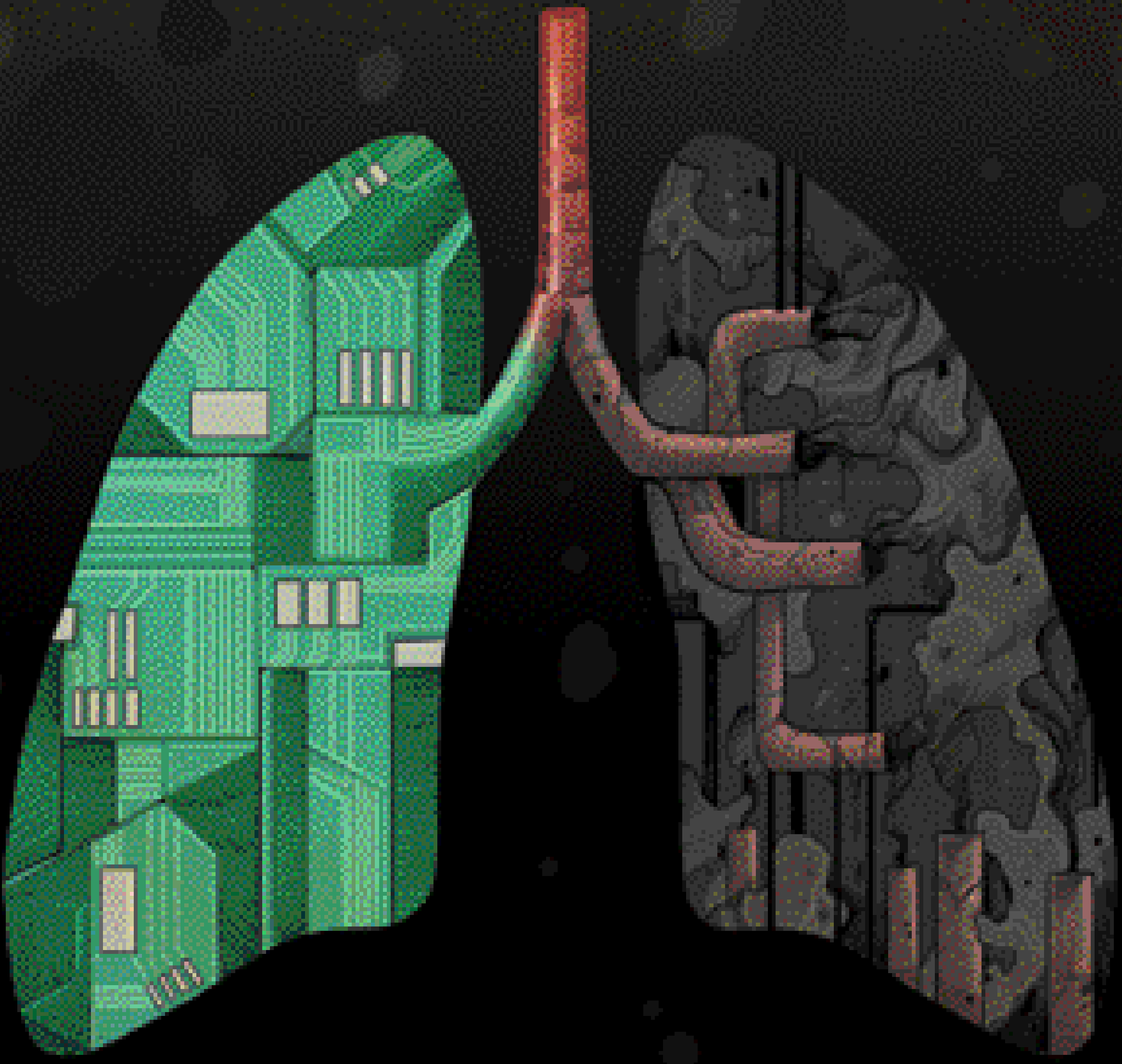


By Hani Bathish

A close look at the driving environment and the car market in Lebanon

Our roads are unsafe. A large number of the cars on our roads are inefficient, polluting, and even dangerous to drive. Many go uninspected, as people thumb their noses at the law, and many more are cheap cars that were damaged and repaired badly, bought secondhand on the gray market. On top of everything else, our commercial-vehicle fleet is in desperate need of renewal.

The crisis we face is dire. It was instigated by a shortsighted government tax policy that financially incentivizes people to keep driving their old cars, and effectively discourages them from buying newer, safer, more fuel-efficient models through the imposition of a high tax on even the most compact and affordable vehicles.

What makes matters worse is the fact that the full implementation of the new traffic law continues to be hobbled by political cover for violators, expensive fines that the authorities balk at issuing, a failure to implement parts of the law concerned with training driving instructors, and a failure to impose measures that are designed to change driving behavior rather than impoverish drivers, like the points system and the suspension of driving privileges.

All these elements together contribute to a chaotic and dangerous driving environment in the midst of economically strained times.

A TAX THREATENING OUR HEALTH AND SAFETY

Selim Saad, advisor to the Automobile Importers Association in Lebanon (AIA), says that consumers can expect to pay as much as 43.5 percent of the price of a $9,000 car in taxes, between customs duty, VAT, mechanical tax, and registration fees. "And that's before we add the dealership's profit margin," he says.

According to AIA figures, for a $25,000 car, a customer can expect to pay up to 59 percent of the price in tax, and for a $70,000 car, he or she can expect to pay 70 percent of its value in tax. "As of the end of 2016, we had 1.58 million registered cars on the roads in Lebanon—41.1 percent of them, or 739,000 cars, are over 15 years old; 681,000 are over 20 years old. Out of the total number of cars on the roads, 613,000 didn't pay mechanical tax or go through periodic inspection to see if they were still roadworthy," Saad says.

The tax burden on consumers looking to buy a new car is immense, and serves no apparent nor rational purpose—unless its aim is to keep polluting, unsafe vehicles on our roads. Emile Mabro, chief executive officer of the Kettaneh Group, the exclusive dealer in Lebanon for Audi, VW, and Skoda, says that paying $120,000 in tax on a $200,000 car is excessive. "Maybe the high tax policy was initially intended to limit the number of cars on the roads, [or] maybe it was intended to finance the government, but it has opened the floodgates to the gray market," he says. The gray market, full of imported used cars of unknown provenance and concealed mechanical and electrical faults, has flooded the country with vehicles that have, as Mabro puts it, "issues."

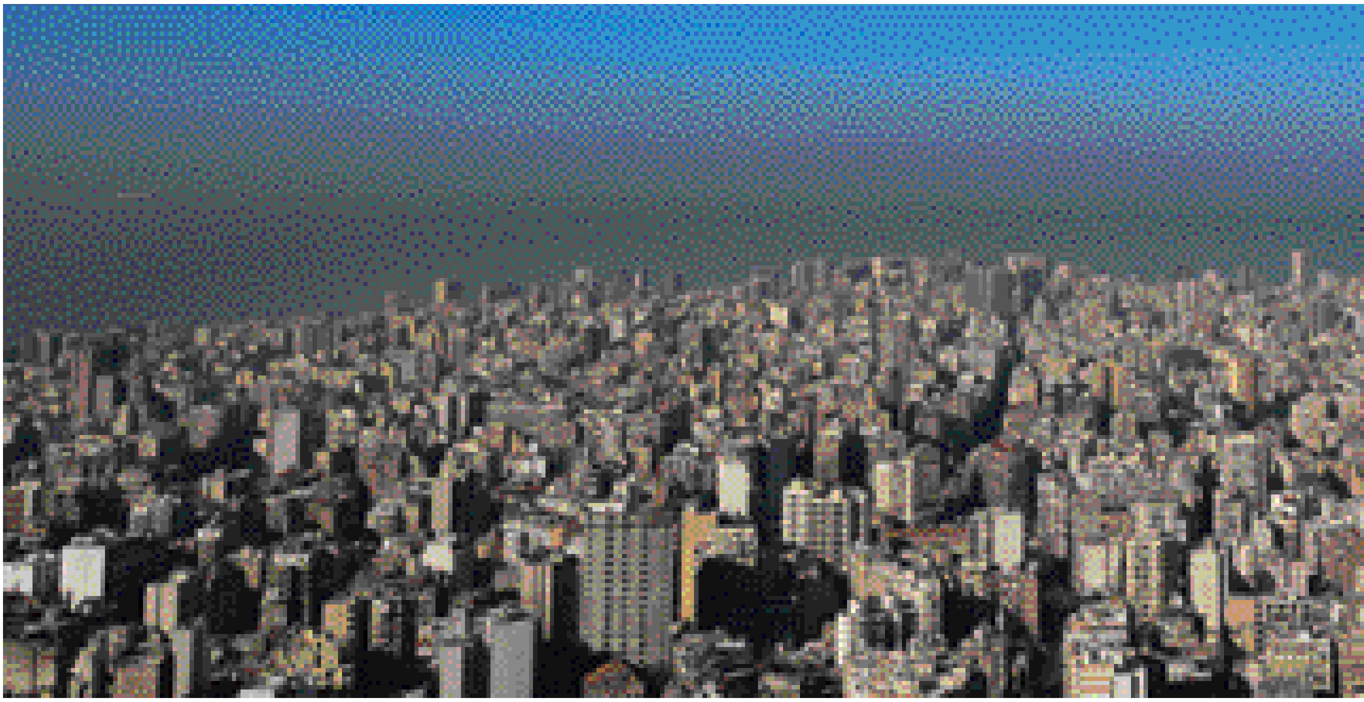
> ■ "Out of the total number of cars on the roads, 613,000 didn't pay mechanical tax or go through periodic inspection to see if they were still roadworthy"

"This has created a supply of unsafe secondhand cars that is the direct consequence of the high tax and customs duty policy," he argues. The main issue with the gray market, Mabro says, is that the origin of a vehicle cannot be traced, nor its driving history examined. Most are bought cheaply at auctions abroad and shipped in, some are flood-damaged or have been crudely repaired after being in an accident—problems not immediately apparent to the buyer, but which slowly emerge after intensive usage over time.

POLLUTING OUR LIVES

The government tax policy is flooding the urban ecosystem with deadly gaseous emissions. That is in effect what happens when aging, uninspected, inefficient, fuel-guzzling cars are allowed to drive on our roads, just so that the government can collect as much tax as possible in an attempt to balance its books.

Najat Saliba, a professor of analytical chemistry at the American University of Beirut, found in a 2011 study that vehicle emissions in Lebanon are six times worse than in California. "We meas-



Breathe in deep

ured emissions on the five-lane Jal El Dib highway, and we found 600 milligrams of particulate matter [mpm] per kilogram of fuel burned. When we compared that to the seven-lane I-110 highway in California, we found emissions to be 100 mpm per kilogram of fuel burned," Saliba says.

"Our road vehicle fleet is emitting far more particulate matter. This is the fine particulate-matter emissions, which are directly correlated to deaths from cardiovascular disease, lung disease, and asthma," Saliba says.

And it is not just the car market that the government manipulates through its policies—the quality of the fuel our cars burn is also subject to governmental oversight. As the AIA's Saad notes: "Cars today are produced to meet Euro 6 emissions standards; unfortunately, the fuel used in Lebanon, whether petrol or diesel, is Euro 3 standard, which emits 500 parts per million [ppm] of sulfur." He adds that LIBNOR, the Lebanese standards institution, has already issued Euro 6 fuel specifications, which require sulfur emissions to be reduced to a mere 10 ppm for both gas and diesel engines. "The law has been issued, but it needs an implementation decree," Saad says. "It's an important measure for health." In the meantime, as we await implementation, we continue to breathe—at our own risk.

ROAD SAFETY COUNCIL

The National Road Safety Council (NRSC), which is headed by the prime minister, is the body entrusted with implementing all facets of the new traffic law. Ramzi Salameh, the director of the masters program in management of road safety at Saint-Joseph University, was appointed secretary-general of the NRSC by former Prime Minister Tammam Salam. Salameh says that the traffic law needs decrees of application to be fully enforced and effective, which means a lot of text and drafting. Most of that is under the purview of the NRSC.

To date, however, the council has met only twice: once in December 2015 and again in June 2016. The council is behind on implementing nearly every dimension of the new regulations. "The traffic law calls for the reform of training procedures for new drivers, and to make sure all drivers possess the knowledge, abilities, and attitudes needed for safe driving," Salameh says. "To date, only

> We measured emissions on the five-lane Jal el Dib highway, and we found 600 mpm per kilogram of fuel burned. When we compared that to the seven-lane I-110 highway in California, we found emissions to be 100 mpm per kilogram

the computer-based driving theory test has been approved."

The part of the law concerning enforcement of fines and penalties does not need new texts or instructions to be enforceable. "However, the level of the fines needs further thorough study, as the legislature placed greater emphasis on the amount of the fine than on the means and procedures to deter drivers from breaking the law," Salameh says. "[Internal Security Force] policemen have complained about the high value of the fines, which citizens may see as unjust, while at the same time political patronage plays a role in the failure to enforce the law."

The points system, when implemented, would penalize consistently bad drivers who commit many traffic violations, eventually revoking their driver's license after repeated offenses. "This system has not yet been put into force. The system is awaiting the implementation of the intelligent [biometric] license," Salameh says.

A CHANGE OF DRIVING CULTURE IS NEEDED

Salameh says there is a need for deep reform of the driving culture in Lebanon. "The culture here does not respect principles of good, safe driving. "We need a cultural change, a change in mentality on how to use the roads, how to share the roads with others, to be patient, to think of others and not just ourselves." But even if fully implemented, the law in Lebanon remains deficient. It does not, for example, prescribe airbags as compulsory, only seat belts, whereas in Europe, airbags and various other driver-safety aids like sensors are compulsory on all vehicles.

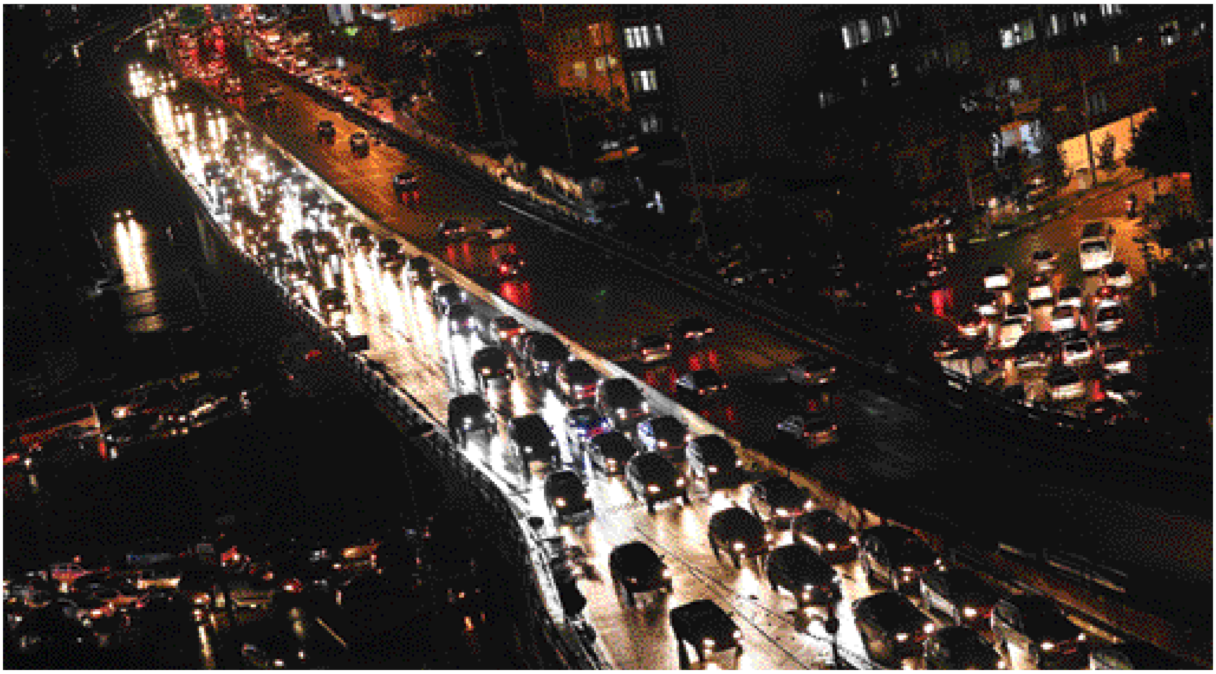
Salameh says that there is no age limit placed on passenger vehicles that are permitted to use the roads. He feels that proper maintenance is more important than placing an age limit on old cars, pointing to the number of vehicles that fail to submit to periodic mechanical inspection.

The primary duty of enforcing periodic car inspections rests with the ISF, who have the authority to stop any vehicle on the road to check it has passed inspection. "Ultimately, to enforce the law integrally we need a political will from the entire political class and a commitment to deter all violations, including enforcing compulsory annual mechanical inspections," says Salameh. "But people know that all those who violate the law think they can because they are supported by one politician or another, this deters the policeman from enforcing the law."

He adds that France, which in 1972 had roughly the same number of collisions per mile driven as Lebanon, managed to change driver behavior. It took time, but France ultimately succeeded in reducing fatalities from road crashes from 18,000 per year in 1972 to 4,000 per year today, a major drop considering the exponential increase in the number of cars on the roads over the past four decades. "Through the introduction of countermeasures, radars, the reform of the driving schools, and the introduction of a points system, the French changed driver behavior," Salameh says.

