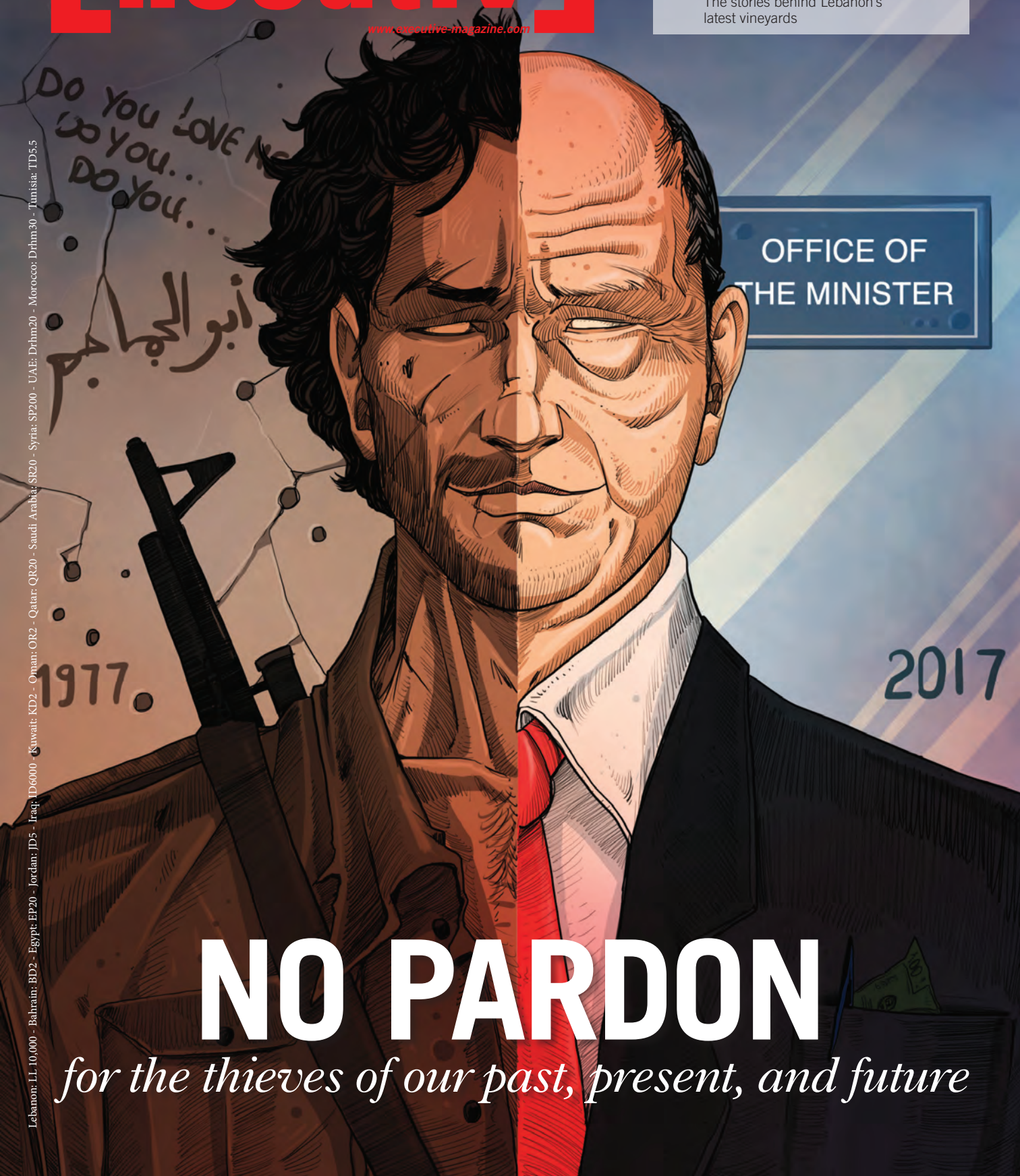


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EDITORIAL

#219

Enough empty promises

Their crimes must not be forgiven again. For 11 years, Lebanese politicians spent some \$130 billion without an audit. To pass the 2017 budget, our lawmakers defied the constitution by promising the audit will come next year instead of now. I'm not holding my breath.

Let's not lie to ourselves: Audits can be manipulated. We had a regular budgetary process throughout most of the 1990s, but everyone in this country still believes there was waste and theft during that period. That said, at least there were tangible results from the spending: a new airport, improved roads, telecom networks, etc. Since 2005, however, what has really changed? New traffic lights and parking meters? Where are our reliable supplies of electricity and water?

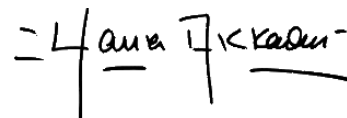
An annual audit is like our state's conscience reminding itself of the sins of the past year. By silencing our conscience, we've slid deeper into immorality. The likelihood that spending from the last 11 years will be audited is next to zero, as all indications suggest that the theft of public money has only increased during that time—with devastating effect.

Our economy is in tatters. People are struggling to survive, and there's no light at the end of the tunnel. Our warlords and militiamen pardoned themselves for taking the lives of around 150,000 and the livelihood of a whole nation during their civil war. While recent economic crimes are by no means equal, the level of devastation is undeniable. We must not allow them to do it again.

Our politicians must be held accountable, and we must find a way to break this cycle of crime and pardon. They're so far removed from their real purpose—to serve the nation—that they justify their every wrongdoing by convincing themselves that their personal gain somehow benefits their tribe. In reality, they're creating dependencies that a functioning state would render obsolete, believing the lies they tell themselves about their roles as protectors.

We don't need them, we don't want them, and yet, praying that they will just disappear is a fool's dream. Our political class has ruined this country, corrupting the entire system to its core as they cling to undeserved power.

We can no longer turn a blind eye, no longer accept the corruption at the heart of our country. Our politicians must be held to account.



Yasser Akkaoui
Editor-in-chief

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LAST MONTH

ZOOM IN



This file photo taken on October 14, 2017 shows men and Somali soldiers rescuing victims on the site of the explosion of a truck bomb in the centre of Mogadishu.

Constitutional crisis in Spain

Separatists from Catalonia province of Spain scored an overwhelming victory in an independence referendum held on October 1. According to Catalan authorities about 90 percent of those that voted favored independence, though turnout was just over 40 percent. The independence campaign has been met by police brutality, with polling stations shut down by Spanish police after the vote was declared illegal by the Spanish courts. Catalan President Carles Puigdemont later stopped short of declaring independence and called for dialogue with the government on October 10. Talks between the Catalan and Spanish governments failed on October 27, however, with the former declaring independence an hour before Spain's constitutional court declared it was to be placed under the direct rule of Madrid. On October 30 the central government removed Puigdemont from office and took control of Catalan institutions.

Lebanon receives first oil and gas bids

On October 12, Cesar Abi Khalil, Lebanon's minister of energy and water, announced that Lebanon had received two offshore gas exploration and production bid by a consortium of

three international companies. If accepted by the Lebanese Petroleum Administration, which governs the sector, the government hopes to award a contract by the end of the year and begin exploration in early 2018.

Hundreds killed in Mogadishu bomb blast

A massive blast ripped through central Mogadishu, Somalia on Saturday, October 14, outside of the Safari Hotel, in an area packed with government facilities. The detonation of the truck bomb resulted in about 500 casualties, including at least 320 deaths and hundreds of injuries, in what has become the country's deadliest terror attack. According to Somali President Mohamed Abdullahi Mohamed, Al-Shabab is to blame for the attack and may have targeted state institutions or embassies.

Clashes after Kurds declare independence

In response to a Kurdish independence referendum held last month, military forces deployed by the Iraqi central government clashed with Kurdish forces in the strategic city of Kirkuk. The vote, which Kurdish Regional Government (KRG) President Massoud Barzani said



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LAST MONTH

QUOTE OF THE MONTH

“The public budget was turned into public outbidding. I will not accept some saying that this government, which has worked more than previous governments, did not achieve anything.”

Prime Minister Saad Hariri

supported a claim to independence, raised Iraqi government concerns that the northern Kurdish region would succeed in possession of oil-rich Kirkuk. Kurdish forces had taken control of the area following the defeat of ISIS in the city. On October 16, Iraqi forces regained control of Kirkuk's oil fields and a military base, forcing Kurdish troops to retreat. Due to the subsequent fallout, Barzani declared his resignation on October 29.

Raqqa recovered from ISIS

On October 17, US-backed Syrian Democratic Forces consolidated control of Raqqa, Syria, which had been seen as the capital of ISIS. The liberation of the city drew residents into the streets to celebrate an end to ISIS' oppressive rule. However, much of the city has been destroyed through a campaign of airstrikes from a number of countries, including the United States, which is thought to have killed more than 1,000 civilians. Another 270,000 people from Raqqa have been displaced by the battle for the city.

Lebanon passes controversial budget

The Lebanese Parliament approved its first budget in 12 years on October 19. The day before the budget was passed, Parliament enacted a law that enabled the ratification of the budget without a required audit of extra-budgetary spending that has not taken place since 2005. The law gave the Ministry of Finance a year to carry out the review. The Minister of Finance stated that government expenditure was expected to be \$15.8 billion, projecting a deficit of nearly \$5 billion.


US approves new Hezbollah sanctions

The US House of Representatives passed new sanctions targeting Hezbollah finances and institutions or individuals working or supporting those linked to the organization. Sanctions were seen as a way to curb Iranian influence in the region without endangering the US-Iranian nuclear agreement. The sanctions, approved on October 26, will impose new challenges to Lebanon's banking sector and vulnerable economy. On October 27, another set of sanctions were passed that aimed at impeding Iran's ballistic missile program amid fears that the country is developing weapons that could one day carry a nuclear payload.

Supplies reach crisis-ridden Ghouta

Residents of the eastern Ghouta area in Syria received desperately needed supplies of humanitarian aid that arrived by truck on October 30. The area has been under rebel-control and subject to siege by regime forces since 2013, resulting in a deteriorating humanitarian crisis for the approximately 40,000 Syrians living there. According to the United Nations, at least 1,000 children in eastern Ghouta are suffering from malnutrition. This is the first delivery of supplies since the last convoy was permitted into the area last August.

Syrian peace talks resume

The Russian-led peace process opened another round talks on October 31 in Astana, the capital of Kazakhstan. The Astana meeting is intended to forge a ceasefire agreement among Syria's warring factions, which could then lead to a political settlement and the end of the war. Discussions are expected to center on the creation of de-escalation zones across 14 of the country's provinces, the release of prisoners, the disbursement of aid to areas under siege, and other pressing topics. In order to find common ground, the Russian-backed Syrian regime must engage with opposition figures, backed by Turkey that co-organized the talks. 

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ENTREPRENEURSHIP

A crucial moment for startups

Early blunders could derail positive developments in the tech scene

Only the arrival of Steve Jobs's ghost could have topped 2016 in the record books of Banque du Liban (BDL), Lebanon's central bank, and its entrepreneurship conference. Last year, Lebanon welcomed Steve Wozniak, a co-founder of Apple, and Tony Fadell, the Lebanese-American co-creator of the iPod, to inspire local entrepreneurs and herald the country as an international hub for innovation. The 2016 BDL Accelerate conference was the third in a series of "annual" events, which lost the right to use that adjective this year. The reason the event was not held this year was purely personal, a BDL spokesperson told *EXECUTIVE*, while declining a request for an interview on the topic (see overview page 30).

TAKING FLIGHT

BDL is attempting to nurture and expand an entrepreneurship ecosystem that had been growing very slowly for just over a decade before the bank's intervention in 2013. The attempt—via Circular 331—is focused on finance, and risks a potential total of more than \$487 million in public money. With 331, BDL allowed local commercial and investment banks to invest in startup companies and venture capital funds. Each bank can dedicate 4 percent of its Tier 1 capital to these investments, freeing up a total of around \$650 million, if every eligible bank participates to the maximum, which is not certain to happen. BDL is guaranteeing these

investments at 75 percent. To date, it is unclear how much of the total has been allocated and deployed, although market engagement suggests that banks have already committed \$300 million, with at least half of that amount deployed.

By all accounts, BDL's initiative is bearing fruit. The country today has what it never had before: an entrepreneurship ecosystem in a state of increasing stability. Eight venture capital funds have raised and are deploying 331 money. At least two startup-acceleration programs are making use of the funds. Universities are exploring options for tapping into this funding pipeline (see R&D story page 36), and the buzz around the ecosystem is convincing local, high-net worth individuals to sprout wings and risk their personal money on an asset class most still don't fully understand (see angel investors story page 32).

THREATENING MISSTEPS

For all of the positive developments and momentum catalyzed by 331, however, BDL's communication on its initiative has been minimal. Past BDL Accelerate events were mostly filled with hype and marketing. Other, more vital information, was not provided so vigorously. BDL has not created a database for the public to track its money: how much of it has been committed, what amount has been deployed, and how. It has not published an annual report on the circular's impact on the ecosystem. And this year, according to market feedback, BDL has not even been clear with direct stakeholders

about when—or even if—the next Accelerate conference will happen. While everyone interviewed for this article downplayed the significance of canceling an annual event without announcement or explanation, most agreed that three years of trying harder and harder to make noise internationally followed by complete silence could carry a risk to the startup scene's reputation. It certainly begs questions on strategy, such as how broadly and deeply the Lebanese entrepreneurship strategy is anchored in stakeholder circles outside of BDL.

By all accounts from those with a vested interest in saying so, waste of 331 money has been minimal. Rumors of financial indiscretions building up between 2013 and 2016 prompted BDL to issue new quarterly reporting requirements in early 2017. While some of the financial information BDL is requesting of startups is arguably inappropriate (net asset values for companies still in the idea stage, for example) and creates extra work for venture capital funds with limited human resources, *EXECUTIVE* applauds BDL for following the money.

We do demand, however, that BDL provide improved and more timely access to financial informa-

■ The country today has what it never had before: an entrepreneurship ecosystem in a state of increasing stability

tion from the ecosystem, and that the entrepreneurship strategy and development strategy for the system be presented in plain view, unclouded by hype or secrecy.



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LEADERS

BUDGET

Return to sanity now

A call for fiscal accountability

After years without a state budget, Parliament met in October and voted the 2017 budget into law. What Parliament should have done is pass the 2018 budget, because the current fiscal year is almost over.

There are also allegations that Parliament broke the law and violated the constitution: To pass a budget an audit must first be performed, and there are both political and technical reasons why Lebanon has not audited its books since the 2005 budget (see overview story, page 16).

Parliament could have required an audit of all the financial accounts since the 2005 budget, but it did not. The constitution requires an annual audit that must happen before a new budget can be legislated. Parliament worked around this constitutional requirement by inserting a clause in the 2017 budget law that allowed the state to delay the audit for 12 months. This arguably violated the constitution. If the constitution is not upheld we are at risk of losing the identity of the state.

HELD TO ACCOUNT

Leaders have not yet abandoned the audit but this could still happen at a later date. We must double our vigilance to make sure this audit happens. We want to know whether the \$130 billion in public spending between 2006 and 2016 is inflated and whether any of that money was wasted, fraudulently spent, or stolen. We want to know whether any of the \$93 billion in collected revenues over the same period were

mismanaged. And if there was negligence or criminality in how our public finances were managed, we want to exercise our right as citizens to hold those responsible to account.

Accounting is more than tangentially related to accountability. We don't need accounting if there is no accountability afterward. The Ministry of Finance has found so many huge anomalies and mistakes that they have spent years trying to trace back to zero, the ministry's director general told EXECUTIVE on more than one occasion.

Whenever there is a situation where money is invested there is also an automatic incentive for people to take advantage of that money and, depending on their personal set of convictions, take as much as possible. We need to establish accountability by implementing the accounting process with all its regulatory and legal consequences and repercussions. Auditing, cost control, and cost supervision are at the heart of this process and usually a government would have a two-tier audit, internally and externally.

That's at the procedural level. The absence of a budget for 12 years certainly interplayed with and possibly strengthened an atmosphere where waste, fraud, and theft could more readily occur.

PAST TIME

According to Georges Corm, who served as Lebanon's finance minister from 1998 to 2000, there were a lot of problems rebuilding the institutional capacity of the Ministry of Finance after the civil

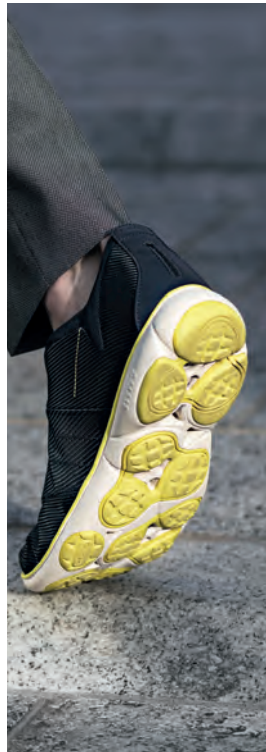
war. The same can be said more broadly of the government and the national economy.

In the years from 1992, Lebanon had a prime minister with practically zero experience in Lebanese politics, but a wealth of knowhow in business. Rafiq Hariri came into government with the assumption of working with anyone still standing, whether warlord or not, and dealing with different groups holding special interests, attempting not to upset anyone, and trying to get the country back on exponential growth trajectories enshrined in the vision 2000 documents. In that situation, Hariri was allocating whatever money there

■ The infighting of 1997 is not so relevant in 2017

was to mobilize the economy. In the two decades since, Lebanon does not have the same excuse. The infighting of 1997 is not so relevant in 2017.

But the lack of accountability since 2005 was a sustained effort. For a very long time, despite knowing that something was wrong, efforts were never made to rectify and bring the budget process back on track. And this willful non-accountability continues today, despite the obvious that in times of relevant and unassailed peace Lebanon was mandated to have a government and not some type of militia rule living in palaces. The sustained non-accountability in the system for at least the last 12 years, if not the last 25, brings us to a point where we, the people, shall give no pardon. ■



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GETTING THE BOOKS BACK IN ORDER

Can Lebanon account for 12 years of unaudited spending?

On paper, the Lebanese state should function. The constitution—frequently ignored as it may be—envisioned a rational budgetary process that allows for planning, checks and balances among different branches of government, and an annual allocation of resources based on anticipated needs. In simple terms, every year the government should ask Parliament for the legal authority to collect and spend money. Parliament’s “yes” comes in the form of the budget law. A given year’s budget law should be passed before the year begins (meaning Parliament should have just legislated the budget for 2018—not, as it did, for 2017).

Lebanon’s constitution also says that before a new budget is passed, the previous year’s budget should be audited by the courts, ensuring the numbers all add up and that red flags are raised over anything that seems suspicious. Parliament has the power to then accept or reject the yearly audit (or closure of accounts, see below). But, Parliament cannot constitutionally pass a new budget before approving the audit of the previous budget.

None of this has happened in years. But for the first time since 2005, Lebanon’s Parliament last month approved a state budget (albeit for 2017).

Why Parliament went 12 years without author-



izing the government to spend and collect money via a budget law is very difficult to understand. After over a decade, that might be the point: To the public, the budget saga is almost too convoluted, too politically messy, and too technical to make sense of—and if they can't understand it, how can they hold politicians accountable? Or make any sense of how, in that period without a budget authorizing spending, the government was able to spend nearly \$130 billion.

TECHNICALLY, IT'S POLITICAL

Politicians refer to different spending figures and different time periods over the last 12 years, complaining about public expenditures during the governing tenure of the opposite power. The figures floating around also do not consider the revenues from the entire period, and downplay the total amount of money spent and collected outside an approved budget. A 2013 book published by the Free Patriotic Movement (FPM) argues that government auditors cannot approve accounts from past years and charged that past officials—namely Future Movement leader Fouad Siniora, who twice served as Lebanon's finance minister and once as prime minister—allegedly embezzled the treasury to the tune of \$11 billion. Of course Siniora has repeatedly denied the allegation: At a legislative session this April, during a televised session of Parliament, Siniora said, "The disbursement of every penny of the \$11 billion is registered at the Ministry of Finance," and asked why the finance ministry had not referred the accounts to the court. The Future Movement ended up also publishing its own book on the issue in 2013, but scholars of public finance say the arguments put forth by both books are far from solid gold.

In general, there are three political time periods in the last decade that help explain why passing a budget was not a top priority. In the first period, 2004 to 2008, there was one parliamentary election, but three resignations of government, one assassination of a prime minister, one occupation of downtown, and a war. Between 2014 and 2017, there was a long vacancy in the presidency and a period of non-performance in terms of the cabinet, as well as the Syrian refugee crisis, Daesh, and other security concerns. So compared to the preceding and following periods, the Sleiman presidency from 2008 to 2014 was somewhat politically stable.

But the functionality of all the institutions needed to pass a budget was at times there and at times was not. The interaction of the institutions during Sleiman's presidency was better than the periods before and after, and a budget should have been passed—but it was not, and we have never been told why.

POLITICALLY, IT'S TECHNICAL

While the reasons Lebanon has not had a budget for the last 12 years are largely political, there was a technical obstacle that ended up hindering passage of a state budget: auditing.

Every year, the Ministry of Finance is supposed to forward the accounts of spending and revenue collection from the previous year to the Court of Accounts for an audit (see infographic timeline on page 24 and explainer on the budget process on page 20). This audit, when done annually, is termed a closure of accounts. Parliament must approve the audit before a new budget can be passed. A new budget, therefore, cannot be passed until the accounts of the previous budget have been closed.

Herein lies the nature of the technicality: Because there has been no budget for 12 years, there can be no closure of accounts. Because Parliament was not authorizing the government to collect and spend the money it projected in the form of a budget law, there has been no legal document to compare the projections against what was actually spent and collected.

While spending and revenue transactions have been recorded for the past 12 years—and could be audited—scrutinizing these transactions is not technically a closure of accounts.

In an interview, the president of the Court of Accounts, Judge Ahmad Hamdan, told EXECUTIVE that the court has not received the yearly accounts

from the Ministry of Finance, and has not performed the closure of accounts since the 2005 budget. Alain Bifani, director general of the Ministry of Finance, confirmed this in an email to EXECUTIVE.

Back in December 2015, Bifani had told EXECUTIVE in an interview that all but two of the financial accounts were completely finished, and the remaining accounts were at an advanced stage. Has the ministry now finished the remaining accounts? Bifani, in an October email to EXECUTIVE, answered, "No, not yet. Work in progress. Very tough and complicated," without elaborating.