VEHICLE TAX BREAKDOWN

The AIA's Saad says that in most countries, car importers pay either VAT or customs duty on imported new cars—but not both. In Lebanon, however, a customs duty of 20 percent of the value of a car is levied on cars valued at LL20 million ($13,333) or less, while a customs duty of 50 percent of the value of a car is levied



Traffic jams up the Adlieh roundpoint

on cars valued at over LL20 million. "On top of that, you pay 10 percent VAT, and on top of the registered selling price, the customer pays 5.3 percent of the value of the car as a registration fee," Saad says, adding that in other countries the registration fee is very low and of symbolic value.

For cars with engines between 11 and 20 horsepower, the mechanical tax ranges from LL53,000 ($35) to LL525,000 ($350). For cars between 41 and 50 horsepower, the mechanical tax is LL2.5 million ($1,666). "Whereas cars that are more than 13 years old pay only LL230,000 ($153) in annual mechanical tax, these older cars are also running on our roads, they pollute more, and cost more to run and repair," Saad says, describing vehicle tax policy as insane. He adds, "In France, they scrapped the mechanical tax because they found it to be unfair."

If Lebanon had a well-organized public transport system, Saad believes, people would gladly give up their aging cars. "These old cars, in addition to the health and safety and pollution problems they pose, burden their owners with high repair bills," he says.

Every car and road tax the government collects goes into a common pot at the treasury, from where the money is distributed to wherever it is needed. Saad suggests it would make more sense if the money at least went directly to repairing and upgrading the country's roads and bridges, which are in bad shape.

Opting to turn their backs to the unreliable gray market, new car buyers in Lebanon are very price sensitive. As the middle class is being pushed into a lower income bracket, smaller, more fuel-efficient and affordable cars are gaining popularity, according to AIA figures. Korean cars continue to lead car sales in the country: Kia sold 4,671 cars in the first half of this year; coming in at a distant second, Hyundai sold just 2,803 cars. Japan's Toyota holds third place, having sold 2,620 cars in the first half of this year, followed by Nissan, which sold 1,959 cars in the first six months of the year. Chevrolet and Renault hold on to fifth and sixth place, having sold 1,093 and 1,088 cars respectively in the first half of the year.

"The car-buying trend follows the socioeconomic evolution of the population. The middle class in Lebanon is shrinking, which is affecting the car market," says Kettaneh's Mabro. "Sales of very cheap cars priced below $20,000, or even below $10,000, are growing, as are sales of very expensive cars priced at $150,000, or even over $200,000. Sales of cars priced between $30,000 and $70,000 have been hit hard," he says, adding that overall the new car market only fell by just 1 percent from last year.

This assessment is in agreement with AIA figures. According to the AIA, total new-car sales last year reached 36,300, while new-car sales in the first six months of this year reached 23,559. Saad predicts just a 2 percent drop in sales this year from last year. Mabro says that demand from wealthy customers remains strong: "Even the Audi R8, which is a $300,000 car, is selling well."

For most new car buyers, affordability and low running costs remain top priorities. Maria Rita Boustany, marketing and human resources manager at Toyota of Lebanon, says that due to the lack of proper public transportation in the country, compact vehicles are in high demand. “There is an ongoing trend as well for compact crossovers, which are rising in popularity. The launch of the Toyota C-HR [a compact crossover] was a tremendous success, as was the Lexus NX, a luxury compact crossover,” Boustany says. A crossover combines features of a sport utility vehicle with those of a passenger vehicle, especially a station wagon or hatchback. Examples of the body type include the BMW X1, Dacia Duster, Nissan X-Trail, and the Korean-made SsangYong Korando. Mid-sized crossovers include the Mercedes-Benz M-Class, Ford Edge, and the Volkswagen Touareg.

PRE-OWNED CARS AND COMPETITION

Many car dealerships in Lebanon sell pre-owned, refurbished models at their showrooms that sell for much less than brand-new cars. Unlike other used cars, these cars have a dealer’s warranty. Kettaneh sells pre-owned VW, Audi, and Skoda vehicles. “It’s important for us to show that our pre-owned cars are as good as new—for this, we give customers a warranty on pre-owned cars. We need to do this to show we are serious about combatting the gray market,” Mabro says.

Sales of new Toyotas, according to Boustany, exceed those of pre-owned cars. “People are very disinclined to trade in or sell their Toyotas,” she says. As for the competitive environment, Mabro says that the new kid on the block—the Chinese—do not yet pose any serious competitive threat, as the poor quality of Chinese cars overrides their cheapness. “The Koreans are managing to compete well—they are bringing in cars with a lot of extra features like auto-park and cameras—but they are overall of a lower quality compared to German cars,” adds Mabro. He says people are choosing to buy cheap, non-durable cars because of affordability, but said that this was not a good calculation. “Buying a cheap car only makes you happy for a few months,” he says.

PUBLIC TRANSPORT

The World Bank and the Lebanese Council for Development and Reconstruction are preparing an urban transport project to organize public transport in Greater Beirut. The Project Information Document (PID) Concept Stage was updated in January 2015. Included in the project is a bus rapid transit line to connect Tabarja to the north and Jiyeh to the south of Beirut, Saad says, “It will be a closed, dedicated two-way road just for buses.”

However, when such a project will see the light of day is anybody’s guess. For now, the country is faced with a growing number of taxis and minivans as the mainstay transport option for those who cannot afford or choose not to drive in this country. But even as taxis and minivans offer cheap transport options, the fact remains many are unregistered, even dangerous to drive in or near, and offer few to no passenger safety features. “There are a total 33,000 red taxi number plates in Lebanon for approximately 60,000 taxis operating on the roads today; there are 4,000 minivan buses registered in the country for about 20,000 currently operating on the roads, not counting all the cars coming from Syria, which makes the situation quite dire,” Saad says. He adds that investments in public transport boosts the economy, and would create 25 percent more jobs than the same investment going to build roads and highways, as well as help the environment and alleviate congestion. What’s more, a highway for cars is 175 meters wide, a dedicated road for buses is just 35 meters wide, while a metro train line is just nine meters wide, which makes mass transit the better option in terms of land footprint too.

RENEWAL AND A FRESH START

Saad says the AIA will continue to lobby the government to institute policies that encourage people to replace their old cars, thereby protecting the environment and people’s health. Meanwhile, Salameh says that the Ministry of Public Works and Transport has a draft proposal for the renewal of the country’s commercial fleet, which suggests introducing tax and financial incentives for operators to replace their aging trucks, busses, trailer trucks, and concrete mixers, among other vehicles.

> Even as taxis and minivans offer cheap transport options, the fact remains many are unregistered, even dangerous

Renewal and perhaps a fresh approach is needed in Lebanon. The current situation gives people few choices: buy cheap or used cars, keep your old car that is falling apart, or ride in a suicide-machine minibus with a crazy driver at the wheel, or a shared taxi, or pay through the nose for a private taxi. The crisis is not a product of competing interests so much as it is a product of an inability to move forward on any of these issues—or perhaps an unwillingness to do so. People have waited long enough, and they deserve better.

By Nassib Khoury

GOING NOWHERE

Lebanon is ill-prepared for electric mobility

The latest move to encourage the use of electric vehicles (EVs) in Arab markets came in Dubai. Last month, the Dubai Electricity and Water Authority announced incentives for EVs that include exemption from road tolls and registration fees at the Road and Transport Authority, and free charging and parking at specially assigned locations.

The emirate expects to have some 32,000 EVs and hybrids on the road by 2020, and 42,000 by 2030. For Dubai, this actually seems a somewhat small proportion, given that data from the past few years showed that vehicle sales were around a million, and vehicle density is one of the highest in the world at 540 registered vehicles per 1,000 residents in an emirate with 2.8 million inhabitants. However, when compared with other countries in the region, such as Lebanon, Dubai's EV initiatives appear strong.

Lebanon was once a pioneer in terms of the import and sale of cars in the Arab world. Agents, dealers, and distributors played a valuable role in the introduction of the automobile to Lebanon and the entire Arab region in the beginning of the 20th century.

Today, about 100 years after the combustion engine started its worldwide conquest, the automotive era is changing radically with the introduction of hybrid and electric cars. This alternative fuel story began in the 1990s, when personal transporters (like the electrically powered chairs for seniors) and light EVs were patented, and a range of hybrid cars was envisioned and produced.

The grandfather of hybrids was the Toyota Prius, which combined a combustion engine with an electric powertrain. It penetrated markets around the world, and its success was most noticeable in countries where governments were aiming to reduce air and noise pollution by offering tax benefits and other incentives for buying “green” cars.

The race toward wide adoption of electric cars got a decisive second kick around 2010, when Nissan and Tesla demonstrated that plug-in electric cars could appeal to diverse audiences. More and more manufacturers jumped on the electric-mobility bandwagon around that time. The migration to electric mobility got a third, and probably decisive, boost last year, when a pile-up of embarrassing emission scandals created huge political pressure, and an increasing number of manufacturers and national policy makers began talking about phasing out the production of combustion engine vehicles over the next 10 years, or even sooner. Researchers suggested recently that the production of EVs, which has doubled every 15 months since 2011, would overtake production of traditional gas-powered vehicles in the coming 10 years.

NO INCENTIVES FOR EVS

Lebanon is lagging behind the global push toward EVs. Car importer BUMC, Lebanon’s Toyota and Lexus distributors, brought the Prius into local market in 2010, despite it not being provided with any advantage by the Lebanese government. Without tax benefits or other state incentives for low emissions, the Prius proved to be too expensive for the middle class.

Executive contacted 10 distributors and dealers to ask about the existence or availability of tax advantages or incentives for green cars. All the dealers confirmed the total absence of a legal framework that would boost the import and sales of hybrid cars or EVs.

One of the biggest obstacles to adoption is that electric cars are registered as fuel-powered cars, using a mostly abandoned system for taxing cars based on their engine capacity called fiscal horsepower. The Renault Twizy, for example, was registered in Lebanon in 2017 as a 10 fiscal-horsepower car, despite being an 100 percent electric plug-in car that is powered by a battery, weighs around 450 kilograms, and measures less than three meters long.

Ultra-compact urban EVs, such as the Twizy can change the experience of the city, with lower noise pollution in the city center. In some countries, they can be driven with special licenses, and they are often incentivized by governments in various ways. EVs are silent, do not emit any polluting gasses, and do not consume any fuel.

While there are no legal prohibitions against EVs in Lebanon, the state offers no incentives for buying one. For any of the hybrid or electric cars in Lebanon, like the Toyota Prius, the Hyundai Ioniq, hybrid Porsches, or the Mercedes S400 Hybrid, the only advantage to the buyer is lower fuel consumption. But in terms of budget, these cars are more expensive than the same manufacturer’s equivalent models with combustion engines, and indeed more expensive than gas-powered cars with comparable performance.

> EVs are silent, do not emit any polluting gasses, and do not consume any fuel

The tiny Renault Twizy, for example, sells for approximately $20,000 in Lebanon, while in Europe it is sold for approximately $8,000. The high price makes it a luxury, defying the concept of an affordable electric car.

Even if one wanted to buy an EV here, such cars, especially affordable ones, are hard to find. Beyond the lack of government incentives, the other big barrier in front of the import and sales of electric cars is the absence of necessary infrastructure. In addition to the lack of recharging stations for EVs—which is a major hurdle in the transition to electric mobility in many markets—there is Lebanon’s notorious lack of a 24-hour electricity supply.

HYBRIDS ALREADY ON LEBANON’S ROADS

All in all, the absence of a legal framework, infrastructure, and incentives for EVs make it easy to imagine why automotive importers like Natco and Sidia, which represent Kia Motors and PSA (Peugeot and Citroën) respectively, are very reluctant to invest in them. But these agents tell Executive that they are still planning to import Chinese hybrid or electric cars, noting that China is emphasizing the development of EVs in its automotive industry. They mentioned models like the BYD F3, Qin, and Tang, which are hybrids, and the BYD E6, Song and T3 electric models. The agents even plan to import electric buses, an area where Chinese products have an affordability advantage over European or Japanese EVs, which could at least partly make up for the lack of Lebanese govern-

mental incentives for import customs or registration costs.

Executive contacted other dealers like T. Gargour et Fils, which sells Daimler-Benz and Smart cars, and Gargour Automotive Company which is part of the Fiat-Chrysler group. Gargour Automotive Company noted that they are still reluctant to have more electric or hybrid cars in their showrooms, given that the Fiat-Chrysler group does not have an aggressive hybrid or electric cars strategy.

By contrast, Daimler-Benz and Smart already do, with vehicles like the Mercedes-Benz EQ, the S400 Hybrid, and the E400 Hybrid. Smart also introduced the fortwo and fortwo cabrio electric drive, which have a range of 100 kilometers.

In the hypercars and supercars sector, wealthy Lebanese have, or will have, access to hybrid supercars like the Ferrari LaFerrari, the Porsche 918 Spyder, and the McLaren P1. While doubts over the role of supercars in the advancement of electric mobility are in order, hybrid hyper- and supercars prove the appeal of this automotive technology to tech-loving locals with super-deep pockets.

A NEW LEGAL FRAMEWORK FOR EVS

Case in point: The Porsche Centre Lebanon has delivered four of the 918 Spyder's total production run of 918 units. Taxes reportedly boost the local price tag of these hybrid supercars from somewhere around $900,000 to about $1.5 million. When Executive asked Selim Saad, advisor to the Automobile Importers Association in Lebanon (AIA), if there was a legal framework in sight that might boost hybrid and electric cars, he confirmed that the government has not sent any encouraging signals on incentives for EVs.

For hybrid and even fuel-combustion engines, Saad noted that Lebanon still has work to do to bring its fuel up to Euro 6 emission standards, as currently fuel used in Lebanon—petrol and diesel—is at Euro 3 standards, meaning it emits a far higher level of sulfur into the air. The Lebanese government is working with UNDP to make the market compliant with its international climate change agreements.

> ■ There is not only need for a legal framework and an incentive framework, but also for a new frame of mind among consumers

Distributors, consumers, and the AIA are working together through public-relations channels, and by importing hybrid and electric cars to modernize the automotive frame in Lebanon. There is not only need for a legal framework and an incentive framework, but also for a new frame of mind among consumers. All evidence today suggests that the Lebanese government will have to embrace and adopt the hybrid and electric cars within a few short years, or else Lebanon will be left behind.

Being the first to give us a glimpse of the future,

HUAWEI'S VISION WILL BREAK BARRIERS WITH ITS ADVANCED A.I. MOBILE CHIP

In its attempt to bridge both the digital and physical worlds, Huawei's A.I. concept is further expanding and currently playing the indispensable role of an assistant, a digital assistant to be more precise. Such a role entails altering the way humans interact with their own devices. In the aim of a better user experience, Huawei's Mate 10 will introduce the new and improved machine learning algorithm, the Kirin 970 processor, a chipset that directly pushes you to the apps you use most. Such a feature will therefore optimize its resources for quicker app loading, as well as reduce power consumption.

A.I. is the revolutionary solution to data's exponential growth. By offering strong sensing capabilities, Huawei's advanced A.I. mobile chip sensors generate personalized, real-time, scenario-specific data. Such capacities form a more cognitive device of user needs, making the experience more personalized and accessible through understanding as well as assisting people. The A.I. works hand in hand with the cloud as well as one's local data which in return reduces transmission time.

To deliver the ultimate intelligent experience, Huawei has decided to go forward with the On-Device A.I and create an AI Chipset with 3 main benefits: Faster, Low Consumption and Secure. In this fast world, consumers are aiming for the fastest device performance and usage. The low consumption is likewise a major need for users that would like to optimize their experience without worrying about the battery; As for the security part, the On-Device AI processing promises a more privacy protection of the user's sensitive and private personal data. Huawei A.I. powered devices will guarantee high performance and high efficiency.

Through its A.I. concept, Huawei is capable of breaking through the digital realm by adapting to human assistance and using behavioral learning. By probing into users' needs, the A.I. concept will effectively collect information on behalf of the consumer as well as build an understanding of the consumer.

By Khalil Hariri

THE OTHER SIDE

How highways divided Beirut's neighborhoods

Mar Mikhael usually evokes images of a buzzing nightlife and hip restaurants; what few of the neighborhood's visitors realize, however, is that there is more to Mar Mikhael than Armenia Street. Even fewer are aware that Mar Mikhael is not bordered by Charles Helou Avenue, but that it in fact splits it in two.

Located in Medawar in east Beirut, Charles Helou Avenue was constructed in 1958 to link Beirut's northern entrance to the Beirut–Tripoli highway. Highways and roads were central to planners' attempts at shaping the city and managing urbanization. In fact, prior to the 1964 master plan for Greater Beirut, written by the French architect and urban planner Michel Ecochard, the only plan that was approved by the government was the 1954 one, which was a little more than an network of intersecting roads with no zoning regulations and high densification factors.

Ecochard himself was famous for his numerous highway projects, the most famous of which is the Lebanese coastal highway, built in the 1930s. He thought increasing the vehicular capacity of existing roads would facilitate the transport of workers into the city. This modernist approach to planning was common in the West in the first half of the 20th century; engineers conceived highways according to traffic trends to maximize the efficient circulation of goods and people.

TORN COMMUNITIES

In theory, highways reduce transportation costs, allow for specialization in production, and enable regions to develop a competitive advantage. In practice, however, in addition to producing congestion and pollution, highways hollow out the communities they cross through. There is also evidence that suggests that highways are disproportionately routed through underprivileged neighborhoods. In the United States, former transportation secretary Anthony Foxx has claimed that most of those displaced by highway projects were low-income African Americans. Road projects destroyed 1,500 buildings and 200 businesses in the now-vanished neighborhood of Brooklyn in Charlotte, North Carolina, while inner-city highways led to a 30 percent decrease in the population of Syracuse, New York.

A street in Mar Mikhael's northern side. A public garden can be seen on the right. Source: Khalil Hariri

Similarly, the construction of Charles Helou Avenue meant that the efficient circulation of automobiles was prioritized over the wellbeing of Medawar's communities. Parts of Nour Hajin, an Armenian camp in the north of Mar Mikhael, were wiped out as the camp shrunk from 25,000 to 18,000 square meters. The Saint Therese Church was demolished to make way for the avenue. The avenue also stood as an obstacle for those living north of it, as they were now blocked from reaching Mar Mikhael Church by foot.

Residents of Mar Mikhael's port side recalled in the first few decades after the avenue was built that hundreds had died attempting to cross the avenue over to the other side where most shops, such as convenience stores and butchers, were located. According to the same long-time residents, those crossing the avenue were also easy targets for snipers located in towers in nearby Saifi during the civil war, further disconnecting the two sides. The only pedestrian bridge

> The only pedestrian bridge linking the two halves of Mar Mikhael was built more than 30 years after the avenue itself

A derelict, abandoned building in the north side of Mar Mikhael.

linking the two halves of Mar Mikhael was built more than 30 years after the avenue itself.

To cross from the south side of Mar Mikhael to its north side by car, one has to drive to Corniche El Nahr, turn westward near Forum De Beyrouth, and drive along Charles Helou Avenue. This means that the north side is not only hard to reach by foot, but also by car, especially during peak hours. Residents explained how the north side of the neighborhood is now an "isolated island."

This isolation has had drastic impacts on the economy, identity, and development of the north side of Mar Mikhael. It has remained strictly linked to port activities, as most firms located in the area belong to the logistics and transport sectors. In its southern part, on the other hand, Mar Mikhael has witnessed drastic economic changes, as it has attracted pubs and restaurants, alongside the arts and crafts industry, transforming into one of the city's major nightlife hubs. The only high-end restaurant that opened in the north side was Harbor 201, which recently went out of business. This is despite land prices being considerably cheaper in the northern side due to the difference in demand.

The stark contrast in economic fortunes between the two parts has also led to a difference in their identities. Whereas the southern side has attracted expats, foreigners, and young professionals, the north side has witnessed an exodus of its younger generation, leaving mostly long-term, impoverished, and elderly residents in the area. The only school in the area closed four years ago, according to one of the area's mukhtars, or local officials.

PEOPLE NOT CARS

As Charles Helou Avenue undergoes renovation, the junctions leading to Mar Mikhael have been blocked, further isolating the north side from the rest of the city. Despite promises from Beirut's governor to build a bridge or a tunnel that connects the north side of Mar Mikhael to Geitawi, the area has failed to attract developers, as evidenced by its numerous empty lots in the area. Northern Mar Mikhael's isolation also seems to have amplified the negative externalities of the highly polluting Sukleen, Sukomi, and port trucks. Things are only expected to get worse for the area if a waste incinerator is built in nearby Karantina.

As Beirut continues to choke on car traffic, Dr. Mona Fawaz, coordinator of the Masters in Urban Planning program at the American University of Beirut, explains that "car mobility has reached its limits, and it's time to rethink the role of highways." Not only have inner-city highways become outdated, but they also encourage the use of private cars. Despite that, city and state officials continue to push for projects like the Fouad Boutros highway that would cut through dense neighborhoods. State officials have resorted to the outdated 1964 Ecochard plan to justify the highway, and the municipality is already expropriating land even though the environmental and traffic impact studies are still ongoing. In fact, Fawaz says that the impact studies may not have even taken place without pressure from civil society, despite the fact that the law states that highway projects cannot be executed without them.

There are other examples of bridges and highways that have had a negative impact on their surroundings in Beirut, such as the Yerevan bridge in Bourj Hammoud and the Hawd Al-Wilaya bridge in Basta, which also cleared neighborhoods in two. Through the effect of the multiple highways and bridges that cut through its neighborhoods, Beirut has been shaped by the needs of its cars rather than its residents. To counteract their effects, improving public transportation and promoting walking and cycling are essential to turn Beirut into a more livable and vibrant city.

By Yasser Akkaoui and Olga Habre

MCLAREN LANDS IN BEIRUT

Q&A with McLaren Automotive CEO Mike Flewitt

September saw the launch of the supercar brand McLaren in the local market with a new showroom in Downtown's 3 Beirut complex, with its vehicles on sale for the first time in the country. Executive sat down with Chief Executive Officer of McLaren Automotive Mike Flewitt to talk about the relatively young brand and their local partnership with Fayez Rasamny, CEO of Rasamny Younis Group of Companies (RYMCO), the parent company of McLaren Lebanon.

E ***Why open in Lebanon?***

When you go into a country, it's partly about the market, and partly about the partner you find in the market. I see Beirut is a city that's now developing very, very much. There's a lot of investment, and it almost feels like it's a center for luxury in the region—this is really a market. I drive around and I see sportscars, supercars, and I see people enjoying these kinds of cars. We're a young company, so it was important we waited for the right time, but I think the market is now ready for McLaren. We also waited till we found the right partner. The partner we have here is Fayez [Rasamny], and he knows the country, the automotive market, he knows our cars, he has made tremendous investment [and has] real confidence in McLaren. So we brought those two things together, and I think this is a good time, [and] we have a good future. We have to build a future from this very strong base.

E ***What are your expectations from the market? Your Lebanese presence, is it a sales figure that will decide if this is successful? Or is it more about positioning? What are you really looking to achieve from your Lebanese venture?***

You do these things for the long term, so this is a start. We have this beautiful showroom, and [at the opening we launched the 570S Spider]. There are some cars here now. [In the past] people had bought cars from the region and brought them home to Lebanon, but this is now the start of us selling cars here, so think about this as a start for the future. Obviously, we're a business. I always think in car companies there are two things: One is you make cars, you love cars, and you have a passion for driving. The other is you're a business, so you have to make money. I think Fayez and the team here will make the business very successful. It's hard to volume, maybe 20 to 25 cars to start, and then it builds year after year. It's really about building a strong future, making and helping people in Lebanon understand the value [of McLaren], to understand why McLaren is special. This isn't a brand that's just about showing off a lifestyle; this is a brand that's all about the pleasure of driving cars.

E ***So in making the decision [to launch in Lebanon], most probably the executive board at McLaren Automotive had to make the case for it. In a few sentences, what were the pitch lines that were used to convince the board?***

In McLaren, we have what we call an executive team: myself, our global sales and marketing, our chief financial officer, and so on, and then we have regional managing directors. Andreas Bareis is the managing director for the Middle East. We always knew that we had Lebanese customers, some in Lebanon and some elsewhere in the world. When Andreas moved to the Middle East a year and a half ago, he was looking at the region, at the potential in different markets, and was starting conversations with different partners here. When he met Fayez, they talked about [partnering], they built confidence, then they brought the proposal for McLaren, talked about how they could develop the opportunity here, how this made business sense, and they pitched it to us. It's about the market, the business, and the right time.

E ***I understand that there have been changes in the chairmanship of the company . . .***

Correct. Ron Dennis has been with McLaren since 1980 and built the Formula 1 team with all its success in the 80s, 90s, and 2000s. He was one of the founders of McLaren Automotive back in 2010, a shareholder, and also chairman of both companies. A few weeks ago, it was Ron's 70th birthday, and he decided to step down. He's no longer chairman or director in the company—and he [had] always decided that when he reached 70, that would be the time to go do other things. He has a charity, he helps the government, he does different things, and the other six shareholders have bought Ron's shares—all the other shareholders are exactly the same.

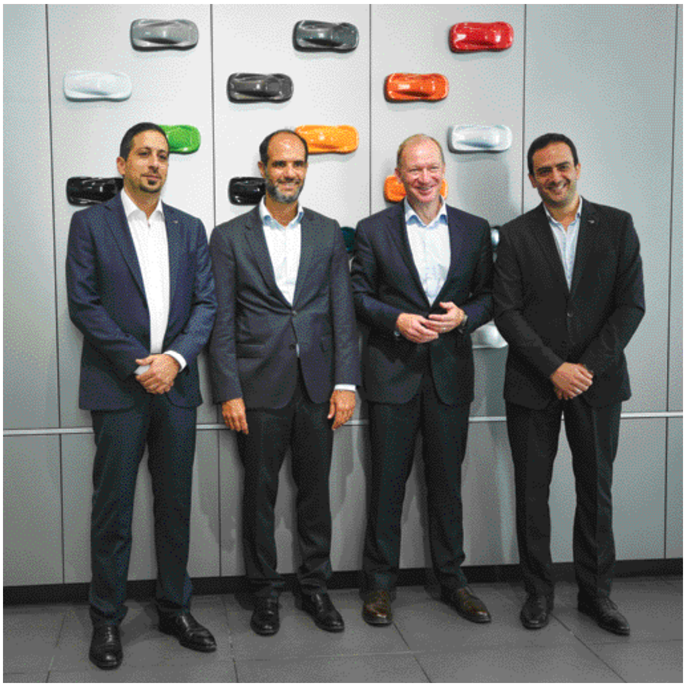
E ***So here we're talking about Mumtalakat [Holding] in Bahrain, TAG . . .***

Exactly. Mumtalakat in Bahrain is the senior shareholder, and Sheikh Mohammed bin Essa Al Khalifa is now chairman of the company.

E ***McLaren automotive is all about R&D, all about experimenting—and the biggest differentiator is the use of materials, which have a lot of impact on the performance of the car. What are the challenges when making your case to the board, which is not necessarily as well versed with the technicalities, especially when you have sovereign wealth funds and investment funds? What type of agreement do you have with your board so that they allow you to continue experimenting?***

First of all, the shareholders understand the vision. They agree with the vision of the company, [which is that] we invest in technology, and we use that technology to make a better racing car or a better sports car—that's the whole premise. So it's not selling technology, it's actually about selling a racing car or a sports car that is a better car because we use the best technology in materials, software, and aerodynamics. The next thing is that they are the people who employ the managers—they employed me, they employed Andreas, they employ the team—and they understand the recommendations we make. They ana-

> ■ "It's hard to volume, maybe 20 to 25 cars to start, and then it builds year after year"



lyze the recommendations, they could also look at the success of what we've done, and then we agree on a plan. I think they have confidence in the team; they see what this team has done in six years. In 2011, we sold our first car. Now we're in 2017, McLaren sells cars in 30 different countries, with 84 dealers around the world, it's a competitor with brands like Ferrari, Lamborghini, and Porsche, who have been in the business for 70 or 80 years. So I think the management have proven that they understand the market, that they understand what makes it a success, and the shareholders have confidence to support them.

E There's a lot of signals that come with a change. I mean, when you have Ron Dennis, who has 158 wins or more, he understands technology, he's the DNA of the company. And then, suddenly, you have a sovereign wealth fund that is chairing the company. What type of signal does this give to shareholders, and how are you going to try to make sure that the savoir faire that McLaren has stays at the top, that this wouldn't change the perception?

Ron Dennis is deeply associated with McLaren—to some people, he is Mr. McLaren, he was there for so long. But we should also remember that TAG have held shares for 30 years, and that Mumtalakat have held shares for over 12 years, so they've been there through all of this success. They haven't just come in; they've been a part of this history, creating this history. Ron Dennis recruited me in 2012, so I think we have shareholders who have been part of the history and have the same vision for the future, and we have a management team that worked with Ron, were recruited by Ron, and have been a part of the success through the years. Every business goes through changes. The automotive company is growing every year, it's very successful, and [it's been] profitable for four years. We build more cars every year, and we're growing as a business. Formula 1 is having a difficult time right now, we have a relationship with Honda, we have a new engine. We're going through, we say, teething troubles, because we're learning. But we're still the second-most successful team ever in Formula 1, and I think we'll be successful again.

■ "Formula 1 is having a difficult time right now, we have a relationship with Honda, we have a new engine. We're going through, we say, teething troubles, because we're learning"

E ***Does this put more pressure on you? Because everyone will be looking at you, today as the CEO, as the one that carries the automotive technical pedigree, as compared to the financial knowhow.***

You can't get away from that. There's always pressure financially—it's a business. There's pressure because we're very ambitious. We have a very simple objective, and that's to make the best car in the world. So when launching a car, we wait to hear what journalists say, what customers say, to understand if we're successful. In a way, we put the pressure on ourselves—we really have very, very high ambitions.

E ***You doubled your sales figures in 2016. Some reports say you now sell as many as Lamborghini sells. Other reports compare you to Ferrari. How is McLaren trying to position itself, and what is the differentiator, just to clarify, to the market at least? Is McLaren the competitor of Lamborghini, Ferrari, or is it on a different playing field?***

The reality for customers is that they have a choice. Different customers want different things. We don't all buy the same watches; we don't all buy the same designer clothes. People like choice. We do things differently. Ferrari is very successful, they sold two times as many cars as us, but they've been selling cars for 70 years. Lamborghini was founded in 1963. Aston Martin are 100 years old. Porsche are 70 years old. All [of them are] slightly different in the market. What we do is we invest a lot of money in technology, but we use technology to make a better car. It's all about the driver. It's not about status or fashion; it's about how the car is to drive. That's our passion. We all love cars. We race cars as hobbies, we drive cars, everybody in the company is so passionate about it, and that reflects through to our cars.

E ***McLaren has rolled out models much more frequently than other brands. Why this high frequency?***

It's just because we're just starting. So in 2010 we had no cars. We started with the MB4-12C, which was a true supercar in the market. Then we launched the P1, which was really the first hybrid supercar in the world. Then we introduced the 570. So, it looks like a lot, but actually, we're slowly building our product range. As we move into 2018, we'll have cars in the sportscar segment, cars in the supercars segment, and cars in the hypercars segment. Our range is actually smaller than the competition, but we have to start building, start entering into these markets. Then you'll see a more natural evolution as we replace vehicles, develop vehicles through, but it won't always be new.

E ***When it comes to technology, the environment today is on everyone's mind in the automotive industry. How are you integrating this into your strategy, and does it apply at all to the category of cars that you're producing?***

I think it does matter, partly because of legislation. Some countries will have to have legislation around emissions, and safety, and so forth. But it also matters because customers want it; customers are responsible people, and they want to do the right thing. Probably the biggest developments right now are in engines and changes in engine technology. When we launched our car, we had the cleanest engine in its category in the world. It had less CO^2 emissions per horsepower than any other engine in the world, so already, in many ways, we're market leaders for that. We then launched the first hybrid hypercar, because they're very clean cars for what they do. So we're developing all the time. We're developing hybrid cars to bring to the market; we're also starting to experiment a little bit with electric cars. We're not ready to put them into production yet, but we understand the market. We have to respond to technology, and we have to find a way of making those requirements still exciting because you're buying a car like this for fun—you buy a car like this to enjoy it.

> ■ "The reality for customers is that they have a choice. Different customers want different things. We don't all buy the same watches; we don't all buy the same designer clothes. People like choice"

E ***Will you have models in Lebanon or do people have to pre-order? How fast can they get their cars?***

It's different for different models, so typically, six to nine months if you order a car and you want a special choice of colors, etc. The local retailer may order some cars too, so you may have a car that you can buy, but then you can't choose [the details]. It does vary, but I would say it takes six to nine months, typically.

By Thomas Schellen

Passion and profit in Lebanon

A brief Q&A with Carlos Ghosn, a Lebanese investor and mega-manager in the field of automotive manufacturing

Carlos Ghosn, who is Brazilian-Lebanese, is the chairman and chief executive of the French automotive group Renault, chairman and chief executive officer of the Nissan-Renault Alliance, and chairman of the board at Nissan Motor Corporation. During a recent visit to Lebanon, he participated in the launch of a real-estate project that will be based in the cedars region and found a few minutes to answer questions from Executive by phone.

E ***Thank you for taking time to talk with Executive. In your capacity as chairman of a globally leading car manufacturing group, you've been interviewed about the future of cars, the art of leadership, and about transforming and running a global corporation. How do you make time in all your busy schedules to talk about Lebanon?***

I obviously have very few occasions to talk about Lebanon, usually at a moment when I am taking a few days of vacation and am visiting the country. It would be fair to say that there is a lot of interest in Lebanon, its investments, economic activity, and development, and I think it's a responsibility for anybody who is attached to this country to contribute a little bit of time to try to enlighten the public about what can be done and what cannot be done.

E ***It's known in Lebanon that you have had connections to this country for many years, including consulting and advisory roles, but I understand that specifically this month there was the launch of a real estate project called Cedrar, of which you are a board member and investor.***

Yes.

E ***Is your investment in Lebanon more of a passion investment, or does it come with a profit motive?***

It's both. The most important contribution that people of Lebanese origin who are living and working abroad can give to the country is to invest in the country. This is because investment is about job creation, about development of the country, [and] about valorizing the assets in the country, whatever these assets are: land, or quality, or anything else.

[This investment] is not about optimizing profit, because we know that there's a lot of risk included in investing in Lebanon. The benefit of an investment contribution is very important [when] people like me, and other people, are each investing at their own level. This being said, these investments aren't just about [making a financial] contribution, or about passion. Like any business, you want to make sure that you make a profit at the end of the day. Profitability is about ensuring that this business is going to stay and will not collapse. Profitability is ever-present in the mindset, to make sure that whatever you do, for whatever motive, the operation is sustainable.

Do you have a specific message through this investment, above what you said before, to your peers in the expatriate Lebanese community around the world?

The only message is: Don't listen to what I say, look at what I do. The only way in which we can help Lebanon in this difficult economic period is through investment, but [it has to be] a well thought-out, long-term investment. This isn't a social investment. It's a business investment, but it has to take into consideration the necessity to be long-term, involve employment [creation], and the valorization of the assets. This is the message. It's not about lecturing anybody. It's talking about what I do at the request of many people, and it will perhaps [inspire] some people who might be tempted to make investment but need some kind of encouragement by looking at others.