After 12 years without a budget, the question last month was what would be more unconstitutional: continuing without a state budget, or passing one without an audit? Parliament chose the latter, and inserted a clause in its budget law pushing any audit down the road until after next spring's parliamentary elections. If that audit actually happens, it could cover some or all of the years that

■ To the public, the budget saga is almost too convoluted, too politically messy, and too technical

Budget

Lebanon went without a budget, but for now, no one has an answer. There's also a chance the budget law would be challenged at the Constitutional Council (see story on the looming showdown over public finances, page 26), but its fate was not clear as EXECUTIVE went to print.

HOW THE GOVERNMENT SPENT WITHOUT BUDGET AUTHORIZATION

The budget is the document where the government projects expenditures and revenue, and Parliament gives its approval of this plan by voting it into law. Without voting a budget law for 12 years, Parliament essentially did not authorize the government to collect or spend any money. So how did the government spend nearly \$130 billion in over a decade? It did so in three ways: through a budgetary rule allowing for temporary spending, advances from the treasury, and extrabudgetary laws.

On the last day of January 2006, Parliament voted the 2005 budget into law. It took lawmakers the full legislative session plus the January extension, a one-month period allowed by article 86 of the constitution, to get the 2005 budget on the books. That temporary, one-month extension, needed to be paid for somehow, because the government must continue operating, and that costs money. To pay for this, the same article of the constitution allows for a one-month allocation of spending, in case Parliament is slow on voting a budget. The one-month spending allocation is called the provisional twelfth rule, and it allows the government to fix its expenditures based on the previous year's budgetary figures.

When Parliament ratified the 2005 budget at the end of January 2006—over a year late—it also passed another law, 717/2006, extending the provisional twelfth rule until a new budget is passed. This froze spending of every ministry and state institution at 2005 levels (LL10 trillion, or around \$6.6 billion), ignorant of both changing needs and inflation.

Shortly after adopting the provisional-twelfth rule *ad infinitum*, Lebanon found itself at war, and 2006 ended without a budget to cover that year nor the year to come. To cover spending beyond what was allocated in 2005, the government turned to the treasury, drawing advances to pay for the spending it said it needed. When spending allocations became insufficient,

the government transferred money from budget reserves and added allocations through treasury advances. These were made legal by government decrees and approved by Parliament.

In 2012, tactics changed. With 2005 getting further in the rearview mirror, Parliament began passing laws raising the 2005 spending cap instead of having the government rely only on treasury advances to meet increased needs.

There were at least five extrabudgetary laws passed, adding LL12 trillion to the 2005 spending level.

We do not know how much money was channeled through each of these three mechanisms, but we do know how much in total was spent.

■ The budget is the document where the government projects expenditures and revenue

Every month, the Ministry of Finance publishes its Public Finance Monitor (PFM), which, among other indicators, gives a total amount of spending for the month. (The PFM does not breakdown spending by institution, but by type of expenditure, for example, current or capital). Adding the figures from 2006 to 2016 (the full figures for 2017 are not yet available) shows that the government spent LL206 trillion (\$130 billion) in total.

We also know, in general, where public money goes. A significant amount goes to debt servicing; another sum to operations such as paying salaries and pensions for public sector workers and security forces; a third chunk goes to social expenditures, for example as subsidies to the Ministry of Public Health; and a fourth to subsidize Electricite du Liban. What's left is available for investments and other expenses.

What we do not know about the \$130 billion in public spending between 2006 and 2016 is whether the numbers are inflated. There have been allegations in the past of ghost-staffing at different ministries, just as there have been allegations of bloated contracts. We also cannot say if any of the LL140 trillion (\$93 billion) in collected revenues over the same period were mismanaged. These answers will only come from an audit of the books, which in the words of Alain Bifani at the finance ministry are not yet fully tallied, and are definitely not publicly available.



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Budget

A multilateral tale

Investigating the Lebanese budgeting process

For 12 years, Lebanon did not ratify a state budget, and politicians have never offered an adequate reason to explain why. To understand what went wrong, we need to understand the process. Who should be doing what, and when should they be doing it? What does it actually take to create and ratify a budget, according to Lebanon's constitution and the Public Accounting Law?

The budget approval process can generally be broken into three phases, which involve four distinct institutions: the drafting of the budget proposal by the Ministry of Finance, the auditing of public finances by the Court of Accounts, and the endorsement of the audit and the draft budget by the Council of Ministers before ratification of both into law by Parliament.

HOW THE BUDGET TRAIN DERAILS

In April of each year, the Ministry of Finance issues a circular asking all other ministries and public institutions—a total of about 120 different directorates across the government—to prepare their spending requests and revenue projections for the coming fiscal year, which begins January 1 and ends December 31, according to article 7 of the Public Accounting Law. Also in April, the Ministry of Finance's budget team, led by budget director Carole Abi Khalil, meets with the finance minister for direction and instruction on what cabinet wants to focus on, and to draft a budget with a clear vision and targets for the next year.

By the end of May, the ministries and public institutions are supposed to send their budget request back to the Ministry of Finance, which then compiles them into one administration-wide budget proposal. Throughout June and July, the budget team meets one-by-one with the rest of the administration to iron out differences on spending priorities and to reconcile discrepancies between previous spending or revenue and the future projections.

On August 1, after compiling all budget requests into one document, Abi Khalil's team writes a report to the finance minister summarizing the items requiring the minister's approval. The report might point out where spending could be cut, for

example, or how to resolve unjustified spending. With the minister's decisions in hand, Abi Khalil's team begins drafting the budget that is submitted to the cabinet by the end of August.

While the draft budget is being prepared by the Ministry of Finance, the Court of Accounts works on closing accounts from the preceding year. This is where the process becomes confused. To close the accounts—in other words, to audit the preceding year's budget—the court needs to receive that year's budget numbers from the accounting directorate of the Ministry of Finance in the middle of August. As an example, in 2017 the state should have audited 2016's public finances so that it could ratify 2018's budget. The approval process this year obviously did not play out according to the budgeting and auditing provisions in the constitution and the Public Accounting Law. As for the court to close the accounts, Parliament must first have authorized the government to spend and collect money, in the form of a budget.

That way, the court has a legislated budget to work from when making its comparison with what the government was allowed to spend and collect, and what it actually did. Since 2005, there has been no budget, so the court was not closing accounts each fiscal year. Court of Accounts Judge Bassem Wehbe told *EXECUTIVE* that after 12 years without a budget, "There's no longer a closure of accounts as linked to the permission issued by the Parliament to

the government in the form of an approved budget, but rather an account in which there is a period where there was revenue and expenditure, and which should be audited. It's similar to a closure of accounts, but it's not [the same]." In

■ Without a budget there is no way to perform the closure of accounts as outlined legislatively

other words, without a budget there is no way to perform the closure of accounts as outlined legislatively. However, there are still records of what was spent and what revenue was collected, which can be audited. The closure of accounts—an audit that begins



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in the middle of August—is the point in the preparatory timeline that the proverbial budget train derails every year, and there are both technical and political reasons for why the court has not been auditing public monies (see overview story on why there has not been a budget, and how the government spent money while it was not authorized to do so, page 16).

A ROAD MAP IN THEORY

Theoretically, the Court of Accounts should, by September 1, finish its audit of the preceding year's finances. By that date, the court would send a report of its work back to the Ministry of Finance, which would then present the closure of accounts result to the cabinet. According to Article 197 of the Public Accounting Law, the cabinet should endorse the audit report of the Court of Accounts before the first of November and forward it on to the Finance and Budget Committee at Parliament for debate, before submitting to the plenary for a vote approving the audit, a constitutional prerequisite (according to article 87) for ratifying the budget.

By September 1, the Council of Ministers should receive both the closure of accounts report and the draft budget from the Ministry of Finance. The cabinet should debate the merits of the proposed budget, adjusting spending and revenue projections to meet its goals and expectations for fiscal performance in the next year. After the cabinet has agreed on the draft budget, it goes to the finance and budget committee at Parliament before the first Tuesday after October 15 for parliamentarians to begin debate. Once the

committee agrees on the draft budget, it submits it to the plenary for a last round of oversight. Parliament has until the end of the year, from receiving the draft budget in October until the last day of December to ratify it—although there is a clause, called “the one-twelfth rule,” allocating spending for one month in case the Parliament debate stretches into the next year. Parliament in 2005 made use of this allocation, voting the 2005 draft budget into law on the last day of January 2006. And though the One-Twelfth rule is legally only good for one month, in the absence of a budget for 12 years it was utilized to allow the govern-

ment to continue spending at 2005 numbers (see story on how this rule works, page 16).

Now that Parliament has ratified the 2017 state budget, the question reverberating across Lebanon is whether this signifies the return of fiscal responsibility. That cannot be answered yet,

because there is still a chance the law may be challenged in front of the Constitutional Council, which could strike down the new budget (see story on tax law rebuke, page 26). But if the 2017 budget law enters into effect upon publication in the Official Gazette, at least at the procedural level, Lebanon should be able to stick to the process as prescribed by law and the constitution going forward.

■ Since Parliament has ratified the 2017 state budget, the question reverberating across Lebanon is whether this signifies the return of fiscal responsibility