What I saw from the information material about the Cedrar project was a description of a gated community that's "a short helicopter ride" away from Beirut. To me, that sounds like a veiled way of saying there are many traffic problems in Lebanon.

Which is true.

Turning, therefore, for a moment to your expertise in the automotive sector, is there any suggestion that you would have for solving the traffic problem in Lebanon?

I think technology is going to allow for solving at least part of the problem. Autonomous cars facilitate a lot of traffic decongesting because cars are going to be driven most of the time by computers, which will optimize not only fuel consumption, but also the time to drive from one point to the other, through mapping. This isn't only for Lebanon; this is for everywhere.

The second part is about infrastructure, and this is in the hands of the public sector. Necessary investments in infrastructure need to be done in order to allow not only better quality of life, but also allow the car sector to perform normally as a function of the growth of the population. Like in many other things, this is going to happen by each one doing their part. I don't think any problem can be solved only by the public sector, or only the private sector. Each in his own area of competence is needed for this to be solved, and sometimes through consultation between the public sector and the private sector.

So, I would say traffic congestion in Lebanon will be partly solved by new technology, which is going to be very effective—not only in Lebanon, but in many cities—and through some basic investment in infrastructure to decongest some of the big traffic areas.

This sounds like you're in favor of the public-private partnership methodology for infrastructure development, and of the PPP law that has recently been adopted in the Lebanese Parliament.

Yes.

> ■ "The only way in which we can help Lebanon in this difficult economic period is through investment, but [it has to be] a well thought-out, long-term investment"

E ***From the perspective of an international investor with Lebanese roots, what do you consider to be the best assets and opportunities for investing in Lebanon?***

The first asset of Lebanon is obviously its workforce. You find very good people at all levels, such as workers, engineers, [and] very good marketers. You can find these people, and if you cannot find them locally, they will come. There's a very large Lebanese diaspora who are not [working in the country] because there is a lack of opportunities. But they are in the Gulf countries, in Europe, and in many other countries. If they have an opportunity and a decent life in Lebanon, they will come back.

Secondly, this is a country that has been built on the services sector. Lebanese people know what quality service is. I don't say that quality of service is a given in Lebanon, but people [here] who are properly trained have the mindset and the mentality to deliver high-quality service in different sectors, whether we're talking about health or about hospitality, and anything in these areas. I can, unfortunately, not talk about [capitalizing on] the ideal geographical positioning of Lebanon because it's, in a certain way, handicapped by the lack of infrastructure and the lack of investment. But this [geography] would become a huge asset if we had an appropriate investments into telecommunications and all the services around 3G, 4G, etc ... Unfortunately, all of this is not at the level [needed to] valorize the geographic position of Lebanon.

E ***To inquire more about the Cedrar project, the description emphasized respect for the cedar tree and the environment. One would assume that the project will have green buildings and will pay great attention to protecting the immediate environment.***

Exactly.

E ***But is there also a planned aspect of rural development or job creation involved in the project, beyond the usual spinoff for the local economy in the area, which in the economic context of Lebanon is quite remote?***

There is a constraint that was put by the shareholders for the people managing the project. Anything we do should be totally compatible with respect for the environment, number one, and not only respect of the existing environment, but also promote [improvements to the environment]. The management of the project announced that they made an agreement with an NGO that is in charge of replanting cedars in Lebanon. Cedrar will be supporting efforts of replanting a huge area in Lebanon with cedar trees. It's these kinds of activities where you not only promote development that is compatible with respect for the environment, but also where you're taking some initiatives because of this project, which will make the environment better, because the environment has been abandoned for so many years. This is at the essence of the project. This is not just about doing business, but sustainable business and sustainable business has to be done with high standards in terms of respect for the environment.

> “This is not just about doing business, but sustainable business and sustainable business has to be done with high standards in terms of respect for the environment”

E ***So there is a reforestation component tied to the project?***

Yes.

E ***Allow us to conclude with a more personal question. As CEO of an international company there can be no doubt that you have great skills in negotiation, marketing communication, and leadership. Some of these skills are often seen as characteristics for people of Lebanese descent. This brings me to ask if there are sometimes imperfect business traits that you discover in yourself and would attribute to your Lebanese heritage. What would these be, and how will you control them?***

I don't know. It's very difficult for one person to make your own analysis about what [in your personality] is coming from Lebanese roots, what is coming from your Brazilian birth, and what is coming from your French education. Frankly, I don't spend too much time trying to say what is coming from what, but without any doubt, part of my trading skills have their roots in Lebanon. I don't know if it's the good part or the bad part—that's up to people to judge.

The Lebanese, as you know, are business people, and have been business people for such a long time. There have been great people and not so great people. You have a mixed bag of a lot of talent, which people develop with different intents. And in a certain way it is intent that makes [the usage of skills] good or bad. But I think that what is important is that, independently of the intent, the skill is there, the ability to find common ground, make agreements, and to find win-win situations. This is something that Lebanese know how to develop and, as you know, we have many examples of people who have developed these [skills] with good intent, and also unfortunately people who developed these kind of skills with bad intent.

E ***Is it correct to assume that you have no interest in becoming a Lebanese politician?***

Exactly, I have zero interest.

By Hani Bathish

Destination: Shouf

From ancient forests to grand palaces

The verdant Shouf, famous for its unspoiled green vistas, is rapidly evolving into a popular tourist hotspot for Lebanese from across the country, as well as vacationing expatriates, Arab tourists, and even foreign visitors. The area is located southeast of Beirut and comprises many tourist must-sees, from the historic towns of Beiteddine and Deir Al Qamar to the Shouf Biosphere Reserve. The reserve is a designated protected area covering 440 square kilometers, straddling three governorates (Mount Lebanon, the Bekaa, and South Lebanon) and encompassing 22 villages and three ancient cedar forests: Barouk forest, Maasser Al Shouf, and Ain Zhalta. The forests are home to the largest single concentration of *cedrus libani* in Lebanon, accounting for 25 percent of the remaining cedar forests in the country. Undoubtedly, the reserve is the single biggest tourist attraction in Shouf, but along its periphery are many things to see and do as well. With an increase in visitors and a rise in the number of fully loaded Pullman buses trundling up to the cedar forests on any given Sunday, visitors are seeking places to stay, places to eat, activities to do, and local crafts and artisanal foods to buy. Local businesses, municipalities, and reserve officials are beginning to respond to these tourists' needs.

VISITOR NUMBERS GO UP

Last year, the reserve registered 85,966 visitors compared to 72,411 in 2015. Visitor numbers have shown a steady increase since 2010 when they are numbered just 58,073, according to the reserve's latest annual draft report released to Executive. This year, visitor numbers have gone up between 15 to 20 percent, according to Nizar Hani, the general manager of the Shouf Biosphere Reserve. Income from reserve visitors' entrance fees in 2010 was just LL242.8 million, whereas last year entrance fees totaled LL524.8 million, according to the report. "Most visitors—95 percent—are Lebanese. The rest are foreigners living in Lebanon; we also got some Iraqis visiting this year too," Hani says. The reserve is also helping promote local businesses by offering visitors discounts at local restaurants. "What few visitors know is that the ticket you buy to enter the reserve entitles you to a 5 to 10 percent discount at selected local restaurants in the area," he says.

> The reserve is a treasure house of unique flora and fauna, including 520 species of plants

The reserve and local municipalities are doing all they can to help promote the region as a complete package. On weekdays, tickets to enter the reserve are discounted to encourage visitors. "This year we introduced horse-riding in the Ain Zhalta forest. Among the other tourist activities in the area we have hiking and camping, we have snowshoeing in winter, we have the Assaf sculpture museum and the Rachid Nakhle Cultural Center, which commemorates the man who wrote the lyrics to our national anthem," Hani says. The reserve is a treasure house of unique flora and fauna, including 520 species of plants; it is also a designated Important Bird Area (IBA), and ecotourism area. "The reserve is the southernmost extent of *cedrus libani* and has 296 species of birds and 32 species of mammals," Hani says.

ECOTOURISM INVESTMENT OPPORTUNITIES

The Shouf Biosphere Reserve represents an important bolster to the ecotourism sector in the Shouf, according to Investment Development Authority of Lebanon's website, which notes that the reserve provides "opportunities for ecotourism that remain untapped." According to a 2015 Shouf Biosphere Reserve report, the reserve generates an average of $19 million annually in revenue from a range of activities, from ecological and food production to ecotourism. Tourism alone generates $700,000 annually in and around the reserve, while biomass charcoal production generates up to $1 million annually, honey production generates $450,000, and hydroelectric power generates $1.3 million. Water bottling generates up to $3.3 million, not counting grid water provision, which generates up to $12.2 million in revenue. Hani says that only 10 percent of ecological services at the reserve can be monetized. "While the reserve is the main attraction, many things are needed to help economic growth in the region, like developing and improving quality of ecotourism services," Hani says. The Shouf is the largest district in Mount Lebanon, it has a popula-

🟥 The website authenticshouf.com promotes the reserve and gives useful information about the region's flora and fauna and its many tourist offerings

tion of over 200,000 and a high literacy rate. The district has over 64,000 hectares of permanent agricultural land, 51 percent of which is dedicated to olive-tree plantations, although the mountains are draped in picturesque vineyards, there are only two operating wineries in the Shouf.

SOCIAL MEDIA DRIVEN

The region is getting very social-media savvy when it comes to promoting its attractions. The website authenticshouf.com promotes the reserve and gives useful information about the region's flora and fauna and its many tourist offerings. The reserve's Facebook page almost doubled in followers from just 11,000 in 2010, to 19,300 last year. The Jabalna Festival's Facebook page is also helping promote and expand the region's cultural activities. In September, the festival organized the National Dabke Day under the motto "The Dabke Must Go On" at Maasser Al Shouf cedar forest, which had 8,000 people in attendance, according to Hani.

"To attract tourists, we rely on the Authentic Shouf website, which promotes the whole of Shouf. Other than that, we rely on private sector initiatives," says Elie Nakhle, mayor of the municipality of Barouk-Freidiss. He says that his municipality and others in the region do not have the funds or resources to undertake massive promotional campaigns on their own. Among the entrepreneurs that have embraced social media as a promotional tool is the Moukhtara-based restaurant Shallalat Nabeh Merched. Established in 1965, the eatery is nestled in the shade of the opening of a natural cave, under a rock formation from which a natural spring gushes out. The location attracts summer visitors looking for a cool spot to relax and have a meal. The restaurant began promoting itself online three years ago.

Majed Hussam Eddine, the owner and manager of Shallalat Nabeh Merched, says online promotion helped put the eatery on the map, but

Moukhtara

that he has not seen any improvement in visitor numbers this year compared to the previous two years. "Several things helped us draw in visitors: our location, the fact that our river in Moukhtara is clean and not polluted, and our proximity to the Shouf Biosphere Reserve. The first thing people visiting the cedar forests ask is where can they eat afterwards," Hussam Eddine says.

PROTECTING THE ECOSYSTEM

The goal of ecotourism is to maintain the very ecosystem that draws in the tourists. The Barouk mountain gets a lot of snowfall in winter, but many traditional winter sports popular in other parts of the country can damage the trees, some of which are over 2,000 years old. "It's not possible to do skiing here because we are a nature reserve, but we try to do other activities," says Nakhle. Snowshoeing, for example, is easy to learn and affords visitors the opportunity to see the reserve in its snowy white winter blanket. "Our main objective as a protected area is to protect the reserve," Hani points out. "Activities like ATVing, for example, aren't allowed, as such activities would damage the forest. We encourage ecotourist activities: Outside the forest we have campsites and horse-riding, and we arrange activities with the local municipalities."

Some activities do not require any equipment. "We organize walks through the villages to introduce visitors to the area, its people, and their local products," Hani says. The Bkerzay Village project, a popular destination in the Shouf, began life as a pottery studio offering traditional pottery handicrafts and classes for the public. "Initially Bkerzay started in 2009 as an exchange between local people and city dwellers. We started with pottery and wanted it to be self-sustaining, so we got the idea of setting up guest houses, which was becoming a trend," says Karim Salman, one of the founders of the project. The guest houses were built in a traditional style, designed by the architect Ramzi Salman. The whole project is ecofriendly and green, powered almost entirely by solar energy, and built without cutting down a single tree. "We built around the trees," Salman says. The guest houses only opened for business in late August, with a grand opening planned for some time in March next year. In addition to pottery, the project has a restaurant, a pool, and will soon open a spa.

IN THE SHADOW OF A MOUNTAIN

Each area in the Shouf has its own approach to tourism. Barouk, Hani says, focuses more on traditional tourism, with mostly old-school Lebanese restaurants. "Some local eateries are up to date and use social media to promote themselves; others work in a traditional, classical way and wait for guests to come to them. We help those who can't do it alone and teach them how to work effectively," he says.

Barouk mostly gets weekend visitors, according to Nakhle. He notes that the area gets many foreign visitors, mostly Europeans who take nature walks in the forest, while Arab and Lebanese visitors like to sit for a meal at its many eateries. The municipality organizes a festival every July to draw in tourists. "We also have a few hotels operating—four for now—as well as 20 guesthouses. The hotels we have are small: just 10 to 15 rooms each," says Nakhle. One of the hotels, located just a few hundred meters from the entrance to the Barouk forest, is the Calmera Hotel and Restaurant, owned by Shawki Mahmoud. The property is barely three years old, but Mahmoud says that the past two years were better than this year. "We used to get Iraqi, Kuwaiti, and Saudi guests, but this year we didn't. Even expatriate Lebanese didn't come this year with a few exceptions." Mahmoud says, hinting at deteriorating political relations with the Gulf had led to the slowdown. Saturdays and Sundays are the busiest for the hotel, which has a total of 16 rooms, eight of them suites, and charges $100 per night for suites and $50 per night for regular rooms. Mahmoud says that in spite of

■ "We used to get Iraqi, Kuwaiti, and Saudi guests, but this year we didn't. Even expatriate Lebanese didn't come this year with a few exceptions"

Shallalat Mershed

the reduced number of guests they still have 80 percent occupancy. Among the activities visitors can enjoy, in the shadow of Barouk mountain is an amusement park, which this year added an 800-meter-long karting track.

ROOM FOR IMPROVEMENT

Businesses and local officials agree that the area needs to work more to offer a better overall experience in terms of their quality of services and food, the range of activities, and the conditions of the roads, if they are to attract the demanding international tourist. “As restaurant and hotel owners, we need to work on ourselves more. Many owners of restaurants in the area haven’t improved their establishments since the days of their fathers,” Mahmoud says. The Shouf Biosphere Reserve management recognizes the need to strengthen partnerships with the private sector and ecotour operators, as well as with the local people in the villages surrounding the reserve. “Not all private sector tourism enterprises have the same quality of services,” Hani admits. “For this reason, we have introduced the quality mark, a checklist of services to examine the quality of raw materials used and workers employed by establishments. We try to build capacity of service providers and encourage services that are part of the local environment.” Hani adds that the quality mark serves the interests of local development and environmental protection, such as consumption of electricity and water.

SEASONALITY ISSUES

There are several obstacles to attracting year-round visitors to an area as remote as Shouf, namely the harsh winters and poor access by road. “We close one month a year in winter. While we are only 700 meters above sea level and any snow quickly melts, the high season for us is definitely the summer,” says Bkerzay’s Salman. Tourist eateries are also limited by the changing seasons. “We get four to five months that are very bitterly cold, so seasonality is an obstacle for our business,” explains Hussam Eddine. However, he is planning to continue to operate in winter in the future by building heated glass-enclosed areas at Shallalat Nabeh Merched.

For now, however, he still closes in winter, but he continues to pay his staff. “The government has to do more. The power cuts cost us money in generator bills, and every time there is a storm, we lose power,” he says. Bkerzay also plans activities around the year. “We have events like corporate retreats in the spring and fall; we’re planning a New Year’s event as well, and we will probably have an event in March, a grand opening,” Salman says. He adds that the region is on the rise because it is protected and preserved, something municipalities must not lose sight of. “But on the negative side, the quality of food and services is generally lower than elsewhere, and the roads aren’t very good,” he says.

THE COMPLETE PACKAGE

Wandering through the area’s thick cedar forests is often described as a spiritual experience. The serenity of the place, the earthy scents wafting on the breeze—especially after the first rains—offer a unique experience. The area includes several hiking trails in the reserve’s cedar forests, and there are also walks through local villages and hiking trails in the many other pine forests in the area, like Horsh Baakline. But the rest of Shouf is just as magical and captivating. The picturesque Moukhtara village, the seat of the Jumblatt family and their magnificent 450-year-old palace, offers green vistas dotted with red tiled roofs reminiscent of southern Italy. The Beiteddine Palace, built in the early 19th century by Emir Bachir Chehab II, is a masterpiece of architecture, with opulently decorated wood-paneled and marble-encased rooms that once communicated the might and wealth of the rulers of Mount Lebanon to their subjects and foreign visitors. It remains a summer residence for the president, and includes many fascinating paintings and portraits. The Marie Baz wax museum in Deir Al Qamar is another must-see, a place where you can come face-to-face with the founding fathers of the republic, and its presidents and prime ministers.

There is a wide range of hotels from the five-star traditional opulence of the Mir Amin Palace Hotel in Beiteddine, to the eco-friendly Bkerzay Village project and the many other guesthouses dotted around the Shouf that are supervised by the reserve’s management team.

From the banana groves of Damour to the peaks of Barouk and the old palaces of the Maan and Chehab dynasties, Shouf has much to offer.

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Q&A

By Thomas Schellen

Hugged more tightly

Another European budget airline targets Beirut

Their corporate identity and logo look like a crossbreed of Dutch over-the-counter laxatives and a new French social media venture. The green color theme of its livery, interior seating, and uniforms is located somewhere between forest serenity and conservative living room furniture. They are Transavia. Their strategy and business model is that of a budget airline, and they have just entered the Lebanese aviation market with about 600 seats of weekly capacity in each direction (distributed over three flight pairs on a 189-seat Boeing 737-800) on the route Paris Orly—Beirut.

The last few years have seen gradual intensification of low-cost-carrier (LCC) or other similarly structured and affordable air-travel options between Lebanon and Eastern Europe and Turkey, with the most recent option being offered by Cyprus-based Cobalt Air, which opened its Larnaca—Beirut link at the beginning of the summer. Cobalt, which describes its business model as hybrid LCC, provides travelers from Beirut with options to go on to France, Germany, Spain, and the UK, and—supposedly starting in late 2017 and 2018—to destinations such as Russia and China.

Within this growing supply of flexibly priced seats, the market entry of Transavia as the LCC in the Air France–KLM Group adds to Lebanon's integration into the European air-travel envelope. While LCC connectivity from Beirut mostly does not yet exist on daily schedules, or extend directly to important European aviation hubs, point-to-point LCC flight options to the EU core markets France and Germany (through AF-KLM's Transavia and privately owned Germania), as well as Spain (through Vueling, a daughter of British-Spanish aviation group IAG) are now on offer with a higher flight frequency than ever before.

Executive conducted a brief interview with Herve Kozar, the deputy chief commercial officer of Transavia, who had just stepped off the carrier's maiden Beirut flight and into a press conference to promote the airline to Lebanese customers.

E Transavia is a low-cost carrier using single-aisle aircrafts all throughout its network. What is your rationale for adding Beirut to your list of destinations at this time?

As you rightly said, we operate only one type of aircraft, which is the [Boeing] 737-800 with 189 seats. We knew from the beginning that Beirut could only be a success. Traffic rights between [Lebanon and France] are regulated, and when we heard that [the process] to apply for rights was open, we were the first to apply. It's nice for us to have Beirut in the portfolio: We have North African routes and because it's a city-break destination as well. We have those kind of passengers on board Transavia flights, and thus, it made complete sense to us to open Beirut.

> "Lebanon and France have strong links, and there are many Lebanese people who live in Paris and obviously fly between France and Lebanon"

E Service to Lebanon has not been the easiest in the past due to seasonal patterns

and various external disruptions. Some European carriers entered this market, but had to pull out after one crisis or another. Given that the Lebanese government has recently decided to raise airport departure taxes and that latest euro exchange rates are moving against the US dollar, to which the Lebanese currency is pegged, where do you see the formula for Transavia's profitability in the Beirut market?

We have the advantage in the community. Lebanon and France have strong links, and there are many Lebanese people who live in Paris and obviously fly between France and Lebanon. This potential [of bilateral Lebanese travel with France] may be higher than with any other European country. What we have seen just now was that the first flight [to Beirut] was completely full. We had 189 passengers on board. We launched sales on this route not long ago, at the beginning of July, and bookings that we're seeing today are really dynamic. For September we're close to a 90 percent seat-load factor. For us, this is one of the best starts on a new route, and we're confident.

E ***In going from Beirut to Paris Orly and vice versa, are you targeting mainly travelers whose destination is France, or are you aiming to feed passengers from Beirut into a European or global network?***

What we think is that it's mainly local traffic from Beirut to Paris, not connecting [traffic]. Air France is [offering] the connecting traffic to the world. We don't. Our business model is more point-to-point traffic. This is working quite well in tourist and leisure travel and also for business—we today have around 10 percent of passengers who are flying for business purposes.

E ***Do you have business class in your cabins?***

No, it is business passengers who have restrictions on their budgets and want to fly low cost.

E ***What is the distance between the highest price point that one could see for a seat on Transavia and the standard economy seat on the same route in Air France or KLM?***

We are starting at 109 euros for a one-way flight [from Beirut] to Orly and what we typically see in our network is a range from one to five [hundred euros], meaning that [the one-way ticket] is up to 500 euros maximum when demand is really high in specific peak periods, such as Christmas, but not much higher.

E ***In Beirut, one often sees Air France round-trip flights to Paris advertised online for 350 or 400 dollars. That would make your 109 euro tickets, when multiplied by two for a roundtrip, appear not vastly lower in cost, especially if a passenger under your business model also has to buy luggage allowance separately.***

I'm talking one way for 100 [euros], which on return basis is 200, versus 350 or 400 [dollars round-trip on Air France], but it's not the same product. We fly the 737, whereas Air France has a 777 product that is really nice. It's clearly two different segments, and that's why we open [in markets] where our mother Air France is present. We think there is space enough for both of us. It's a different set of customers, and we're better and stronger together.

> 🟥 "Our business model is more point-to-point traffic. This is working quite well in tourist and leisure travel and also for business—we today have around 10 percent of passengers who are flying for business purposes"

E ***Are you mostly interested in marketing the new Transavia flights to Lebanese passengers, or are you also promoting Beirut as destination in France?***

It's both, and we are very happy that it's sold already 20 to 25 percent here in Lebanon. We're not known here, and we have a marketing budget to increase our awareness toward the Lebanese customer. It's both: We are trying to promote Beirut in France, but also Paris here in Beirut.

E ***Do you regard competition for Transavia more from the group perspective, such as AF-KLM and their daughters versus airlines in the IAG or Lufthansa groups, or do you see yourself competing mainly with LCC operators, such as Ryanair and easyJet in Europe?***

When you look at the Transavia network, you see that there are low-cost carriers and also legacy carriers on all routes, so we fight with both of them. We, of course, benchmark with all [of our competitors], but we're trying to have the right price for the customer, and our focus is more on the customer.

E ***You started your Beirut service in September, at the tail end of the peak travel season for this city. Was that a strategic decision or an opportunistic one?***

It was an opportunistic decision, [and made] because all our aircraft were busy this summer.

By Nabila Rahhal

Show me the honey

Lebanese beekeepers discuss growing their industry despite challenges

Honey might not come to mind when thinking about Lebanese food products. But Lebanon has a deeply rooted history with the gold nectar; it was even mentioned in the Old Testament.

Though honey production may have receded from the forefront of the Lebanese agro-industry since the days of the Bible, it has garnered increased attention since 2012, thanks in part to international non-governmental organizations. And while a lot of work still needs to be done to further develop the honey industry, the past five years have seen many steps in the right direction.

LOW COST INVESTMENT

Beekeeping and honey production are considered to be businesses with relatively low barriers to entry. Nadine Chemali, technical director of marketing and exports at the USAID-funded Lebanon Industry Value Chain Development (LIVCD) project, says, “Our goal is to increase the income of people in rural areas. Honey is ideal for that, because it’s a low-investment project, and you don’t need to own land.”

Beekeepers in Lebanon move their hives three times per year, according to what is blossoming during that season: citrus trees in the spring, honeydew from oak trees in the fall, and wild flowers and thistles in the summer. Chemali explains that most beekeepers ask landowners for permission to place hives on their property, or work out agreements to share a percentage of the honey produced.

Investment in honey-making is also relatively low: The price of one beehive is just $200, according to the beekeepers interviewed for this article. Given that the current yield of a single beehive in Lebanon is around seven to 10 kilograms, and that honey is sold at an average of $33 per kilogram, new beekeepers can theoretically recoup their investment at a fast rate.

Kafalat, a Lebanese financial company that helps small and medium-sized enterprises obtain loans, helps honey producers access funding from commercial banks. A number of the beekeepers Executive spoke with say they have benefited from this program, which covers part of their initial investment, mainly into beehives, equipment, and small workshops.

GENTLEMEN BEEKEEPERS

In addition to the efforts of international NGOs to promote and grow beekeeping in Lebanon among rural families, an increasing number of personal investors have been developing honey production businesses over the past five years.

🟥 “Our dry season has become very long, and sometimes stretches from May to November. Also, temperatures in Lebanon are rising up to the 30s very early in the season, which is killing our flowers”

An architect by profession, Marc Antoine Bou Nassif founded L'Atelier du Miel in 2012 with his brother and a friend. “We wanted to reconnect with nature, and we started thinking of different activities to do that, but the one that really captured our goal was beekeeping, for a variety of reasons,” Bou Nassif says. “Most activities done with nature only connect you with one aspect of it: one season or one region. With beekeeping, it's all of nature, and all seasons.” L'Atelier du Miel owns 2,000 beehives and works with eight beekeepers (see box page 64).

Roland Kaddoum, (no relation to Kaddoum honey brand) the director of pediatric anesthesia and director of the operating room at the American University of Beirut Medical Center, will launch Le Miel du Nazih by the end of 2017 in memory of his father, who was a reputable beekeeper, and because the activity brings him joy. Kaddoum owns 200 beehives with a yield of 900 kilograms.

The number of beekeepers in Lebanon rose from 5,546 in 2011 to 6,340 in 2016, and the number of beehives increased from 194,520 in 2011 to 274,390 in 2016, according to the Ministry of Agriculture.

CLIMATE CHANGE IS HERE

Despite this growth, Lebanon's average annual honey production is low compared to other countries. A beehive in France typically yields 40 kilograms of honey, four times more than the average Lebanese beehive. In 2015, when figures were last collected, Lebanon produced just 1,920 tons of honey, up from 1,360 in 2011. That same year, France, a medium-scale honey producer, produced 18,500 tons of honey.

Fady Daw, the founder of Adonis Valley—a Lebanese producer of organic food products, including honey—explains that yield has been low for the past three years because of the effects of our climate change on the environment. “Our dry season has become very long, and sometimes stretches from May to November, while in France, for example, it rains a whole lot more during this period. Also, temperatures in Lebanon are rising up to the 30s very early in the season, which is killing our flowers,” says Daw. Since bees rely on these flowers for their nectar, the high temperatures affect their ability to produce honey. Daw says that Adonis Valley produced a ton and a half of honey this year, slightly more than last year.

Maurice Habib, a longtime beekeeper who sells his honey in both Souk El Tayeb and the Earth Market, says annual production from his 600 beehives has dropped from an average of 16 tons five years ago to just four tons last year because of changes in the weather.

According to Chemali, many beekeepers have not have not formally studied their craft, and are unaware of how to increase the efficiency of their bees so that they naturally produce more honey, or how to make sure they all stay alive during winter. So LIVCD has provided training for 3,600 Lebanese beekeepers, and partnered with professionals to develop queen bees' production centers to supply the beekeepers with better queen bees, which control their hives and protect them from diseases.

WADING IN MURKY HONEY

Faced with such low yields, some honey producers resort to dirty tactics to increase their supply.

The most common trick is mixing Lebanese honey with a cheap imported variety—despite a $5 tax per kilo on imported honey, some honey can cost just $1 per kilogram—and selling it as pure Lebanese honey. “How do you compete with that? You can only do so if you continue to follow best practices despite losses,” says Habib, who hopes that his reputation will keep his customers loyal to him.

Oak honey, which is also known as black honey, is the most popular variety among Lebanese, but it is also the one whose yield is decreasing the fastest. A popular trick to increase its volume, Daw explains, is to feed bees sugar or a synthesized syrup developed in China just before the onset of oak-honey season. The honey produced through this type of feed is then mixed with whatever oak honey is naturally produced so that its dark color is retained, and then sold as Lebanese oak honey. This is an accepted practice, but honey produced this way may have higher traces of sugar and less beneficial enzymes.

Other tricks include heating the honey to give it a looser consistency and more clarity, or exaggerating the amount of honey in jars for sale.

THE BUZZ ON QUALITY

While such techniques are not life-threatening, consumers are cheated by being sold a lower quality product under the guise of a superior one—and they miss out on health benefits associated with the enzymes in natural raw honey. “The idea is that the consumer has the right to make well informed decisions about the product they choose. They may choose to buy the cheaper one despite the quality, because it is all they can afford. But you cannot sell the cheaper produced product as [as if it were] a high-quality one,” says Kaddoum. He says these issues motivated him to produce his own honey and prove that “high-quality, authentic, and clean honey can be produced in Lebanon.”

Small-scale honey producers are also affected. “Consumers cannot easily distinguish the difference between quality, well-produced honey and honey that has added sugar. They buy the cheaper one from the supermarket shelf believing they are the

L’ATELIER DU MIEL: THE HONEY WORKSHOP

Walking into Atelier du Miel’s office in Mar Mikhael, which is located on the second floor of their facility, feels like walking into a buzzing beehive. The energy level is high as team members answer phone calls about their upcoming honey tours, plan lessons for their upcoming workshop on beekeeping, or handle one of the many tasks outlined in neat rows of posts on a wall.

In just five years, Marc Antoine Bou Nassif and his partners have turned L’Atelier du Miel from a small project that would help them reconnect with nature to a medium-sized enterprise with serious growth on their mind.

Bou Nassif, his brother, and a third partner invested a total of $350,000—$150,000 of which came from two Kafalat loans—into starting up L’Atelier du Miel, buying their first beehive in 2012, and opening up their first shop in Tabaris in 2013.

In the beginning, the partners, who had no background or experience in honey production, did a lot of online research and experimenting in nature. L’Atelier du Miel began moving its beehives across Lebanon, finding that the same flower in a different region produced honey of a different taste.

As L’Atelier du Miel grew, the partners realized they needed to rethink their business model. “We started with our beehives. But, at the end of 2015, our operation grew, and we were faced with two options: either invest in more beehives ourselves or work with other beekeepers,” Bou Nassif says.

They chose to work with others, and are currently partnering with eight beekeepers across Lebanon. To guarantee the quality of the honey, they developed a quality assurance program, and signed contracts with the partner beekeepers, guaranteeing to extract moeny from all their hives if they followed their strict standards. They then tested the product regularly to make sure they met the required benchmarks.

Last year, they got a capital investment of $500,000 from new partners and institutions. This helped them launched their open kitchen in Mar Mikhael, where production takes place. “We wanted to have an open kitchen because our aim is to provide transparency, since honey is one of the products where a lot of cheating can occur,” explains Bou Nassif. Accompanying the kitchen is a small boutique shop and a restaurant that aims to inspire clients in how to use honey in their meals.

Today, L’Atelier du Miel has 30 varieties of honey and produces around 200 kilograms to a ton of each variety. It also sells honey-derived sweets, such as nougat and marrons glacé. The company has five shops and sells its honey in Spinneys Hazmieh, TSC Signature, and a stand at the Beirut Airport.

In the future, Bou Nassif says he would consider opening franchises in cities with high population densities, such as Zahle, Tyre, or Tripoli. But he says his company’s main goal is to to optimize the efficiency of its boutiques. “We need to raise awareness among consumers about our products. We’re working with a few specialty stores to offer our products as pairings with cheese through tastings. We’re also working with gyms and trainers, explaining our honey to them so [that] they in turn can explain [it] to their clients,” Bou Nassif says. “If we prove that with this model we can have good sales, we could work with a distributor on promoting our honey in cheese and meats gourmet and health stores.”

Beirut 2017

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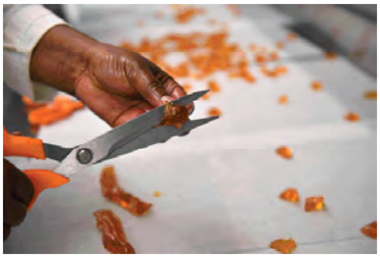


same Lebanese honey," explains Habib.

In an attempt to combat this lack of awareness among consumers, some beekeepers are organizing educational workshops on beekeeping and tours of their beehives and production workshops. Both L'Atelier du Miel and Adonis Valley organize tours (Le Miel du Nazih will do so once their workshop is open), and L'Atelier du Miel is also providing classes (see box page 64).

WAYNIYEH EL DAWLEH?

LIBNOR, the Lebanese standards institution that is a part of the Ministry of Industry, has set some basic standards for honey production that include limits for purity and freshness, assessed using eight simple chemical tests, and provisions on accurate labeling.

However, according to those interviewed for this article, these standards and other international ones only come into play for export markets, and are rarely—if ever—enforced in the domestic market. As Bou Nassif explains, standards are imposed locally only when a consumer makes a complaint through the Ministry of Economy's Consumer Protection Board.

🟥 Lebanon is one of the few countries where bees can feed naturally throughout the year

This leads to a chaotic market where consumers tend to not trust large local producers. Many still prefer to buy their honey directly from beekeepers in their stores or in the markets they exhibit in. (A growing number are buying local honey from organic or healthy-food boutiques due to its increased availability in such stores).

Daw explains that this model has its advantages because there is more accountability when dealing directly with the beekeeper. But he says basic business practices—such as labeling the jar with at least the name of the product, net weight, and contact information—are a must.

Bou Nassif advises consumers who want to buy honey directly from the beekeeper to do so only from those they trust and who have a solid experience in honey production, because inexperienced beekeepers may use antibiotics or pesticides that leave traces in honey.

A WORTHY PRODUCT

According to Bou Nassif, Lebanon is one of the few countries where bees can feed naturally throughout the year. "We decided to produce different kinds of honey, and we discovered that in Lebanon we have a very special topography, which allows us, in a very small area, to produce honey all year long," he says.

He goes on to explain that honeybees in Lebanon are polyfloral, which means they feed on a variety of blossoms in the same space, which is also relatively uncommon and adds more health benefits to the honey.

These characteristics make Lebanese honey high-quality. In 2016, LIVCD organized a national media campaign in collaboration with the Syndicate of Dietitians that promoted the health benefits and superior quality of Lebanese honey in the domestic market. Beekeepers applauded the effort, but Daw says that such campaigns are needed on a more consistent basis.