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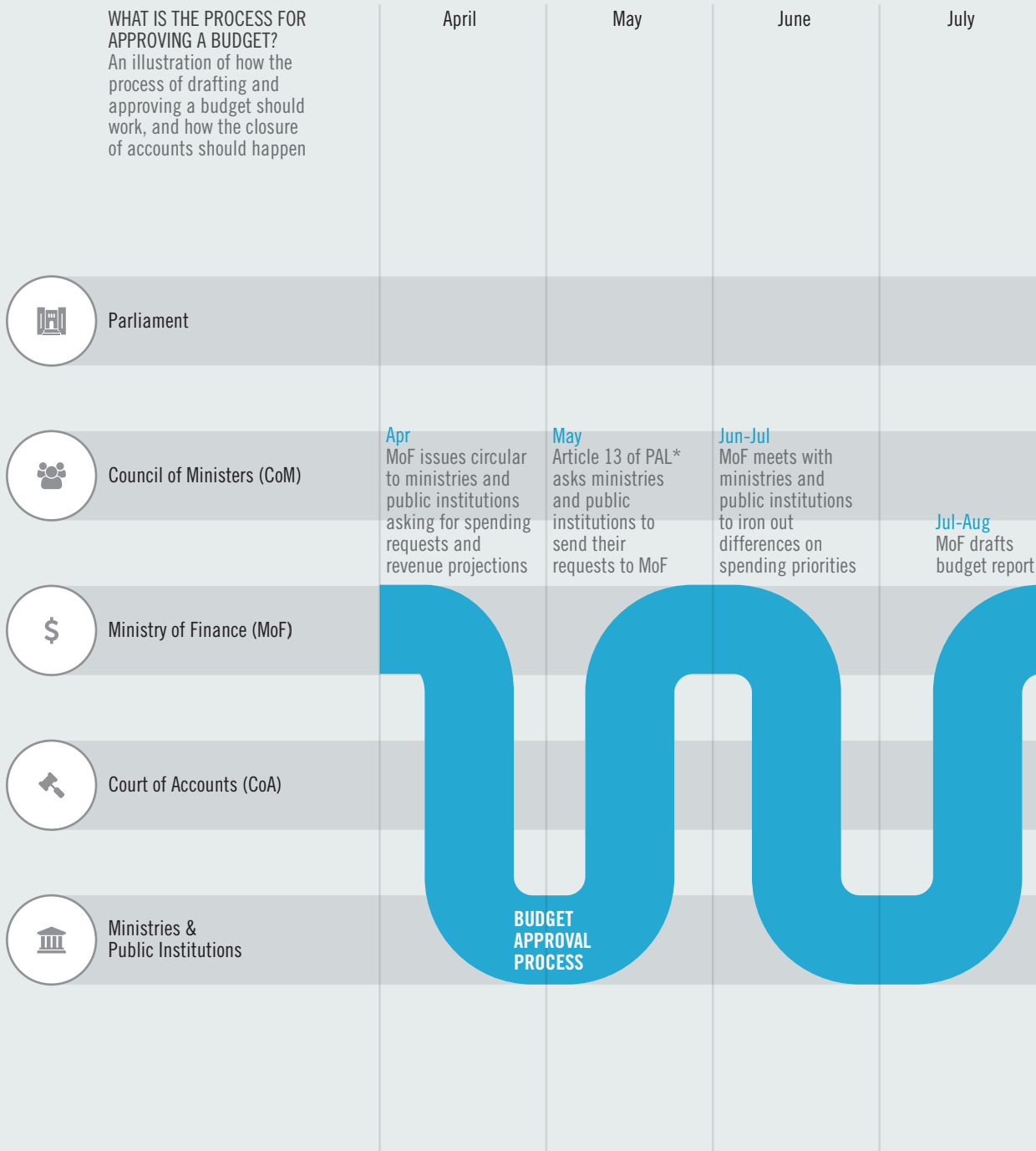
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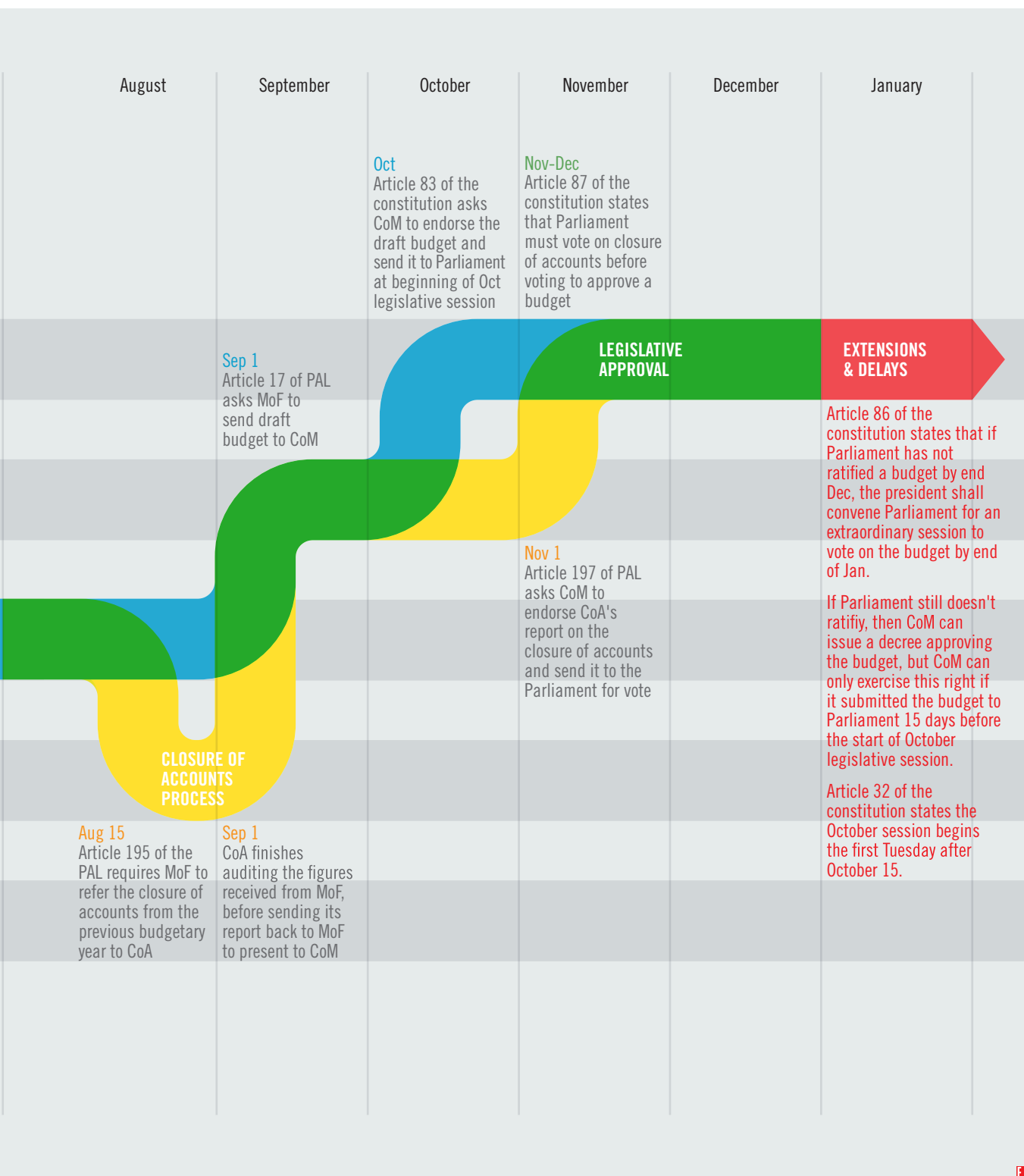
Budget

LEBANESE BUDGET PREPARATION & APPROVAL



*PAL = Public Accounting Law

Sources: Lebanon's constitution; the Public Accounting Law of 1963; interviews with the Ministry of Finance and the Court of Accounts



BALL IN THEIR COURT

Will the budget be challenged?

This summer, after years of procrastination, Lebanon passed a law increasing salaries for public sector workers. To help offset the salary increase, Parliament approved new taxes. But, in a surprising move, a group of parliamentarians challenged the constitutionality of the tax law in front of Lebanon's highest court, the Constitutional Council, which ruled in their favor by annulling the new taxes.

Since then, Parliament has re-legislated the tax law, postponed full implementation of the salary scale, and legislated a budget. But Parliament legislated the budget through measures that may have broken the Public Accounting Law of 1963 and violated Lebanon's constitution. In the event of a challenge, the high court's previous ruling on the tax law could set the stage for a showdown between lawmakers and the judiciary over public finances.

PISTOLS AT DAWN

For much of 2017, as *EXECUTIVE* has reported, Lebanese officials did little to explain to the public what new taxes they wanted to impose or increase, and muddled their function: The taxes were not designed for financing the salary increase, but for covering the deficit that was made bigger by the increase.

In August, both the salary scale and the taxes went into effect, and the latter was challenged via the Constitutional Council by 10 members of Parliament. (Article 19 of the constitution, which established the high court, lays out a very narrow pathway to challenge legislation, allowing only a limited number of officials to appeal a law to the Constitutional Council. These officials are: the Speaker of Parliament, a minimum of 10 MPs from Parliament, the President of the Republic, the Prime Minister, or, for cases related to religious matters, the respective leaders of religious communities. The statute of limitation is short: Laws can only be challenged within 15 days after their publication in the Official Gazette).



The Constitutional Council ruled in favor of the appeal, *EXECUTIVE* reported in October, finding that the tax law was unconstitutional.

The high court ruled that Parliament violated its own internal voting rules when ratifying the law, passing it via a show of hands rather than a roll call. "We do not have any idea who voted for or against the law," says Nizar Saghie, head of the Legal Agenda, a non-profit organization advocating for the rule of law. The Constitutional Council also ruled that Parliament could

not legislate new taxes when it was not giving the government permission to collect the taxes already on the books. Karim Daher, a public-finance lawyer and managing partner at Haddad Baroud Daher-Tria Law Firm, told EXECUTIVE, “The high court ruled that [Parliament] cannot vote any new tax and [the government] cannot collect any tax without authorization, only provided by virtue of the budget law.” The budget is the document where the government projects expenditures and revenue, and Parliament gives its approval of this plan by voting it into law. Failing to vote on a budget for 12 years meant that Parliament essentially did not authorize the government to collect or spend any money (see overview story on why there has been no budget, and how the government spent money while it was not authorized to do so, page 17).

It was a landmark decision, says Mireille Najm-Checrallah, a lawyer who specializes in constitutional law at Najm Law Firm, describing the Constitutional Council’s ruling as its most important in its nearly 30-year history. The high court “could have cancelled the law for formal reasons, without going so deep in its interpretation of the violations,” she says. “In this decision, the Constitutional Council condemned the political class for their omissions since 1993. It’s a first, and that’s why its ruling was so disturbing to the political class. If you see the reactions, from [Prime Minister] Hariri to [Minister of Public Works Youssef] Fenianos to [Parliament Speaker Nabih] Berri, stating that the [Constitutional Council] overstepped its mandate,” Najm-Checrallah told EXECUTIVE. Before the high court was established in the mid-1990s, there was no oversight of Parliament. “Now you have an authority counterbalancing, the so-called checks and balances in a democratic system, and really one of the first times it does so.”

A PERFECT DESIGN FOR A SCREW-UP

In mid-October, Parliament met for its second legislative session and ratified Lebanon’s first state budget in 12 years. But the budget law passed with a similar pattern of violations as that of the tax law, and barely half of parliamentarians voted on the final bill. To circumvent the constitutionally required closure of accounts, Parliament inserted a clause in the budget law

allowing it to delay any audit for 12 months (well after parliamentary elections next spring). That is if the budget law is not challenged at the Constitutional Council.

In speeches during the session before the vote, a small number of MPs opposed adoption of the 2017 budget law for different reasons. Some MPs refused to approve the budget without an audit of spending and revenues for all the years Lebanon was without a budget, saying this would violate article 87 of the constitution. Other MPs rejected a vote on the 2017 budget because the fiscal year has almost passed, and much of the money has already been spent or

collected: They argued that Parliament, if it were to vote on any budget, should have legislated the 2018 budget, and charged that failing to do so would be a violation of article 64 of the constitution. Others protested the order of business that

■ Should Parliament’s recent fiscal legislation proceed unchallenged, it would represent a triumph of parliamentary dealmaking over the court’s objections

Parliament conducted in the legislative session. On the first day of the session, Parliament elected committee members, which dissenting MPs argued violated article 32 of the constitution, which states that in Parliament’s second legislative session it should first deal with the budget before voting on any other matters. Complicating things further, the re-legislated tax law was published in the Official Gazette on October 26; at the time of this writing, the budget law has not been published. The publication of the tax law, which makes official that the new taxes are now being levied, appears to be a disregard of the high court’s ruling because the taxes went into affect before the budget did. It was not clear as EXECUTIVE went to print whether or not the budget would be challenged at the high court. Some of the MPs who brought the suit over the tax law were considering challenging the budget law in late October, but as EXECUTIVE went to print, fewer than 10 were supporting such a move publicly. Should Parliament’s recent fiscal legislation proceed unchallenged, it would represent a triumph of parliamentary dealmaking over the court’s objections. ■

Round two

Pending another challenge, these are our new taxes

In August, Parliament approved a new set of taxes via Tax Law No. 45 to help cover Lebanon's widening gap between revenue and deficit. With the government's spending on track to grow, thanks to a long-promised salary increase for public sector workers, new money needed to be collected to cover the gap—hence the new taxes. At the end of September, however, Tax Law No. 45 was struck down by the Constitutional Council, which ruled that the law had violated the constitution (see story, page 26). Parliament has since re-legislated the taxes, and the new tax law (No. 64), entered into force at the end of October, as EXECUTIVE went to print. For a look at how the re-legislated taxes differ from those that were annulled by the high court in September, EXECUTIVE has compiled the table below.