While Lebanese honey is exported in small amounts to the region, Bou Nassif says its quality can compete internationally, albeit at a boutique level with high prices. He proposes that Lebanon should take a leaf from Australia's book and its promotion of Manuka honey.

Manuka honey is sold according to a grading system—the higher the grade, the more expensive it is—and Bou Nassif says the Lebanese honey industry would greatly benefit from a similar system that will incentivize beekeepers to produce high-quality honey. "I believe the best way to boost the honey industry in Lebanon is to promote the quality we have and communicate that in the region. This needs marketing at the level of the ministry, but when it has quality grading in place and communicates that well, we can sell honey at premium prices internationally," Bou Nassif says.


CELEBRATING
ENTREPRENEURSHIP

“The art one chooses to collect becomes a self-portrait.” – ***Dennis Heckler***

THE VALUE OF ART

INVESTING IN CONTEMPORARY LEBANESE ARTISTS

Words by ***Olga Habre***

Ayman Baalbaki

Carrie Bradshaw famously joked that she liked her money right where she could see it—hanging in her closet. But what about hanging your money on your walls? Art as investment is an increasingly popular practice, but one that is quite controversial. While investors are often eager to make a quick buck over a few years and some artists are jumping at the opportunity to cash in on that eagerness, others in the art world are appalled at the notion.

Overall the art market is doing quite well in Lebanon, at least by the looks of this year’s Beirut Art Fair (BAF), Lebanon’s biggest art event. Held from September 21-24, BAF saw an average increase in sales of 19 percent compared to last year, with 88 percent of the 51 participating galleries making sales, including a few who sold more than $500,000 worth of art. Those in the art world, in Lebanon and abroad, undoubtedly want people to buy more art, but intent makes a big difference.

Experts advise that if you’re going to buy art, you should not just “invest” blindly, but look for works of art you genuinely enjoy. Art isn’t a bad investment, but it is one that should be done for the right reasons; if you get lucky you’ll be happy about the financial outcome but if you don’t, at least you’ll like what you see in front of your face every day.

PUTTING A PRICETAG ON ART

In order to talk about investment one must talk about value, and art is notoriously difficult to appraise. In a way, the strength of art–its subjective nature–is also its weakness. The beauty of art lies in the eye of its beholder making its value subject to each individual's preferences. What we like depends on our perception, background, and references. Basel Dalloul, one of the biggest art collectors in the region, says, "An artwork is worth whatever someone is willing to pay for it." However the question of what people are willing to pay for art is a very complex one.

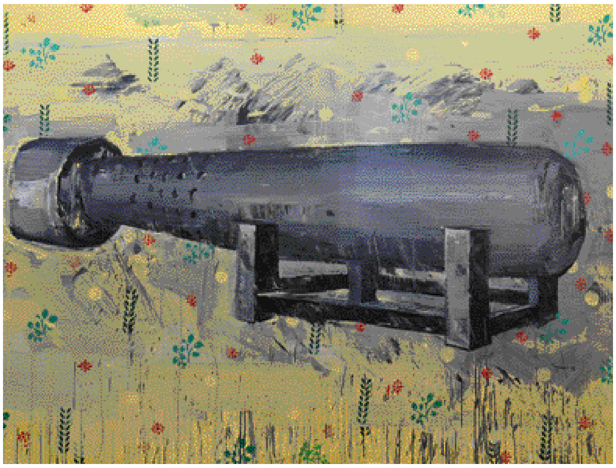
Pascal Odille, the artistic director of the BAF, says experienced gallerists will likely know their market and have an idea of what they are willing to pay for specific types of art, so initial pricing for young artists is usually a conversation between artists and gallerists. Saleh Barakat, who has been in the art business for over 25 years and owns two of Beirut's most prominent spaces, the Agial and Saleh Barakat galleries, says he generally starts by pricing the work of emerging artists at around $1000 per piece and if a collection sells out he increases the price at the next exhibition. Slowly, prices are increased until they stabilize.

Currently representing some of the most celebrated artists in the country, such as Ayman Baalbaki, Nabil Nahas, and Tagreed Darghouth, Barakat says he chooses what artists to work with very carefully and takes his time getting to know them and their work. He meets many aspiring artists and looks for those who share his vision and aesthetic values.

Barakat is adamantly against art purely as investment, calling it a total aberration, "An investment is you buy land, you plant on it. You buy an apartment, you rent it. You put money in the bank, you get interest. You buy stocks, you get a dividend. But when you buy artwork, you get happiness every day. How do you calculate that?"

ART MARKET GAMES

Experts agree prices are a market phenomenon, the subject of supply and demand, and very often high-value art is simply a manipulation of the market, false valuation, and speculation by a few key players. The risks of investing in art are extensive, and the general consensus from experts in Lebanon and internationally is that there is no guarantee your investment will yield any return.



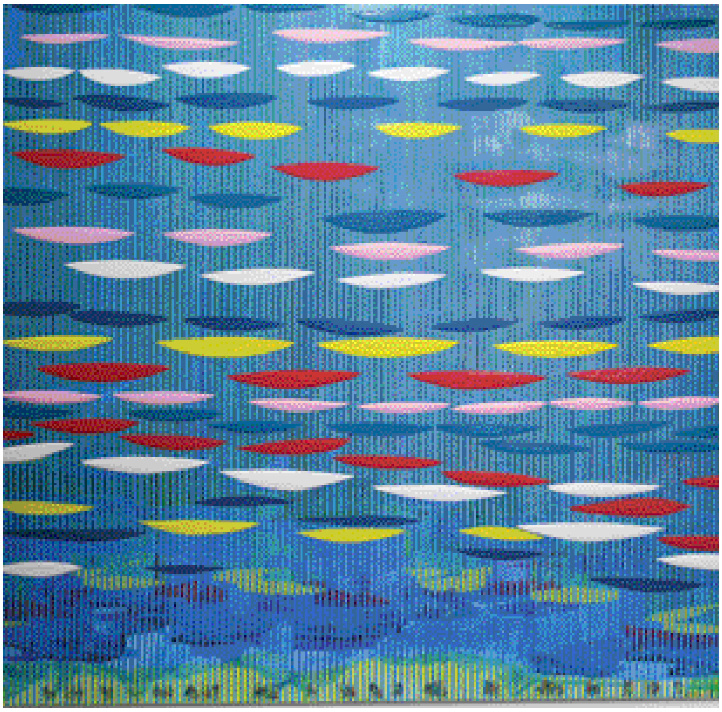
Tagreed Darghouth

There are numerous international stories of art dealers, auctioneers, gallerists, and even the artists themselves involved in schemes to increase the value of works. Fake bidders are sent to auctions to increase prices of specific artworks, which will then be used as a benchmark by others in pricing and purchasing other works by that artist. Fake art sometimes manages to sell, even at the biggest auctions. Dalloul warns of fakes—though this is less likely to happen with contemporary artists t because you can verify pieces with the artists themselves—stressing on the importance of certificates of authenticity that come directly from artists or their foundations. Also, when you're ready to sell an artwork on there's no guarantee you'll find a buyer, and you have to consider insurance and taxes before calculating your gains.

These are risks that you wouldn't have to deal with if you were investing in, say, equities or mutual funds, and the art market is unregulated so buyers can't even complain if their investment goes wrong. For someone simply looking to make a profit, with no regard for the actual art, the general consensus is to look for another investment.

This situation is tough on the artists too. Art is already a difficult field to break into and only some artists get their five minutes of fame, if that. Being pressured by money matters isn't good for creativity. According to Barakat when the prices of art become a market phenomenon rather something set by art experts, it's dangerous for all involved. "The decision is then out of the hands of the artists, gallerists, art critics and art historians, and goes into the hands of investors, bankers, and those who buy and sell based on when they feel that this artist's value is not increasing anymore," he says, warning that artists are creatives who need financial and moral support, especially when they've hit hard times.

*"The art one chooses to collect becomes a self-portrait." – **Dennis Heckler***



Chaouki Chamoun

DOING IT RIGHT

In order to gain the kind of insight that helps discern artworks that are more likely to grow in value, one must begin to understand art, artists, global and local trends, and attend events like fairs, gallery and exhibition openings, talks, and auctions.

This year the Ecole Supérieure des Affaires (ESA) launched a program to help collectors, would-be collectors, as well as others in the field, learn best practices in collaboration with top global art advisors Gurr Johns. (See page 76)

However the number one piece of advice everyone gives is to buy something you like looking at. Buying a piece by a trendy artist from a big gallery might make you feel that you have an "important" piece of art on your wall, but it looks very silly if you can't have a conversation about it.

Odille, like Barakat, says buying art as an investment is completely against his beliefs. However for those hoping to get lucky with an artwork, he suggests the following: Consider whether the artist is already well-known or just starting out, and beware of artists that aren't in it for the long-run, since an artist that's no longer producing new work will likely be worth less in the future. Another factor is the quality of the specific artwork you are considering—sometimes one exceptional piece of art will have high-value but the rest of the artist's work isn't as good. Dalloul agrees, "Sometimes you have an isolated artwork here or there, an artist may have created a masterpiece that runs the price up because it's a masterpiece and a few people really want it, but that doesn't mean the rest of his work is worth that much."

The gallery the artist works with is a third important component, as more established galleries will have more funds and connections to propel their artists forward and help them become more exposed internationally, including getting them solo shows and exhibitions at respected institutions and public spaces. Odille also says rarity is a factor, as the works of less-prolific artists may be worth more sometimes. Yet even if an artist meets all the right criteria and seems like a sure thing, nothing is certain. Some artists make it big and then disappear for various reasons, which drops the value of their art.

Though Odille says there is no formula, buyers are more likely to get lucky if they invest a lot of money in many artists with the hope that one of them hits it big. His general advice for would-be art investors is to select a few trusted and established galleries and look at a handful of their younger artists, whose prices would still be on the lower end. He suggests working with galleries that have a lot of visibility and participate in international fairs, giving their artists exposure all over the world, not just in Lebanon.

He also warns against buying directly from artists as this jeopardizes the role of galleries: “Galleries protect artists, and the day a gallery closes because no one is buying from them anymore, who’s going to give visibility to artists? Older artists might be ok for a short time but they will never survive. Where do they find new clients and how will they work with institutions?”

Experts also warn against buying at auctions. If you’re going to an auction you have just one or maybe a few pieces by an artist, which may be unwanted works that never sold–but going to a gallery or show where several works are on display gives you more options to choose what you really like, explains Odille.

To investors, the general advice is also to not spend too much. That means, according to Odille, around 3 percent of your heritage value. Dalloul says the sweet spot is less than $10,000.

COLLECT, DON’T INVEST

According to the experts, the practical side of investment in art should be secondary to buying art you love. Choose pieces, whether by famous names or complete unknowns, because they give you joy, they echo. Ultimately, become a collector of art rather than an investor.

“See what you like and what draws you in, whatever grabs you by the heart or soul, whatever speaks to you,” says Dalloul, adding you should buy things you want to live with. “Typically what I tell people—and this how I started when I was younger—is to buy a piece of art that you actually love. That will get you started,” he explains.

The businessman’s family has amassed around 4,000 pieces of art from the Arab World—The Ramzi and Saeda Dalloul Art Foundation is the largest collection of its kind in the world. His love of art was instilled in him by his late mother, who was a big art lover and constantly took him to museums as a child. His father began the collection around 40 years ago, so he grew up around artists. Today he says most of his friends are artists too.

Only about 10 percent of their collection is on display (the rest, in storage) and Dalloul himself rearranges the pieces a couple of times a year. He knows, by heart, every piece that hangs on display in their residential building in Beirut and offers extensive tours of the private space, giving detailed accounts of the artworks and artists, telling stories about them and their various periods, as well as the specific works, their themes, and the materials and techniques that were used to produce them. He often hosts parties in the space, and personally guides school and university students through the displayed collection.

In terms of who to buy Dalloul says, “There is a bunch of really good, young talent out there. Go buy their art and buy something you love and can afford. Don’t worry about the investment value.”

WHAT’S HOT?

Reluctantly, the experts drop a few names when pressed to divulge who the current hot artists are. Almost unanimously, Ayman Baalbaki is considered one of Lebanon’s most talented, but his pieces can be worth up to half a million dollars. Another popular artist is Nabil Nahas, whose work also often goes for six figures. Several of them mentioned Tagreed Darghouth, and the young Guiragossian brothers Paul and Marc, as well as Mohamad Said Baalbaki, Oussama Baalbaki, Christine Kettaneh, and others. Abdul Rahman Katanani, a Palestinian refugee residing in Lebanon, is also on the list of ones to watch. “For such a small country there is such a wide range of good quality artists,” says Odille.

Investing in art is a gamble but buying art for reasons beyond investment comes with beautiful benefits. While you wait and hope for its value to grow, there is a masterpiece hanging before your eyes. Visitors may be impressed by your choice and conversations will be sparked. By all means buy art, but become a true collector rather than call it an investment. ■

*"The art one chooses to collect becomes a self-portrait." – **Dennis Heckler***

DEVELOPING AN INDUSTRY AND HEALING A NATION

ZIAD DOUEIRI'S THE INSULT

Words by ***Olga Habre***

A few years ago, when Ziad Doueiri was staying in the Monot district of Beirut, he got into an argument with a construction worker over a leaky pipe on his balcony. The matter was resolved quickly, but the filmmaker and his co-writer Joelle Touma began to think about what other possible scenarios could have emerged from the scene. This year, The Insult was released—a fictitious story that starts with an argument between two men over a leaky balcony pipe, and blows out of proportion into a national scandal that reeks of civil war.

Almost 20 years after the release of West Beirut, Doueiri's first feature film about the Lebanese Civil War that is widely considered a masterpiece, The Insult is about the quest for justice and dignity, and the rigidity of our personal and political beliefs. Set in modern-day Beirut, the drama sees Tony (played by Adel Karam), a car mechanic and die-hard Lebanese Forces supporter, go head-to-head against Yasser (played by Kamel El Basha), a Palestinian refugee working in the neighborhood. After a verbal insult, one thing leads to another, and the situation escalates into a

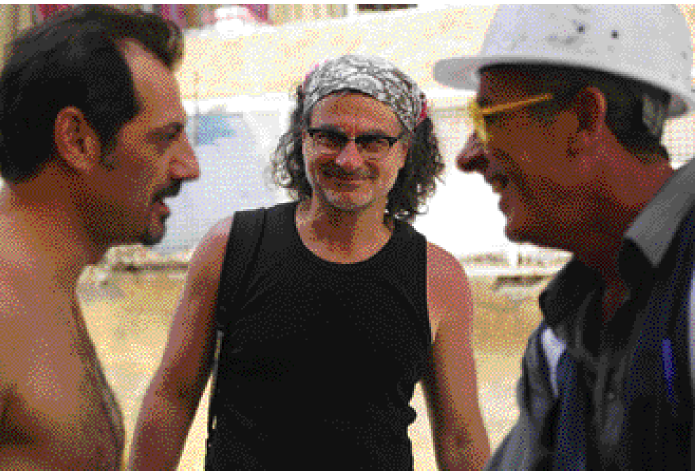
court case that grips and divides Lebanon. Showing both sides of the story in a tense courtroom setting, it's ultimately a human narrative of grief, anger, and hope. The film takes an insightful look at the troubled state of Lebanese society, exposing old wounds—personal and national—with finesse and sensitivity, while attempting to reconcile Lebanon's collective trauma.

Most agree there has been no national reconciliation, and Lebanon doesn't have an official written history of the conflict that ended in 1990—so it's no surprise the film was met with mixed reactions. Perhaps because it hits so very close to home, some have criticized the director, who was arrested at Beirut airport last month and put in front of a military tribunal from which he was quickly released without charges. These critics ostensibly confronted Doueiri about his 2012 film The Attack, which was partially filmed in Israel, with Israeli actors, breaking a Lebanese law that bans it citizens from visiting Israel or having business dealings with Israelis. Doueiri, however, claims the real reason he has come under fire now is that these people are unhappy with the themes in The Insult.

The loaded story was bound to start conversations and conflicts, but Doueiri didn't expect such a harsh reception. To him, those who oppose The Insult are victims of their own blindness, the way many people are as a result of the war—including himself. As a teenager growing up in West Beirut during the Lebanese Civil War, Doueiri says he was instilled with ideas of division and unfairness, and admits he thought "the other side" didn't suffer as much as his side did. "We looked at the [Christians, thinking] they never suffered … These are narratives of war, this is the misconception of war that has happened throughout history."

He explains, "I grew up thinking there's one perspective, which is my perspective … It might sound naive, but when you're young you are naive." Doueiri says it took him years to see other points of view and to change his own. "With time you grow, you start interacting with this 'enemy,' and you start to understand that the suffering was on both sides … It's not easy to abandon beliefs," he says, concluding that critics of The Insult have not yet come to the same understanding. "The people who are attacking us are actually victims because there has been no national reconciliation. They think that certain pain that happened during the war is exclusive to a certain group and don't want to accept that there's another side," he says.

Though it deals with a situation that is very specific to this country, and the Lebanese are more likely to relate to and understand cultural references within the dialogue, the film—which is in Arabic—humanizes politics and tells a universal story that transcends language and culture. The Insult won over the interna-



tional audience at one of the most prestigious cinema events in the world this year, the Venice Film Festival, where it received a five-minute standing ovation and Palestine's Kamal El Bacha won Best Actor for his role—incredibly, as this is the first feature film for the veteran theater performer. The movie has also been submitted to The Oscars, representing Lebanon in the foreign language category.

Quality films are the key to building a national cinema industry, and international attention and awards are definitely helpful in developing the reputation of Lebanese cinema. Doueiri calls the local film industry embryonic, but believes it has a lot of potential, as long as filmmakers find ways to branch out to other markets—the Lebanese market is too small to carry the costs of a feature film production, let alone make a profit.

Doueiri calls on more individuals to fund Lebanese films and offers various ways to lighten the load on investors, such as co-productions with other countries. What Lebanon really needs, he says, is support from the state—a film industry is a machine that needs everything from script writing, casting and directing, to post production, as well as laws that protect the industry and help with financing.

Yet, he says the best way to elevate the Lebanese film industry is to focus on making quality films. "We have stories to tell, we have incredible talent and people that are dying to make quality movies," the director says, adding that those stories can, and should, be Lebanon specific, as long as they are well-told.

Authors are encouraged to write what they know, and that's exactly what Doueiri advises filmmakers to do. The Insult was inspired by a seemingly insignificant real-life plumbing incident that was fleshed out with the prejudices of individuals that have not healed from a cross-border tragedy. The Lebanese experience is a narrative rich with stories to tell, and with the right support, our film industry can bring these experiences to a wider audience.

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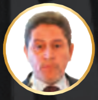

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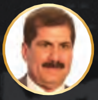

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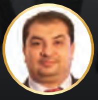

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"The art one chooses to collect becomes a self-portrait." – ***Dennis Heckler***

THERE'S NO BUSINESS LIKE THE ART BUSINESS

ESA'S ARTS MANAGEMENT PROGRAM

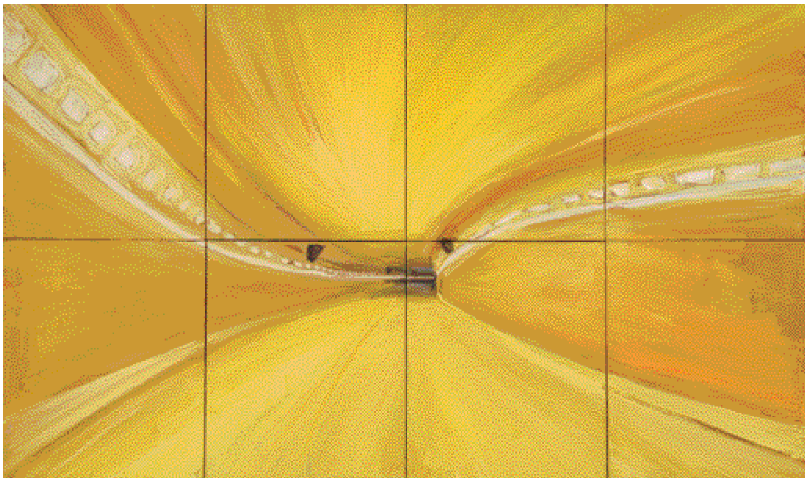
Words by ***Olga Habre***

ESA by Dallanegra

the campus of the Ecole Supérieure des Affaires (ESA) is a green oasis in the middle of cramped, gray Beirut, with period buildings in pastel colors surrounded by well-groomed landscaping. It's adorned with art, such as contemporary landscapes by the French artist Jean-Marc Dallanegra, who resided at ESA while painting in Lebanon, as well as works by the celebrated local artists Ayman Baalbaki, Tagreed Darghouth, and others. A prominent Nadim Karam sculpture stands in the garden.

The university's posture as a business school with a clear penchant for art has come together in a unique program launched this spring: the Arts Management Certificate, created in association with Gurr Johns, a global art advisory and appraisal company based in the UK. The program is composed of five modules: the art market, marketing, finance, law and insurance, and art valuation. Throughout, students are taught a skillset that can help them turn art into business.

Though the subject of art as a business or investment is a controversial one, administrators at ESA say that as a school dedicated to business, they couldn't help but notice a demand. "We felt there's a need in the region, and in the market, to have [a business degree] related to art," says Nour Yamak, who heads the new program. Cheryl Matar, head of ESA's marketing and communications department, says investment in art is on the rise in Lebanon. "We're a business school—we're finance-oriented. We respect art, and we're trying to let all our students across all the programs be very sensitive to art and artists," she says, adding, "We truly



Dallanegra

Le couple Nadim Karam

believe that a good manager should know everything related to the environment and culture—and art is very important."

The six-month course is one of several short programs at ESA, along with offerings like digital marketing, luxury management, and the Thomson Reuters financial program. As with other certificates, it can be taken as a supplement to one of ESA's other degrees, such as its MBA and executive MBA, or on its own by students that haven't previously attended the university.

But there are a limited number of places, and Yamak and Matar say the selection process is tough. The university says it only accepts serious students who would genuinely appreciate and benefit from the program: either those already in the field or honestly looking to break into it. "This program is for executives, not for fresh grads. It's a serious certificate—you have finance, valuation, law, insurance—all on an executive level for people to know more about investment," explains Matar.

The degree is meant to help graduates make more informed decisions about purchasing art, as well as insuring, transporting, displaying, and other technical details related to the otherwise subjective field. Students will also learn the skills necessary to understand and appraise art. The aim of the program is to show a different, much more technical, perspective on the art world, so that graduates can identify artworks that are likely to increase in value over time, manage museums, display different types of art, learn international laws regarding art import and export, and understand insurance policies, inheritance and museum exchanges, plus financial analysis of global market trends and other technical details.

Because of the partnership with Gurr Johns, its executive chairman and other experts have been brought in to teach classes, and students receive degrees from both institutions. The program also includes a curated trip to London, where students tour museums, fairs, visit with collectors, and receive practical information about art from established industry professionals.

Though the organizers expected people working in art galleries to be among the top applicants, the first batch of students includes CEOs, bankers, and architects who have a passion for art, or are already collectors. "The participants are really happy and are seeing how much they're benefiting from this program," says Matar. This first program ends in October; the next group will begin their studies in spring 2018.

BUSINESS ESSENTIALS

Company Bulletin

🟥 This year marks 50 years of **Meker** expertise and knowhow, and the renowned Lebanese kitchen specialists are celebrating their golden anniversary in style. To pay tribute to this milestone, an exclusive evening was organized featuring the renowned culinary star **Nicolas Audi.**

🟥 After hitting 70 percent of its construction progress in almost one year—unlike other developers in the region—**DATCHA** and its exclusive sales and marketing representative, **RE/MAX Properties**, invited city officials, clients, socialites, members of the press, and VIP figures to a rustic gathering on its construction site in Faqra-Kfardebian to celebrate this remarkable progress and see it first-hand.

🟥 The deterioration of the operating environment in Lebanon's private sector economy extended through the third quarter of 2017, as shown by Lebanon's Purchasing Managers Index (PMI), released by **Blominvest Bank.** The PMI steadied at 46.3 in August, below the 50 mark that separates economic contraction from expansion, but also below the average of 46.9 registered so far in 2017, given weak demand and a sharp downturn in the level of new orders.

🟥 **Beirut Traders Association** and **Bankmed** released the results of the Beirut Traders Association–Bankmed Investment Index for the second quarter of 2017. The index, which is backed by the technical support of the Lebanese **Central Administration of Statistics**, aims to assess the reality of the wholesale sector in Lebanon.

🟥 **Byblos Bank** was honored by **Visa** in recognition of its recently launched innovative products and services, notably its mobile payment application, ByblosPay, and its instant card-issuance service.

🟥 **Embrace** has launched Embrace LifeLine, the first suicide-prevention helpline in Lebanon and the Middle East and North Africa.

🟥 **Nestlé** has announced a new ambition for its global youth initiative, Nestlé needs YOUth. By 2030, Nestlé will help 10 million young people around the world access economic opportunities.

🟥 The Desperate Housewives star Felicity Huffman looked breathtaking in her **Tony Ward** ice-blue dress from the RTW Fall Winter 2017/18 collection while gracing the red carpet at the 2017 **Emmys Awards**.

🟥 **Kamkalima** launched the Middle East's first online educational platform during a ceremony held at the Grand Serail in Beirut.

🟥 **Ets. F.A. Kettaneh**, the exclusive distributor of **Audi** cars in Lebanon, participated in the third edition of the **Classic Car Show,** held from September 7 to 17 in Beirut Souks, featuring the classic Audi Sport UrQuattro from 1985 and the all-new Audi S5 Coupe.

🟥 **Visa**, the global payments company, hosted its Security Summit for Middle East and Eastern Europe, bringing together key stakeholders to discuss the trends, challenges, and innovations in payments security that are transforming the way we pay across the region and the globe.

🟥 **CEO Middle East** named **Eriksson's** Middle East and Africa president, Rafiah Ibrahim, female CEO of the year.

🟥 As part of its Dare Greatly initiative, **Cadillac** has launched a new brand campaign in the Middle East that shines a spotlight on entrepreneurial Arabs living in New York, and the passions that drive them.

🟥 Under the patronage and in the presence of President Michel Aoun, and with the benediction of His Beatitude Patriarch Mar Bechara Boutros al Rahi, **Beit Rafqa,** a non-profit eldercare community, officially opened its doors in Jrebta, in northern Lebanon.

🟥 Christine Nagel, the **Hermès** perfumer and designer, has created **Twilly d'Hermès**. Conceived in a spirit of absolute freedom, this fragrance, in its joyous, impish bottle, engages with today's young women in the making, and reveals and forges a bond between them and Hermès.

🟥 In line with its commitment to offer the best after-sales service, **T. Gargour & Fils** welcomed the flying doctor of **Mercedes-Benz,** Mike Hackl, a certified technical specialist who conducted a special in-house service clinic, offering on-site diagnosis and giving expert technical advice to the T. Gargour & Fils service team.

🟥 As heads of state and government gathered at the UN Headquarters in New York for the 72nd session of the UN General Assembly's General Debate, the **Department of Public Information** and its partners again hosted the SDG Media Zone.

🟥 **Huawei** launched its latest smartphone, nova 2 Plus, in Lebanon. Huawei nova 2 Plus achieved very high demand sales in the mobile phone market in Lebanon, and since its launch, the smartphone's sales are 10 times higher than sales of nova Plus at its launch period last year.

🟥 **Bassoul-Heneine sal,** the official **MINI** importer in Lebanon, hosted the fourth biennial MINI Ride and Drive event. On September 10, 390 MINIs gathered to drive south from Beirut, taking the scenic route to Villa Boustany Beach.

🟥 The **Goethe-Institut Libanon** held a press conference at its renovated premises in Gemmayzeh, which are open to everyone interested in cultural encounters, learning German, or discovering the current trends in German and European art, film, dance, music, and philosophy.

🟥 The **Ferrari Portofino** is the new V8 GT set to dominate its segment, thanks to a perfect combination of outright performance and versatility, in addition to a level of driving pleasure and on-board comfort that is unparalleled in the market.

🟥 **McLaren Automotive** continues the expansion of its global network in the Middle East region with the opening of its latest retail location in Beirut.

🟥 The new High Artistry Homage to Hannibal Barca Limited Edition pen by **Montblanc** boldly pushes creative and technical boundaries to tell the story of one of history's great figures.

🟥 **Genesis** supplied 150 of its premium G80 sedans to the Eastern Economic Forum, a high-profile political event held in Vladivostok, Russia, in early September.

🟥 An undisputed leader of intelligence, power, performance and luxury, the new **Mercedes-Benz S-Class** enters the Lebanese market with all-inclusive new features.

🟥 One of the region's most beloved and successful marketing pioneers, Edmond Moutran, founder and chairman of **Memac Ogilvy**, will step down as its chief executive officer, a role he has held since Memac's inception in 1984. Ogilvy's Europe, Middle East and Africa chief digital officer and 22-year company veteran, Patou Nuytemans, will succeed Moutran.

🟥 **Schon Properties,** a major developer of quality properties in Dubai, announced that it has sold out i3—the first phase of its mega hospitality project, iSuites at Dubai Investment Park—close to Dubai South and the Dubai Expo site.

🟥 **Officine Panerai** presents three new watches, with an original combination of colors with a powerful sporty appearance. With the three historic Panerai cases—Radiomir, Radiomir 1940, and Luminor 1950—and an impressive combination of different functions for each model, the three watches share an intense dark-green dial against which the luminous beige hour markers and gilded hands stand out elegantly.

🟥 **Emirates** will celebrate a milestone in aviation history when it welcomes the delivery of its 100th A380 aircraft later this year. For a limited time only, Lebanese travelers can join in the celebration with special fares to North America, Africa, South Asia, Australasia, Indian Ocean, and Southeast Asia.

🟥 **Zain Group**, a leading mobile telecom innovator in eight markets across the Middle East and Africa, is proud to announce it has been awarded Best Brand for telecom in 2017 for a fourth consecutive year at the prestigious **Telecoms World Middle East Awards** gala in Dubai.

🟥 **Huawei Consumer Business Group** held a media open day in Dubai to discuss the future of innovation in the Middle East region.

🟥 To mark **Hilton Group's** Global Sales Week, **Hilton Beirut Metropolitan Palace & Hilton Beirut Habtoor Grand** organized a cocktail reception to honor their corporate clients for their constant support.

🟥 **Al-Mawarid Bank** is once again confirming its leadership in credit-card services in the Lebanese banking industry through the growth of the bank's credit-card department. This success was crowned with the **Visa International** Growth Award, in recognition of the bank's efforts to grow the card's coverage.

🟥 The 17th edition of **Beirut International Film Festival**, which is

BUSINESS ESSENTIALS

Company Bulletin

scheduled to be held from October 4 to 12, will be marked by the presence of a large number of prominent movie stars, world-renowned directors, producers, and festival directors, who will be celebrating BIFF’s 20-year anniversary.

Tapping into her mother’s and grandmother’s distinct skills in creating amazing recipes and serving tasty home food, Nay Mouawad Rahme, the entrepreneur behind **Mayline Restaurant**, wants to pass on her family’s gourmet legacy of home cooking to everyone who appreciates clean, high-quality dishes and delicacies.

A new era for luxury motoring has dawned, with the official launch of the highly anticipated **Genesis G70** luxury performance sedan. The G70 was unveiled in Seoul on September 15, and will go on sale in Korea on September 20.

Fondazione Merz and **Liban Art** held a press conference to inaugurate Zena El Khalil’s solo exhibition, Sacred Catastrophe: Healing Lebanon, an art platform for peace and reconciliation, under the patronage of the **Municipality of Beirut.**

Daniella Rahme, the model, TV presenter, radio host, and actress, is the new ambassadress for **L’Oreal Paris** brand in the Middle East and North Africa.

Officine Panerai, the Florentine house of haute horology, proudly announced its participation at **Beirut Art Week 2017** and opened its doors to artistic expression through a unique collaboration with the renowned Armenian artist Mkritch Mazmanian.

During the United Nations General Assembly in New York, the **European Union** and the **United Nations** launched a EUR 500 million **Spotlight Initiative** to eliminate all forms of violence against women and girls.

Under the patronage of the Minister of Economy Raed Khoury, the first edition of **Beirut Design Fair** was inaugurated on September 21 at BIEL.

OLX Lebanon, the leading classified-ads platform in the country, announced the appointment of John Noja as the new country manager.

Under the patronage of Prime Minister Saad Hariri, **Events Production** organized the third edition of the Classic Car Show from September 7 to 17, in collaboration with **Solidere** and **Beirut Souks.**

LGB Bank sponsored the **Sidon International Festival** for the second consecutive year between September 6 and 10 at the city waterfront, in cooperation with Sidon Municipality and the Sidon Festival Committee, presided over by Member of Parliament Bahia Hariri, and under the supervision of the former prime minister, Fouad Siniora.

In an exclusive event held at Byblos Sur Mer on September 4, **Cedrar** was finally introduced to the public. Through an impressive launch, Cedrar has unveiled an ambitious project designed to make the Cedars of Lebanon the new ideal destination.

LGB Bank sponsored this summer’s Aramoun–Keserwan Festival, which was held from September 8 to 10.

On September 15, **ESA Business School** organized a graduation ceremony for the students of the Cercle des Dirigeants, doctorate in business administration, executive MBA, MBA, master in marketing, master in management, master in healthcare management, and executive master in financial management.

Banque Libano-Française, Virgin Radio Lebanon, and **AXA Middle East** celebrated winning the biggest cash prize in Lebanese media history on August 30 at BLF Jal El Dib Centre branch.

Audi Lebanon presents another successful model: the all-new Audi Q5. The SUV with the four rings combines the sportiness of an Audi sedan with a multifaceted character and a highly flexible interior. Whether in its connectivity, efficiency or driver assistance systems, the new Audi Q5 once again sets standards in its segment.