TAX COMPARISON

<i>Tax</i>	<i>Tax rate before August 2017</i>	<i>Tax Law (45)*</i>	<i>Tax Law (64)</i>	<i>Tax Law (64) enters into force</i>
Value Added Tax (VAT)	10%	11%	11%	January 1, 2018**
Tax on stamps for judicial records	LL1,000	LL4,000	LL4,000	October 26, 2017
Stamp duty on contracts	0.3% (3 per thousand)	0.4% (4 per thousand)	0.4% (4 per thousand)	October 26, 2017
Tax on stamps for phone and internet bills and prepaid cards	N/A	LL2,500	LL2,500	October 26, 2017
Tax on stamps for corporate invoices; statements of account; bank, financial institution transaction vouchers; unsettled invoices; and other stamps not subject to stamp duty	LL100	LL250	LL250	October 26, 2017
Production tax per ton of cement	N/A	LL6,000	LL6,000	October 26, 2017
Tax per liter of imported beer	LL60	Unavailable	LL180	October 26, 2017
Tax per liter of imported arak	LL200	Unavailable	LL600	October 26, 2017
Tax per liter of imported whisky	LL400	Unavailable	LL1,200	October 26, 2017
Tax per box of imported cigarettes	N/A	LL250	LL250	October 26, 2017
Tax per imported cigar	N/A	LL500	10%	October 26, 2017
Tax per kilogram of imported tambak argileh	N/A	LL250	LL2,500	October 26, 2017
Tax on foreigners entering/exiting Lebanon by land	N/A	Exit fee LL5,000	Entrance fee LL5,000	October 26, 2017
Tax on economy class airline tickets	LL50,000	LL60,000	LL50,000	October 26, 2017
Tax on business class airline tickets	LL70,000	LL110,000	LL110,000	October 26, 2017
Tax on 1st class airline tickets	LL100,000	LL150,000	LL150,000	October 26, 2017
Departure tax for private jets	N/A	LL400,000	LL400,000	October 26, 2017
Tax on container traffic exemption for transit traffic	N/A	20 TEU LL80,000 40 FEU LL120,000	20 TEU LL80,000 40 FEU LL120,000	October 26, 2017
Tax on illegally built structures on seaside property	N/A	Unavailable	Varies	October 26, 2017
Tax on lottery winnings over LL10,000	10%	20%	20%	October 26, 2017
New tax on property sales	N/A	2%	2%	October 26, 2017
Corporate income tax	15%	17%	17%	January 1, 2018***
Capital gains tax	10%	10% or 15%	10% or 15%	October 26, 2017
Tax on dividends (article 72 of the income tax law)	5%	10%	10%	October 26, 2017
Tax on interest of deposits	5%	7%	7%	October 26, 2017

*Tax Law No. 45 was annulled by the Constitutional Council September 22, 2017, and its tax rates were canceled.

**The rate increase of the Value Added Tax (VAT) to 11 percent is effective the first fiscal quarter after the law is published, which should be January 1, 2018.

***The rate at which corporations will be taxed was increased to 17 percent, to be applied at the start of the next fiscal year.

Source: EY briefing on Tax Law No. 64, 45; Serhal Nassar & Co, summary of Tax Law No. 64; Law 64/2017 published in Official Gazette, issue 50 October 26, 2017; Law 45/2017 published in Official Gazette, issue 37 August 21, 2017





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STILL STARTING UP

Cutting through the hype: What does Lebanon's tech scene really look like?

Over the past four or five years, it has been conceived, announced, born, developed, mapped, hyped, challenged, expanded, reassessed, praised, mapped again, hyped to excess, and questioned. But all the talk makes it hard to assess the true state of Lebanon's tech entrepreneurship ecosystem in 2017.

Finance—in form of the funds mobilized under Circular 331, an initiative by Banque Du Liban (BDL), Lebanon's central bank, to invest in startups—has been the driving force behind transforming a loose collection of tech entrepreneurs into a budding ecosystem, and fund managers say that ecosystem is quietly thriving. Established funds see their portfolios developing nicely, and do not anticipate the pipeline of interesting startups to run dry any time soon, pointing as an example to recent demo days at Smart ESA, an accelerator that was launched in 2016. Flat6Labs and Azure, two new venture capital funds, have experienced more interest than they had expected. As Flat6Labs' Fawzi Rahal explains it, "Clearly, it's a disadvantage in being late to the game [by setting up several years after others], but we're not sure [the] game was ready if we were earlier. [The] pipeline is better than it was years ago. I'm not sure that will stay true two years from now, but it's better today than it was. All other accelerators have been increasing the numbers they accept year on year."

Angel investors are stepping in to plug the funding gap between acceleration and raising the first round of VC funding, known as the valley of death (see story on page 32). Foreign interest in the ecosystem's development has not waned, as demonstrated by the UK's willingness to support the UK-Lebanon Tech Hub, an international initiative kick-started by a collaboration with BDL and the UK government through the British Embassy in Beirut. But foreign investors are not making unrealistic gambles: Although its original goal was to create 25,000 jobs in the tech sector and entrepreneurship directly, the UK has revised its aim down to 25,000 jobs related to the entrepreneurship sector, of which about 5,000 will be directly in tech, and the other 20,000 induced jobs in more traditional areas, such as food delivery and printing.



GROWING PAINS

All of this speaks to more stability in the ecosystem. Those working within it say the reduction of the hype of previous years is both understandable and welcome. The ecosystem is becoming "a bit more rational and organized," according to Jad Salamé of the venture capital fund Phoenician Funds.

■ The reduction of the hype of previous years is both understandable and welcome

As EXECUTIVE was investigating this month's series of articles about entrepreneurship, the World Bank offered an assessment of Beirut's technology

scene, finding that the "tech start-up ecosystem in Beirut is an early- to middle-stage ecosystem that has passed its nascent growth phase, but is still far from maturity," an evaluation no one interviewed saw as off the mark.

Stakeholders describe a generally collaborative environment with many funds co-investing on deals, leading to increased transparency, if only for those on the inside. While the funds know what each are doing, many either do not have websites or do not update them with detailed information about their investments, making following the

money from the outside difficult. And BDL, the author of Circular 331, has not published any figures or reports detailing how the nearly \$650 million in public money the circular made available is being spent.

It is clear, however, that the ecosystem has experienced financial excesses of varying kinds and severities, including overhyped events, inflated funding demands, large honorariums to external consultants, a lack of transparency, audit challenges, governance issues, and even creative accounting or allegedly fraudulent practices. The central bank has made attempts to curb abuses, issuing circulars addressing these alleged problems. One regulation, for example, required funds and players who have been sitting at the table for a few years to intensify their reporting practices. While this is sometimes useful, it can also be over the top, such as the new mandate to report net asset value at the end of each quarter. “We have 20 days max after the end of the quarter to submit a report. If the quarter ended September 30, how do you expect to get a [profit-and-loss] or balance sheet in five days?” asks Zeina Rouphael, a senior analyst with the Azure fund.

At the same time, the ecosystem is impaired by design flaws and the inherent limitations of the Lebanese market and its human-capital pipeline. Companies and their investors feel the need to market their products outside the country, which is difficult because central bank regulations restrict the use of funds to expenditures in Lebanon. It is not easy to market to the EU or the US from Lebanon without at least having an office—and preferably direct human presence—in the target market. And while the human-capital pipeline in Lebanon is remarkably strong, it is strong by the standards of a small country, and when compared to the talent pool in a small place. In order to grow, the human capital available locally may have to be augmented, but it is very difficult to import top talent into a small local company because of various labor market restrictions and bottlenecks.

In the past, questions of strategy were placed at the feet of the industry’s sugar daddy, the central bank, which not only guaranteed 75 percent of funds for approved startups, but also fed some companies with 100 percent guarantees, contributing to the formation of what some people called an “ego-system” within the new ecosystem.

Moreover, BDL put its name in bright lights as organizer of the annual event designed to make the Lebanese tech ecosystem internationally visible. However, the vanishing act which BDL Accelerate

pulled off in 2017 begs questions on whether the event’s postponement or cancellation was done for strategic reasons, and what BDL plans to do next. A press-relations representative for BDL said only, “It’s just a personal reason. Nothing to do with economy or otherwise,” to explain why Accelerate will not transpire in 2017. The jungle is not rumbling because of this year’s cancellation, however, and individual strategies are of the “keep on keepin’ on” variety.

SERIOUS MONEY

Several sources interviewed for this article said the ecosystem needs some big success stories, as well as the follow-on funding to grow startups into such stories in the next few years. A few admitted they do

■ Growing young companies into unicorns will require follow-on funding for those that recently raised or are raising capital

not see any unicorns—startups with a \$1 billion valuation—in the Lebanese stable at this point. Walid Hanna, a founder of Middle East Venture Partners, said “the largest company [I expect to see] is

\$300,000 to \$400,000, which is not bad in the three to four years” following the publication of Circular 331. Henri Asseily, a partner with Leap Ventures, however, sees one potential unicorn in Leap’s portfolio: a software logistics company called Keeward, which received an earlier investment from MEVP and is currently subject of a legal dispute between MEVP and Keeward’s founders. Leap invested \$10 million in the company and is hoping for a \$50 million round to be raised abroad in the coming months.

As the Keeward example illustrates, growing young companies into unicorns will require follow-on funding for those that recently raised or are raising capital. Bassel Aoun, the project manager of the iSME program at the state-backed loan guarantee corporation Kafalat, notes that funding rounds tend to grow by multiples of three to five, meaning serious money will be needed to sustain the ecosystem moving forward. Circular 331 freed up \$650 million for investing in tech startups—approximately half of which has been committed but not fully deployed—but that money, while mostly guaranteed, comes from local commercial banks that everyone in the ecosystem suspects are losing their appetite for this asset class. If the banks no longer want to bite, and private money does not fill the gap, desertification overtaking the ecosystem would not be far behind.



ON ANGELIC WINGS



New funding initiatives for early entrepreneurs

As the Lebanese tech entrepreneurship ecosystem matures, a new option for funding is taking shape. It will not only create a bridge over a notorious funding gap, but, hopefully, a significant addition to the ecosystem's culture. An angelic culture, as it were.

"The idea is to create an angel network in Lebanon," explains Nicolas Rouhana, the chief executive of IM Capital, a fund based at the Beirut Digital District (BDD). "In any ecosystem around the world, angels are an essential part of the funding lifecycle. They come in at a very early stage, when

it is risky [to invest], and put in small [amounts of] money—and not just money, but they also provide support and [access to] networks."

Some time ago, IM embarked on a project that would structure angel activity through a training program, and a fund for prospective angel investors. Called the Seeders Masterclass for Business Angels—"Seeders" is homonymous with the Lebanese national tree—the project launched in summer 2016 with invitations to join a nine-month program between September 2016 and July 2017.

According to Rouhana, the invitations were met with strong interest. Although participation required a \$15,000 payment into the fund, plus a \$2,500 fee for the training component, the master class and fund exceeded its initial target size: Instead of the expected 15 or 20 participants, the 2016 class ended up with 26. To provide investor training, IM partnered with Go Beyond, a Switzerland-based European network of business angels. The project also quickly won support from iSME, the \$30 million grant and equity co-investment program affiliated with the Lebanese Kafalat loan guarantee corporation.

The initiative branched out into two sub-projects in the course of 2017: A second round of Seeders with a similar number of enrollees commenced this September, and, in parallel, a women's fund was founded under the name of Lebanese Women Angels Fund (LWAF). This fund is a collaboration between IM Capital and the Lebanese League of Women in Business (LLWB), says Asmahan Zein, LLWB president and LWAF chairwoman.

Zein tells EXECUTIVE that LWAF is designed to connect female angel investors with female-founded startups. "We're not against male participation in those startups, but women should be founders and major shareholders with not less than 20 percent of company," Zein says. "We're in the process of spreading the word about LWAF and collaborating with different partners from the ecosystem to identify startups who should have backgrounds in different industries. The woman entrepreneur doesn't have to be in high tech; she can be in any industry as [the] owner of a good idea that has prospects for growth and success."

Zein says the idea for LWAF came from three LLWB members who participated in the 2016 Seeders class fund. It fits into the LLWB framework of activities, which also includes the promotion of careers in science, technology, engineering, and mathematics (STEM) to female high-school and university students in Lebanon, and advocating for an obligatory 30 percent female presence on corporate boards in sal companies with upward of 50 employees, and similar public sector organizations. LLWB has drafted a proposal to impose such a quota and submitted it to the Minister of Women's affairs.

Zein says LWAF aims to promote entrepreneurship among women, who she says are often "shy" when it comes to dealing with potential lenders or equity investors. "Women don't approach banks for [corporate] loans and don't approach investors to help them with their business. Women have to understand that women[-led] startups are eligible for investments and for having good business partners, and that they need support from different entities in order to grow. The project of LWAF is very important to encourage women to [compete] among all those startups," Zein said.

IN SEARCH OF ANGELS

LWAF succeeded in attracting 22 businesswomen, who each contributed \$10,000 to the fund, for a total of \$220,000, according to Zein. This amount is being matched on a fund level by iSME, in a measure which according to Aoun represents a shift in the organization's approach to financing small startups. "Investing directly in a fund is new strategy for iSME. Especially for seed funding, i.e. small tickets, we consider that it is much more interesting to do it this way when we are not assessing deal-by-deal basis," he says.

He points to three advantages of the new strategy: the ability to leverage money that

originates from outside the envelope of Circular 331, a reduction in the time and cost of conducting due diligence versus such efforts when assessing small investments on deal-by-deal basis, and the creation of a fund that is sufficiently large to have a sustainable portfolio of

investments, which in his assessment would not have been possible with a fund size of \$200,000.

Short of the ideal business angel with at least one successful startup in his or her pocket, it will do for an angel investor to have investable money and an adventurous mind. There is no

■ "Women have to understand that women [-led] startups are eligible for investments and for having good business partners, and that they need support from different entities in order to grow"

Entrepreneurship

shortage of potential angel investors in Lebanon—but they are hard to find for typical startup company founders born without the Lebanese silver spoons of family wealth and *wasta* in their mouths. “In the Lebanese case, there are angels, but today the [angels in Lebanon] are high net-worth individuals—there are not that many [who act as tech investors], and when you try to knock on their doors, you have to know someone who knows someone to reach them,” says Rouhana.

The importance of angel investing in Lebanon is also acknowledged in academic circles. For Salim Hani, an assistant professor in the Industrial Engineering Program in the Faculty of Engineering and Architecture at the American University of Beirut (AUB) who started teaching engineering and technology entrepreneurship courses this fall, the majority of funding in the economy is coming from angel-type investors. “Unless you have an angel investor helping you, it is never easy to venture into entrepreneurship,” he said on the sidelines of a talk to AUB students by the Lebanese and international entrepreneur Roger Edde, which Hani organized.

For Hani, the current Lebanese system of investing in entrepreneurs is not stable, because it depends too much on personal connections and does not incorporate enough of the structure of angel investing culture and processes. Reasoning that bank finance, even under Circular 331, is tied to overly demanding conditions for startup enterprises to meet, he tells *EXECUTIVE* that the prevalent form of investing in startups here is more akin to philanthropy than to angel investing as a structured activity in an entrepreneurship ecosystem.

According to Rouhana, four investments made under the first Seeders program—which were, in legal terms, carried out through a Special Purpose Vehicle (SPV) set up for the management of the startup fund—succeeded in deploying \$320,000 of the approximately \$360,000 in the fund’s war chest. (Each of the 26 participants in the 2016 cohort paid \$15,000 into the fund, and the cost of establishing the SPV and keeping it in business for about five years amounts to \$40,000).

And the money is going even further thanks to matching investment contributions already

SOME BUSINESS ANGELOLOGY

Business angels or angel investors—the terms are used interchangeably—fill a space between two other types of investors that are rather distant from one another. On the one side are “family, friends, and fools,” or FFF investors who inject personal capital in usually very small amounts (by startup enterprise standards) for personal reasons, or because they have faith in a business idea, but are not necessarily trained or experienced in investments.

On the other side of the big funding valley are venture capital (VC) funds and private equity firms, run by professionals in the field of investing who oversee other people’s funds. These can be private investors or institutions who entrust VC companies with the role of general partner, or GP, while they act as financial investors, or limited partners (LP). The role of the LP is to watch their GP either successfully grow a portfolio of startup companies—or gamble away the money.

One can thus think of the financial journey of a startup as leading from the springs of friendly, non-capitalist or even anti-capitalist money provided by FFF stakeholders to the vast reservoirs of funding that are guarded and managed by GP and LP stakeholders with profoundly capitalist identities and profit motives. Because of the cultural distance between the two groups, as well as business logic and financial mandates, FFF investors typically make up the funding scene in the very early stages of under \$50,000, and VC companies get involved in companies with somewhat proven concepts and individual funding needs upward of about \$200,000.

Between these two extremes stretches the valley of death, where finance is as vital as water and as scarce as an oasis in the Empty Quarter of the Arabian Desert. Angel investors are those who are willing and able to provide funding in the range of roughly \$50,000 to \$200,000. In a perfect world, angel investors will have had the experience of starting up a company and selling it for a profit.

■ The prevalent form of investing in startups here is more akin to philanthropy than to angel investing

made to three of the four Seeders investments by iSME, the fund affiliated with the Kafalat loan, to other co-investments in their favorite startups organized by individual business angels, and to a 50 percent guarantee of Seeders' investments by IM Capital. (At time of writing, the fourth is still under study). Thus, instead of fueling each of the four startups with an investment of \$80,000, the investments in each were leveraged by a factor two or three, Rouhana explains. The total amount thus generated in the four deals was close to \$2 million, he claims, and predicts that startups from this angel round will hit their next, larger funding round in less than a year.

A LOOSER NETWORK

Another initiative to get business angel networks off the ground in Lebanon comes from noted entrepreneurship ecosystem stakeholder Nicolas Sehnaoui. In June, the initiative, Angels Lebanon, organized encounters between about 100 young chief executives of traditional industries such as trade, real estate, and manufacturing, and three successful startups that had reached, by local standards, high valuations. A second event, which will present additional startups deemed promising by Angels Lebanon, is under preparation for December of this year.

"The idea [of] the Angels Lebanon network this time is to highlight and convince potential angel investors from various sectors in Lebanon to divert part of their investments into the digital economy," Sehnaoui tells EXECUTIVE. He acknowledges that by not requiring any financial commitment from the CEOs, this network of business angels is not as structured as the Seeders concept. "There are no commitments, no fees, and if angels invest in a startup, it is one-on-one," he notes, "We as a network do not interfere."

The main argument for getting people interested in the network is the high valuation of the startups that were presented at the meet, which Sehnaoui claims were on course to receive new funding that would bring their angel investors 50 times the amount that they had committed a few years ago. "The multiplier that we have [for these successful startups] is attractive enough to convince an investor who is used to putting

his money in real estate or treasury bills that he should also consider putting his money into tech," Sehnaoui says.

SHIFTING MENTALITIES

Sehnaoui, who helped get BDD off the ground five years ago when he was a cabinet minister, and is currently chairman of the UK-Lebanon Tech Hub, a startup accelerator, acknowledges that Angels Lebanon is not the first effort to instill the Lebanese entrepreneurship ecosystem with a recognizable network of angel investors. Earlier attempts to organize angel networks managed to draw HNWIs into meetings with startups, but the efforts fizzled. Setting up a successful network of angels in Lebanon requires dealing with the fears of wealthy potential investors and changing their mentality. (Sehnaoui estimates that there are at least 2,000 potential investors among Lebanon's wealthy class, based on their age, attitudes toward investing, and other factors, "Lebanese investors are risk-averse specifically in times of an economic slowdown, but at the same time, there weirdly is a lot of money sloshing around in the system and looking for a destination of investment. We're promoting that

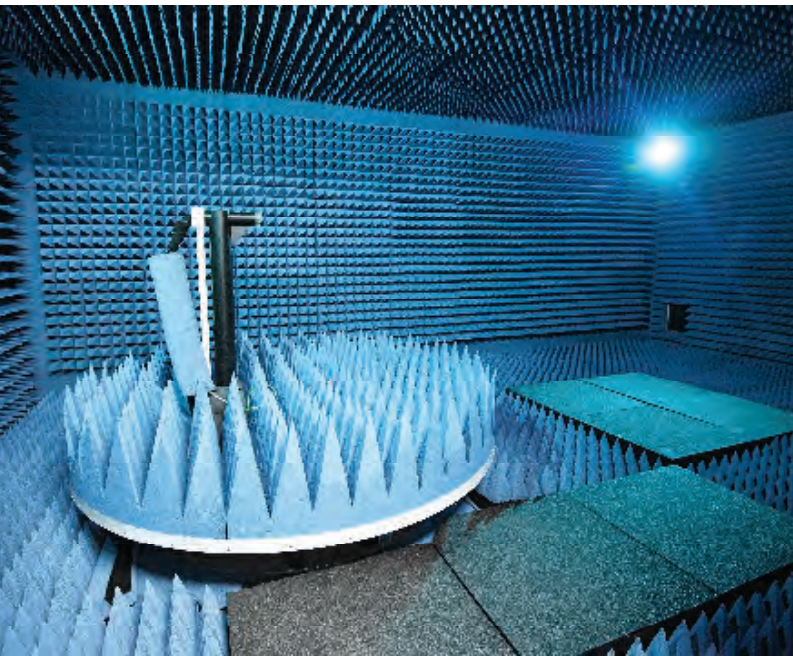
■ "Lebanese investors are risk-averse specifically in times of an economic slowdown, but at the same time, there weirdly is a lot of money sloshing around in the system"

people don't have to be crazy, but just adventurous. We tell them, 'Enter this game with a very small portion of your investible capital. Dream, have the courage, it's very small money but if you hit it, it's very high returns.' I think it's really about changing the mentality more than about struc-

turing the process," he says.

Rouhana sees a prospective benefit from his work in the creation of a new investor culture in Lebanon, which could have effects far beyond the mobilization of funds that will safely convey worthy startup companies through the financial valley of death. He notes, "In other countries, you put angels around table, and they talk about strategies and who they invested in. Who does this in Lebanon? No one does this. I want to see angels sitting together and discussing portfolio strategies. This is angel culture." ■

Innovation economy needs investment



Ecosystem needs more state funding of R&D

Lebanon being Lebanon, there are no statistics. But by the accounts of stakeholders throughout the country's entrepreneurship ecosystem, one big gap is not being filled: strong financial support from the state for research and development (R&D).