New Born

Birthday

Graduation

Wedding

Corporate Gifts

BUSINESS ESSENTIALS

Events

CONFERENCES

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	ORGANIZERS	CONTACT	WEBSITE
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23-25 Oct	**FIFTEENTH INTERNATIONAL OPERATIONS AND MAINTENANCE CONFERENCE IN THE ARAB COUNTRIES** Exicon	+961 1 821 421; info@exicon-specialist.com	www.exicon-intl.com
26 Oct	**SEVENTH CSR LEBANON FORUM** CSR Lebanon	+961 1 747 798; info@csrlebanon.com	www.csrlebanon.com
30-31 Oct	**BASRA OIL, GAS AND INFRASTRUCTURE CONFERENCE** CWC Group	+44 20 7978 0000; basra@thecwcgroup.com	www.cwcbasraoilgas.com
14-15 Nov	**UTILITY SCALE SOLAR SUMMIT** ACM	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
23-24 Nov	**THE ANNUAL ARAB BANKING CONFERENCE FOR 2017** Union of Arab Banks	+961 1 377800; uab@uabonline.org	www.uabonline.org
29 Nov	**THIRD ANTI-CYBERCRIME FORUM** Al Iktissad Wal Aamal	+961 1 740173; forums@iktissad.com	www.iktissadevents.com

DUBAI

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2-3 Oct	**THE MINING SHOW** Terrapinn Middle East	+971 1 4440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
3-4 Oct	**WORK 2.0 MIDDLE EAST 2017** Terrapinn Middle East	+971 1 4440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
3-4 Oct	**FIFTEENTH ANNUAL MIDDLE EAST AIRFINANCE CONFERENCE** Euromoney Conferences	+44 20 7779 722; registrations@euromoneyplc.com	www.euromoneyseminars.com
8-10 Oct	**DATAMATIX GITEX CONFERENCE** Datamatix Group	+971 4 3326688; info@datamatixgroup.com	www.datamatixgroup.com
10-11 Oct	**INSURANCE DISTRIBUTION FORUM MIDDLE EAST** Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
10-11 Oct	**WASTE MANAGEMENT MIDDLE EAST FORUM** Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
11-12 Oct	**GCC GOVERNMENT MANAGEMENT CONFERENCE** Datamatix Group	+971 4 3326688; info@datamatixgroup.com	www.datamatixgroup.com
11-12 Oct	**PROCUREMENT STRATEGY SUMMIT** Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
16-17 Oct	**DIGITAL FORENSICS AND ANALYSIS SUMMIT** ACM	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
24-25 Oct	**GOVERNMENT AND ENTERPRISE ASSET MANAGEMENT CONGRESS** Informa	+971 4 407 2528; register@cityscape.org	www.informaexhibitions.com
24-26 Oct	**HEALTHCARE INVESTMENT MENA** Informa	+971 4 407 2528; register@cityscape.org	www.informaexhibitions.com
25-26 Oct	**NINETEENTH GLOBAL WOMEN IN LEADERSHIP** Naseba	+971 4 367 1376; prachid@naseba.com	www.naseba.com
30 Oct	**SECOND FINTECH SUMMIT** Naseba	+971 4 367 1376; prachid@naseba.com	www.naseba.com
6-7 Nov	**WORLD ISLAMIC RETAIL BANKING CONFERENCE** Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
6-8 Nov	**HR SUMMIT AND EXPO** Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
6-9 Nov	**FUTURE SCHOOL DESIGN AND DEVELOPMENT** IQPC	+65 6722 9388; enquiry@iqpc.com	www.iqpc.com
11-12 Nov	**ANNUAL MEETING OF THE GLOBAL FUTURE COUNCILS 2017** World Economic Forum	+41 22 869 1212; contact@weforum.org	www.weforum.org
13-14 Nov	**SECOND ANNUAL FUTURE POLICE TECHNLOGY UAE** ACM	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
14-15 Nov	**HITEC DUBAI** Naseba	+971 4 367 1376; prachid@naseba.com	www.naseba.com
14-15 Nov	**EDUTECH MIDDLE EAST** Terrapinn Middle East	+971 4 440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
15 Nov	**ELEVENTH CFO STRATEGIES FORUM MENA** Naseba	+971 4 367 1376; prachid@naseba.com	www.naseba.com

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20-21 Nov	**EDUCATION INVESTMENT MENA** Informa	+971 4 407 2528; register@cityscape.org	www.informaexhibitions.com
21-23 Nov	**SECOND ANNUAL CULTURAL TOURISM MIDDLE EAST** IQPC	+65 6722 9388; enquiry@iqpc.com	www.iqpc.com
28-29 Nov	**SHIPTECH MIDDLE EAST** Informa	+971 4 407 2528; register@cityscape.org	www.informaexhibitions.com
28-29 Nov	**SMART GRID AND SMART METERS SUMMIT** Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
5-6 Dec	**SECOND ANNUAL DUBAI GREEN HOTEL INNOVATION** ACM	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
11 Dec	**HIMAYA** Al Iktissad Wal Aamal	+961 1 740 173; forums@iktissad.com	www.iktissadevents.com
17 Dec	**CORPORATE SECURITY SUMMIT** Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
14-15 Jan	**UNLOCK** Al Iktissad Wal Aamal	+961 1 740 173; forums@iktissad.com	www.iktissadevents.com
12-13 Mar	**MIDDLE EAST RAIL 2018** Terrapinn Middle East	+971 4 440 2500; enquiry.me@terrapinn.com	www.terrapinn.com

ABU DHABI

22-24 Oct	**SUPER RETURN SUMMIT** Informa Middle East	+44 20 7017 5965; info.events@knect365.com	www.superreturnme.com
20-21 Nov	**THIRD ANNUAL AIR QUALITY AND NOISE CONTROL UAE** ACM	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
22 Nov	**MIDDLE EAST BANKING FORUM** Al Iktissad Wal Aamal	+961 1 740 173; forums@iktissad.com	www.iktissadevents.com

QATAR

30-31 Oct	**FOURTH ANNUAL FUTURE LANDSCAPE AND PUBLIC REALM QATAR** ACM	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
4-5 Dec	**SECOND ANNUAL QATAR HVAC CONTRACTING CONFERENCE** IQPC	+65 6722 9388; enquiry@iqpc.com	www.iqpc.com

SAUDI ARABIA

10-12 Oct	**MENA HR SUMMT** Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
17-19 Oct	**THE SECOND INTERNATIONAL CONFERENCE ON C4L SOLUTIONS** Al Iktissad Wal Aamal	+966 1 1293 2769; info@c4iconf.com	www.c4iconf.com
23-24 Oct	**DISTRICT COOLING ARABIA** Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
24-25 Oct	**SECOND ANNUAL SMART PARKING KSA** ACM	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
25 Oct	**SECOND ANNUAL MUNICIPALITY EXCELLENCE AND EXPANSION SUMMIT** Naseba	+971 4 367 1376; prachid@naseba.com	www.naseba.com
6-7 Nov	**SECOND ANNUAL RETROFITTECH KSA** ACM	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
8-9 Nov	**MARKETING KINGDOM KSA** The P World	+3892 5 111 350; info@thepworld.com	www.thepworld.com
13-Nov	**DIGIQATAR CONFERENCE** Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
6-7 Dec	**WOMEN IN LEADERSHIP ECONOMIC FORUM** Naseba	+971 4 367 1376; prachid@naseba.com	www.naseba.com
11-Dec	**SMART TRANSFORMATION SUMMIT** Naseba	+971 4 367 1376; prachid@naseba.com	www.naseba.com
11-13 Dec	**FOURTH TRAFFIC SAFETY FORUM AND EXHIBITION** IQPC	+65 6722 9388; enquiry@iqpc.com	www.iqpc.com

EGYPT

1-2 Oct	**THIRD EGYPT INVESTMENT FORUM** Al Iktissad Wal Aamal	+961 1 740 173; -	www.iktissadevents.com
24-25 Oct	**NORTH AFRICA FUTURE BANKING FORUM** Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
27-29 Oct	**COMPLIANCE CHALLENGES FACING THE REQUIREMENTS OF IFRS9** Union of Arab banks	+961 1 377 800; uab@uabonline.org	www.uabonline.org

BUSINESS ESSENTIALS

Events

	ORGANIZERS	CONTACT	WEBSITE
8-10 Dec	**COMBATING MONEY LAUNDRY AND MECHANISM FOR DRYING UP THE SOURCES OF FINANCING TERRORISM** Union of Arab banks	+961 1 377 800; uab@uabonline.org	www.uabonline.org

OMAN

	ORGANIZERS	CONTACT	WEBSITE
16-17 Oct	**HR OMAN SUMMIT** Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
6-7 Nov	**WATER AND WASTEWATER OMAN CONFERENCE** ACM	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com

KUWAIT

	ORGANIZERS	CONTACT	WEBSITE
1-3 Oct	**THE ARAB FINANCIAL AND BANKING FORUM** Union of Arab Banks	+961 1 377 800; uab@uabonline.org	www.uabonline.org
22-23 Oct	**KUWAIT ROADS, BRIDGES AND INFRASTRUCTURE FORUM** IQPC	+65 6722 9388; enquiry@iqpc.com	www.iqpc.com
20-22 Nov	**FORUM AND EXHIBITION OF MEGA-ENGINEERING PROJECTS** IQPC	+65 6722 9388; enquiry@iqpc.com	www.iqpc.com

IRAQ

	ORGANIZERS	CONTACT	WEBSITE
13-14 Dec	**THE US-ARAB BANKING DIALOGUE ON CORRESPONDENT BANKING** Union of Arab Banks	+961 1 377 800; uab@uabonline.org	www.uabonline.org

EXHIBITIONS

	ORGANIZERS	CONTACT	WEBSITE
LEBANON			
12-15 Oct	**EDUCATION AND ORIENTATION EXPO 2017** Promofair	+961 1 561 605; info@promofair.com.lb	www.promofair.com.lb
19-21 Oct	**WHISKY LIVE BEIRUT** Hospitality Services	+961 1 480081; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb
9-12 Nov	**WEDDING FOLIES** Promofair	+961 1 561 605; info@promofair.com.lb	www.promofair.com.lb
16-18 Nov	**BEIRUT COOKING FESTIVAL** Hospitality Services	+961 1 480081; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb
1-6 Dec	**CHRISTMAS AT THE SQUARE** GATA events and Promotions	+961 1 322177; info@gata.pro	www.gata.pro
DUBAI			
2-3 Oct	**SECOND ANNUAL FUTURE DRAINAGE AND STORMWATER NETWORK DUBAI** ACM	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
9-10 Oct	**DIGITAL FORENSICS AND ANALYSIS SUMMIT** ACM	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
29-31 Oct	**SEATRADE MARITIME MIDDLE EAST** UBM	+971 52 902 2970; adam.whitehead@ubm.com	www.seatrademaritimeevents.com
1-3 Nov	**GULF EDUCATION AND TRAINING EXHIBITION** International Conferences and Exhibitions	+971 4 335 5001; info@icedxb.com	www.icedxb.com
7-9 Nov	**ACCESSABILITIES EXPO** REED Expo	+971 2 4917615; info@reedexpo.ae	www.reedexpo.com
15-18 Nov	**DUBAI INTERNATIONAL JEWELLRY SHOW** Promoteam	+961 1 339 050; sm@promoteam-ltd.com	www.promoteam-ltd.com
20-21 Nov	**EDEX MENA** Informa	+971 4 407 2528; register@cityscape.org	www.informaexhibitions.com
28-29 Nov	**THE AVIATION SHOW MENASA 2017** Terrapinn Middle East	+971 14440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
4-6 Dec	**GULF TRAFFIC** Informa	+971 4 407 2528; register@cityscape.org	www.informaexhibitions.com
17-19 Dec	**METAL MIDDLE EAST** Al Fajer	+9714 340 6888; alfajer@emirates.net.ae	www.alfajer.net
ABU DHABI			
9-10 Oct	**DIGITAL FORENSICS AND ANALYSIS SUMMIT** ACM	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
25-27 Oct	**NAJAH** Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
2 Nov	**INTERNATIONAL REAL ESTATE SHOW** Dome Exhibitions	+971 2 674 4040; domexh@emirates.net.ae	www.domeexhibitions.com
22-24 Nov	**TAWDHEEF AL AIN** Informa	+971 4 407 2528; register@cityscape.org	www.informaexhibitions.com
4-5 Dec	**LIGHTINGTECH ABU DHABI** IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
11-14 Dec	**PRINT PACK** Expo Centre Sharjah	+971 6 577 0000; info@expo-centre.ae	www.expo-centre.ae
BAHRAIN			
10-12 Oct	**MIDDLE EAST PROCESS ENGINEERING CONFERENCE AND EXHIBITION** Bahrain Tourism and Exhibitions Authority	+973 1 755 8800; info@btea.bh	www.bahrainexhibitions.com
26-28 Oct	**BAHRAIN INTERNATIONAL PROPERTY EXHIBITION** Bahrain Tourism and Exhibitions Authority	+973 1 755 8800; info@btea.bh	www.bahrainexhibitions.com
21-25 Nov	**JEWELLERY ARABIA** Bahrain Tourism and Exhibitions Authority	+973 1 755 8800; info@btea.bh	www.bahrainexhibitions.com

BUSINESS ESSENTIALS

Events

	ORGANIZERS	CONTACT	WEBSITE
EGYPT			
9-10 Oct	**THIRD ANNUAL SOLAR PROJECTS** ACM	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
18-20 Oct	**AUTOTECH** ACG - ITF	+202 2753 8401; int.sales@acg-itf.com	www.acg-itf.com
17-19 Nov	**HANDLING EXPO** International Fairs Group	+202 2526 4499; info@ifg-eg.com	www.ifg-eg.com
3-5 Dec	**ELECTRIX** Informa	+971 4 407 2528; register@cityscape.org	www.informaexhibitions.com
10-12 Dec	**AUTOTECH** Informa	+971 4 407 2528; register@cityscape.org	www.informaexhibitions.com
QATAR			
7-9 Nov	**HOSPITALITY QATAR** IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
SAUDI ARABIA			
27-29 Nov	**SAUDI HORECA** Hospitality Services	+961 1 480081; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb
6-9 Nov	**DECOFAIR** REED Expo	+971 2 4917615; info@reedexpo.ae	www.reedexpo.com
12-15 Nov	**FOODEX SAUDI** REED Expo	+971 2 4917615; info@reedexpo.ae	www.reedexpo.com
20-23 Nov	**JEDDAH INTERNATIONAL TRADE FAIR** ACE Expo	+966 12 654 6384; ace@acexpos.com	www.acexpos.com
11-12 Dec	**FUTURE LANDSCAPE AND PUBLIC REALM** ACM	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
17-21 Dec	**SAUDI INTERNATIONAL MOTOR SHOW** ACE Expo	+966 12 654 6384; ace@acexpos.com	ace@acexpos.com
OMAN			
16-18 Oct	**OMAN CLEANING AND FACILITIES MANAGEMENT CONFERENCE** OITE	+968 2465 6000; info@oite.com	www.oite.com
KUWAIT			
9-13 Oct	**CITYSCAPE KUWAIT** Informa	+971 4 407 2528; register@cityscape.org	www.informaexhibitions.com
29-31 Oct	**KUWAIT INFRASTRUCTURE WEEK** ACM	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
JORDAN			
10-12 Oct	**HORECA JORDAN** Hospitality Services	+961 1 480081; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb
IRAQ			
15-18 Oct	**IRAQ AGRO-FOOD** IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
23-26 Oct	**PROJECT IRAQ** IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com

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LAST WORD

By Bassam Khawaja

Lebanon needs to clean up its act

The country lacks a long-term waste management strategy

Lebanon is once again staring down a waste management crisis, with news that the Costa Brava and Bourj Hammoud landfills will reach capacity in 2018—two years before the government's initial estimate of 2020. In response, the cabinet is reportedly considering a proposal to reopen the infamous Naameh landfill, whose closure in 2015 sparked a crisis that left garbage piling up in the streets of Beirut.

The government adopted a temporary fix to the crisis in March 2016, when it began dumping waste from Beirut and Mount Lebanon into the two new coastal landfills. Now that these landfills are filling up faster than expected, the government is discussing yet another emergency solution.

The waste management problem was never actually solved—the government just pushed the garbage out of sight. The 2016 "fix" was just another short-term emergency measure, the latest in a string of emergency plans adopted after the end of the civil war in 1990.

The new landfills have been plagued by controversy and lawsuits since their inception. The Ministry of Environment says that neither landfill had an environmental impact assessment, so it remains unclear what effect they will have on people living nearby. Garbage at the Costa Brava site, which is located near the airport, attracts birds that have become a threat to planes, and therefore, public safety. At the Bourj Hammoud landfill, videos show trucks dumping garbage into the sea, and local fishermen have protested the amount of garbage they are now catching in their nets.

Meanwhile, outside of Beirut and Mount Lebanon, the situation is even worse, but gets far less attention.

Lebanon's garbage crisis didn't really start in 2015—that's just the year it reached Beirut and Mount Lebanon; the wealthier parts of the country.

Lebanon has never had a comprehensive waste management system that covers the entire country. The central government contracted two companies, Sukleen and Sukomi, to manage solid waste for most of Beirut and Mount Lebanon under a 1997 emergency plan, but municipalities in the rest of the country have been left largely to their own devices, without the resources or expertise to adequately manage their waste.

A BURNING PROBLEM

A forthcoming report from Human Rights Watch outlines the health implications of openly burning waste. Over the course of my research for the report, I've spoken with families who live close to open dumps that have burned continuously for years. Many have told me they have respiratory illnesses, that the smoke has at times driven them from their homes, and that they live in constant fear of a long-term health impact on them and their children. Doctors treating these residents say they believe burning trash was the cause of their respiratory illnesses, and that it could take years for its long-term effects to become clear—including, for example, on the incidence of cancer. And researchers at the American University of Beirut found that burning waste during the 2015 crisis released dangerous particles in Beirut and Mount Lebanon, with potentially severe health effects.

Waste-burning and the garbage crisis are symptoms of a larger problem in Lebanon: a decades-old failure to develop and carry out a long-term national waste management plan that is based on public-health principles and is environmentally sound.

Fortunately, unlike some of the other challenges facing Lebanon, there are clear solutions to waste management: About 90 percent of Lebanon's solid waste is made up of materials that could be composted or recycled. However, at the moment only 8 percent is being recycled and 15 percent composted. The rest is being landfilled, dumped, or burned; the government has not even taken the basic step of providing a convenient recycling option in Beirut.

Researchers have already put together proposals for a sustainable solid-waste management plan, informed by public-health principles. And environmental organizations such as Cedar Environmental and Terre Liban have already shown that it is possible to apply sustainable waste management practices in Lebanon.

With yet another crisis looming, the government urgently needs to end its reliance on short-term emergency plans. It should finally adopt a sustainable solution that respects the health and environmental rights of its citizens.

BASSAM KHAWAJA is the Beirut-based Lebanon researcher at Human Rights Watch.

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