Many governments make R&D investments, and the Lebanese government does fund the National Center for Scientific Research—which has four centers for study around the country and gives out research grants on a bi-annual basis. Additionally, a small amount (\$3.2 million) of the \$650-or-so million in funds aimed at growing the entrepreneurial ecosystem and guaranteed at 75 percent by Banque du Liban (BDL), Lebanon's central bank, is now being directed toward R&D investments. Word of slightly more of this money possibly being diverted toward R&D in the future is currently echoing in the jungle.

CALCULATING THE RETURN

In technical terms, the branch of scientific inquiry most likely to breed commercial success is called applied research (as opposed to basic research, which seeks merely to gain knowledge for

the sake of doing so). Applied research is about solutions, and even if companies do not approach it with scientific rigor, they regularly invest in it. An online survey seeking to make a website more user friendly is R&D—but so is the possibly years-long process of a diaper manufacturer running lab tests and experimenting with various materials to create a new product that can pack in just a little more poop. The latter is obviously more capital- and labor intensive.

Innovation is impossible without R&D, but cost is often a barrier.

In many countries, governments make strategic R&D investment decisions to help push innovation forward. Additionally, available evidence suggests that state R&D spending in a given area spurs more private R&D in the same area.

The exact return on state R&D spending, however, is difficult to quantify. A 2015 paper written for the European Commission sought to calculate a state's return on R&D investment, based on a review of previous studies on the topic. The caveat in

■ Applied research is about solutions, and even if companies do not approach it with scientific rigor, they regularly invest in it

the paper's findings is that because investigations into R&D investment returns have largely only been conducted in advanced economies (meaning the US and a few European

countries), the results are by no means true globally nor easy to quantify (there is a lot of messy spillover involved—knowledge included). That said, the paper found that available evidence suggests governments make a 20 percent return on R&D spending, and boosts private R&D investments by 7 percent.

In fact, state funding for R&D has probably changed the world as we know it. A component of the Silicon Valley story that often gets neglected is the role the US Department of Defense (DoD) played in ushering in the digital age. DoD was an early funder and adopter of microelectronic technology, nurturing it toward mass commercialization, which led to the development of everything from desktop computers to smartphones and wearables.

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Entrepreneurship

NOT A PRIORITY

While both the World Bank and the United Nations Educational, Scientific and Cultural Organization (UNESCO) collect statistics on state R&D spending as a percentage of GDP, neither has any data for Lebanon. Elise Noujeim, director of the grant research program with Lebanon's National Council for Scientific Research (known by its French acronym, CNRS), says that state spending via CNRS is minimal, but that it increased slightly in 2017-18. CNRS gives out two-year research grants ranging in value from \$20,000 to \$40,000, up from approximately \$13,333 to \$26,666 in previous years.

She says that research money can be hard to find for local academics, but opines that "if a researcher has a good proposal, they will find the money." She notes that CNRS helps link local researchers to international universities and research institutions, and can often fund travel and living expenses for local academics who can find research budgets abroad.

CNRS, Noujeim says, is also making headway in partnering with more of the country's universities. In 2017, CNRS signed memorandums of understanding with eight of the 19 universities and hopes these agreements will lead to more coordination and cooperation in research activities in the country.

WORKING TOGETHER

On the level of existing cooperation and coordination among universities, Dany Obeid, an assistant professor in the Faculty of Agriculture at the Lebanese University, and Sophia Ghanimeh, an assistant professor in the faculty of engineering at Notre Dame University, tell EXECUTIVE that Lebanon has a "do-it-yourself" kind of research environment. Funding is scarce, and inter-university coordination is personal rather than institutional, meaning academics have to leverage a network of personal contacts to make things happen as opposed to relying on formal cooperation mechanisms among different institutions of higher learning. Zaher Dawy, an assistant provost at the American University of Beirut, agrees that coordination could be better and admits that research spending in Lebanon is relatively low (although he says one gets more from each dollar invested, as salaries and tuitions are lower in Lebanon than elsewhere, so more of the investment goes to the actual research).

Ghanimeh singled out research that requires expensive equipment as particularly difficult to conduct in Lebanon, as research funding is often only

in the tens of thousands of dollars. "Grant money can't buy equipment," she laments. Dawy agrees that state-of-the-art research needs state-of-the-art equipment and laboratories. And while he praised—but did not quantify—AUB's investments into medical equipment that researchers and practitioners

can use, he noted that few of the university labs around the country are state-of-the-art. Dawy also says the university is in talks with BDL to steer money the bank is guaranteeing to 75 percent for investment into the "knowledge economy" via 2013's Circular

331 toward R&D at AUB. He refuses to go into details as discussions are underway, but says this is part of the university's plan to better incorporate entrepreneurship in a multi-disciplinary way.

■ In 2017, CNRS signed memorandums of understanding with eight of the 19 universities and hopes these agreements will lead to more coordination and cooperation in research activities in the country

WOULDN'T BE THE FIRST TIME

Elie Akhrass, director of the UK-Lebanon Tech Hub's International Research Center (IRC), tells EXECUTIVE that 331 money is being used to match \$3.2 million in funding from the UK government for the initiative, launched in late 2016. Akhrass says the IRC is funding applied research into, for example, a wearable, non-invasive glucose monitoring device. The for-profit initiative is not time-bound beyond the ability to raise and deploy capital.

The Tech Hub itself was initially launched as an accelerator financed by an investment backed 100 percent by BDL, without the UK's participation. Launching the IRC has been part of the Tech Hub's monetization strategy for at least the past 18 months. Akhrass says IRC will monetize by sharing royalties with intellectual property right-holders as a start, but address the question on a deal-by-deal basis.

Stakeholders EXECUTIVE queried over four months for this piece agreed that more R&D spending in Lebanon—whether by the state or others—would benefit the ecosystem, as the link between R&D and innovation is so clear. Calculating exact economic returns are difficult, but as Akhrass puts it, "If you want a knowledge economy and an innovation economy, you need R&D." ■



A SERIES OF FIRSTS

HUAWEI MATE 10 PRO

Huawei's latest Mate 10 Pro is your new best friend— it helps you multitask, doesn't slow down, it's reliable, and it understands you so well that it knows your next move!

All thanks to the world's first AI processor inside a smartphone, the Kirin 970. The revolutionary new chipset has next-generation computing capabilities that monitor how you use your phone, and the data it collects is used to predict your future behaviors. The phone's ability to understand and predict usage means it can operate at peak levels.

On top of that, add a fantastic GPU and CPU combination. The Mali G72 12-core GPU means a 20 percent increase in performance and 90 percent increase in power efficiency, while its new CPU has led to a 15 percent increase in performance and 35 percent increase in power efficiency, compared to predecessors. Translation: it's very fast.

Not only is the Mate 10 Pro the fastest phone yet by the Chinese tech giant, it also stays fast. After studying "device fatigue" and comparing the performance of brand-new and overused phones, researchers were able to understand and improve memory allocation utilization. The device uses different mechanisms to understand how apps operate, when they're used, and what the system needs in order to run them efficiently. The result is 80 percent reduced abnormal app launch.

Consequently the internet experience on the Mate 10 Pro is accelerated too. Boasting the world's fastest 4.5G, it takes just seconds to load and play 4K online video. Plus, as dual-sim devices, they can support VoLTE high resolution

calls and internet use on both sim cards simultaneously—so it's like having two 4G phones in one.

With so much you can do on the phone, you're probably already worried about keeping it powered all day. Of course Huawei thought of that too—the Mate 10 Pro has the world's longest battery life, also managed by AI. The phone avoids wasting battery by understanding how you use it, and what you use it for. It categorizes users and adjusts optimal power consumption settings accordingly. The battery supports twice a day's normal usage, and when you do charge it, it's SuperCharge—the world's first TÜV Safety Certified charging technology, the strictest certification of its kind in the world. Charging quickly, efficiently, and safely, the battery goes up to 20 percent in 10 minutes, 58 percent in 30 minutes, and when the device is in ultra-power-saving mode, charging it for 10 minutes keeps it on for a whole day.

The Mate 10 Pro also comes with amazing features that are bound to facilitate your lifestyle. For example, the world's fastest AI-powered real-time translation; a projection feature that connects the phone to a larger screen; and a full desktop experience—either mirroring or extending the smartphone display like a PC.

Launching with the all-new EMUI 8.0 powered by Android 8.0, the phone is packaged in an upgraded, sleek Mate design. The best part is the Huawei Mate 10 Pro comes with peace of mind—you don't have to worry about your device not being able to keep up with your long days, or freezing at just the wrong moment—the only downside is your new best friend may be smarter than you.

Don't miss out on innovation

Removing the obstacles in front of Syrian entrepreneurs will help Lebanon benefit from their innovative potential, especially in the technology sector

Instead of finishing his degree in IT engineering at Damascus University, 25-year-old Ayham* fled Syria with his family to Lebanon in 2012. At first, he worked on a banana plantation, then as a graphic designer. With the help of a scholarship that covered half his tuition, he finally finished a degree in computer science at the Lebanese International University. But rather than pay for a printed diploma, Ayham is using his income as a software developer to launch an artificial-intelligence coding platform.

Examples like Ayham's are rarely discussed in Lebanon, where Syrian refugees are often depicted as a burden on the country's infrastructure and labor market. But the reality is more complex. High unemployment rates had been a feature of labor markets in the region even before the start of the Syrian Civil War, and recent data suggests that the resulting refugee crisis has had a positive impact on job creation. An IRC report laid out the complexity of the economic situation: While data shows that the influx of refugees has increased competition for jobs and lowered wages, Syrian refugees have also stimulated host economies by providing new sources of labor and buying power. The potential upsides could outweigh the drawbacks in the long term, especially in some key sectors.

AN OPPORTUNITY FOR LEBANON

Some studies suggest that with the right support, refugees can become successful entrepreneurs, earning a sustainable income rather than relying on humanitarian assistance and social services. Refugees also attract investment: In Turkey, companies established by Syrians in the past few years saw an investment of \$220 million in 2015 alone. Since more than half of Syrian refugees are younger than 24, making use of the next generation's innovative potential would be an investment in Lebanon's future, especially if focused on microenterprises and the ICT sector, which the UN Development Programme described in a 2016 report as a "promising industry." Lebanon is already positioning itself as an



innovation hub: In 2013, Banque du Liban, Lebanon's central bank, launched a nearly \$650 million package to encourage investments in startups to boost the entrepreneurial ecosystem. Yet high-quality startups and tech companies worth investing in are still lacking. People like Ayham show the entrepreneurial potential of Syrian refugees—but they face many obstacles in Lebanon.

CHALLENGES FOR SYRIAN ENTREPRENEURS

Syrian refugees' access to the Lebanese labor market is limited. Those registered with UNHCR are not allowed to work, and those not registered can only work in the agricultural, construction, and environmental sectors—if sponsored by a Lebanese *kaf-eel*. As a result, most

■ High-quality startups and tech companies worth investing in are still lacking

Syrians work in the informal sector. In 2015, only 1,045 new work permits were issued, and 801 permits renewed for the over 1 million Syrian refugees registered at UNHCR Lebanon, according to the country's Central Administration

of Statistics. A report from the International Labor Organization says that “there is a great deal of confusion surrounding the implementation of the laws and regulations ... in relation to their entry, stay, employment, [and] property ownership.” Other difficulties include a lack of access to funding, information, and banking.

In addition, traumatic memories of the Syrian presence in Lebanon are still fresh. Samer, another Syrian who fled to Lebanon, is working as a software developer in Beirut and developing a smart-device startup. Samer says that when he tells Lebanese that he is from Syria, their attitude toward him cools. Ayham feels comfortable working in Lebanon, but he has also experienced harassment. “Lebanese have suffered, and I can understand their pain, but I wish we could put behind the past and look forward together,” he says. Samer also says he finds it difficult to integrate in the startup scene. Syrians often have limited English skills, while in Lebanon many of the meet-ups are in English, he says.

SUPPORTING ENTREPRENEURSHIP

Few organizations are supporting promising Syrian startups with training and funding. One of them is Jusoor, which was founded by Syrian expats. According to Ahmad Sufian Bayram, Jusoor’s entrepreneurship program advisor, “Lebanon is losing a lot of opportunities” because it lacks qualified software developers, while many qualified Syrians cannot work legally. Another example is the Friedrich Naumann Foundation, which organizes hackathons on social entrepreneurship and game jams—where the games produced promote social causes—among other projects, to bring together Lebanese and Syrians interested in entrepreneurship and technology while connecting them with the startup ecosystem in the region and internationally.

Several steps could be taken to support Syrian refugee entrepreneurs in Lebanon, such as issuing special work permits for well-educated Syrians with sought-after skills like expertise in technology. More research on entrepreneurship could help policymakers identify parts of the Lebanese economy that would benefit from admitting Syrian refugees in the long term. Since 2013, the ILO has recommended that Lebanon develop a wage policy, formalizing the informal economy and providing more statistical information. In addition, microenterprises could be

promoted through small loans and grants, accessible to anyone living in Lebanon.

■ “Lebanese have suffered, and I can understand their pain, but I wish we could put behind the past and look forward together”

If Lebanon wants to become a hub for innovation and technology, it cannot afford to miss out on the potential and motivation among Syrian refugee entrepreneurs. Investing in

them is investing in the future of both Lebanon and Syria.

DIRK KUNZE is head of office of Friedrich Naumann Foundation in Lebanon and Syria. SOFIA KOLLER is project coordinator of FNF in Lebanon and Syria.

**The Syrian refugees in this piece preferred to be identified by first name only.*

The logo for OBEGI HOME features the word "OBEGI" in a large, bold, sans-serif font, with a small circle above the "O". To the right of "OBEGI", the word "HOME" is written vertically in a smaller, all-caps, sans-serif font.

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By Hani Bathish

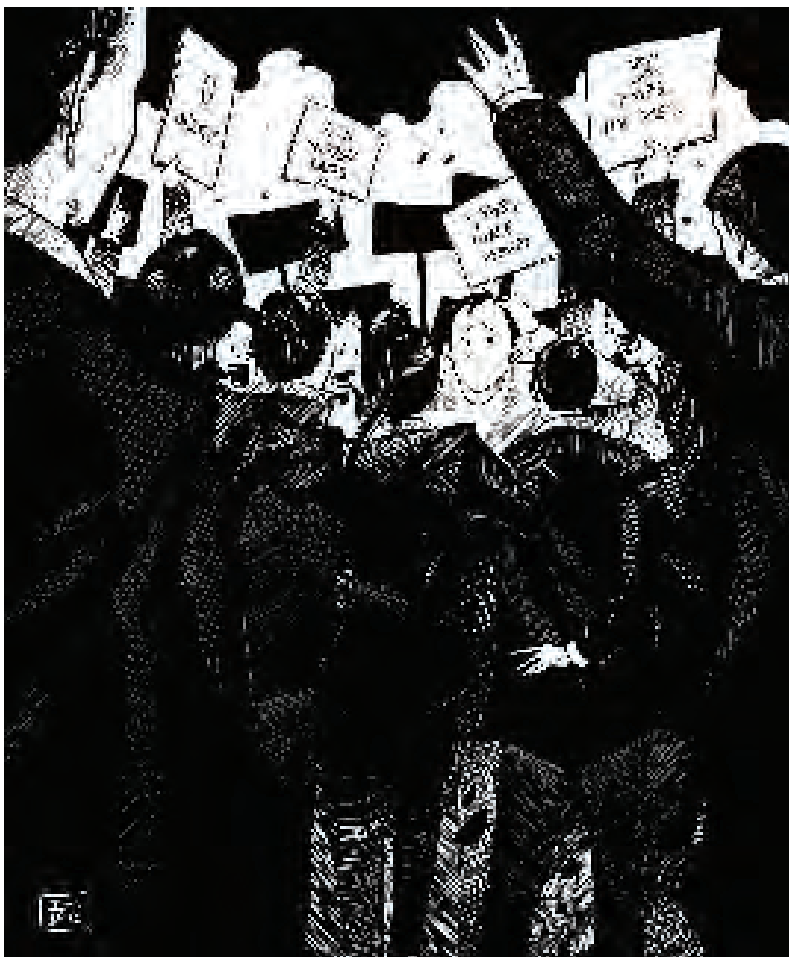
A good time to borrow

A buyers' market whets banks' lending appetite

Home loans account for more than a quarter of local banks' private sector lending. This is in large part thanks to subsidized loans from Banque du Liban (BDL), Lebanon's central bank, and loans from the Public Corporation for Housing (PCH), which are offered through local banks to lower-middle and low-income home buyers.

A surge in home loans in recent years has prompted banks to explore untapped areas in the home buyers' market, offering loans in US dollars with attractive terms to those buying second or third homes, luxurious and expensive units, seaside or mountain chalets, and even land to build on or property abroad—none of which are covered by BDL subsidized loans or PCH loans.

Through billboard, radio, and TV ads, banks try to make a case for their home loan products, touting better terms than their competitors, including longer repayment periods, a longer grace period, more competitive interest rates, and even 0 percent interest. All banks offer nearly identical products when it comes to BDL subsidized loans or PCH loans, and their proprietary home loans are crafted within very strict guidelines from the central bank that leave them with little wiggle room to differentiate their product from their competitors. Nonetheless, banks have cleverly used that wiggle room to grow their portfolios of home loans. Home buyers would do well to educate themselves about banks' bag of tricks and shop around for the product that best fits their needs.



A SURGE IN HOME LOANS AND INCENTIVES

In today's property market, developers are increasingly eager to make sales, offering sizable discounts on units that dip to 20 or even 30 percent below asking price. "The volume of home loans in the market has gone up by 20 percent per annum over the past 10 years," says Marwan S. Barakat, head of research at Bank Audi. "Today, there are \$12.2 billion in housing loans in

Lebanon, compared to just \$4.5 billion in 2010."

By comparison, total private-sector loans in the market today stand at \$53 billion. According to 2016 figures from Bankdata, the three Lebanese banks with the largest home-loans portfolios were BLOM Bank at \$1.84 billion, accounting for 16 percent of the market, Bank of Beirut at \$1.52 billion, accounting for 13 percent of the market, and Bank Audi at \$1.45 bil-

lion, accounting for 12 percent of the market. And it is not only Alpha banks that are looking to capture a sizable share of this lucrative market: BSL Bank, a midsize Beta bank, launched its Home Initiative Loan in February with the tagline, “Repay what you borrow and not a penny more.” The loan has an annual percentage rate (APR) of 0.65 percent—nearly zero.

“We got a call from consumer protection at BDL,” said Charbel Watfa, CFO of BSL Bank. “We were happy we got that call—it meant they were doing their job. They were curious to know how we could offer such an attractive rate. I sent them my calculations, and they were satisfied and wished us luck.” At the end of 2016, BSL’s total home loans stood at \$41 million; in the seven months since the bank’s initiative was launched, their home loans portfolio has increased by \$21 million.

“The home loans sector benefited a lot from the stimulus packages of the central bank, although over the last two years there has been a slight slowdown in growth in the housing loans sector,” Barakat says. To counter this dip, the central bank has raised the ceiling on the amount home buyers can borrow to purchase a property under its subsidized loans program, from LL800 million (\$533,333) to LL1.2 million (\$800,000), a significant hike. Nassib Ghobril, head of economic research and analysis at Byblos Bank, says that BDL is set to announce new incentives to help increase demand for home loans from expatriate Lebanese, which he notes have dropped significantly. “The incentive is said to include a 30-year mortgage at 2 percent interest and a four-year grace period,” Ghobril says. “The intention to buy property may have increased, but that has not yet translated into actual transactions—for that, you need incentives.”

THE 0 PERCENT MYTH

BSL Bank is technically correct when it says its loan is offered at 0 percent interest, not including fees—however, this is not to say that the bank doesn’t profit from the deal. The bank requires customers who qualify for the home loan to give it 20 percent of the value of the property being purchased, on top of the 25 percent down payment the customer already paid the seller, totaling 45 percent cash upfront. The 20 percent is returned to the customer in monthly payments over the duration of the 30-year loan period, minus the interest that the bank earns on the money from investing it. The bank could potentially lend the money out several times over that 30-year period at a much higher interest rate to recoup its costs and net a handsome profit.

But Watfa insists that what BSL Bank earns on its home loan product is barely enough to cover its costs. “In our situation, we needed to grow our market share, so we offered this loan. To be eligible for the loan, you have to put money in the bank, have an account, credit cards—in short, be a loyal BSL customer, and not just passing through,” says Watfa. He adds that BSL benefits from this home loan by building their customer base and cross-selling various other bank products.

Banque Misr Liban (BML) offers a similar facility to buyers through its Prepaid Interest Housing Loan, which requires clients to pay the interest on their loan up front in cash, instead of over the 25-year loan period as part of the client’s monthly payments. Roger Zovighian, assistant general manager and head of branches and retail at BML, says this is advantageous for the client. “The amount paid in interest is less if paid up front than if you pay it in installments over the whole period of the loan,” he says. For ex-

ample, the interest paid up front on an apartment worth LL300 million would come to around 20 percent of the apartment’s value, whereas if the interest were paid over the whole period of the loan, it would come out to around 40 percent of the apartment’s value. “We also invest the prepaid amount to earn interest and pay part of that interest back to the client,”

■ “Property prices went up so high that monthly payments couldn’t increase in the same way and still be affordable to salaried employees of limited financial means”

Zovighian says.

Since introducing its prepaid interest loan a year ago, BML’s total portfolio of home loans has grown to \$87 million, up from \$74 million last year. Both BML and BSL home loans appeal to wealthier homebuyers who are able to pay 45 percent of the total value of a property in cash; it is an opportunity for them to leverage the purchase of a larger property and save on interest.

BUYERS’ MARKET INTENSIFIES COMPETITION

Developers have had to adjust their expectations and offerings over the past few years. Since Gulf Arabs pulled out from the market, the luxury segment of the property market has seen almost no activity. “Competition is high between developers on quality of finishing, number of parking spaces assigned per unit, size and location of storage room for each unit, the quality of the material used. Developers are also providing financing facilities through tie-ins with banks and trying to make it easier for buyers to bear the costs of buying a home,” says Marwan Mikhael, head of research at BLO-MINVEST Bank. “Before 2007, we

Home loans



■ With Gulf investors out of the market, and Lebanese abroad investing less, Barakat says resident Lebanese demand is keeping the market together

didn't have 30-year home loans; today you can get up to a 40-year loan. Property prices went up so high that monthly payments couldn't increase in the same way and still be affordable to salaried employees of limited financial means, so we followed the US and Western countries in giving long-term loans."

Demand today is for small units, according to Mikhael: Units measuring 70 square meters to 130 square meters sell best. The shift from luxury to utilitarian, from a supply-oriented market to a demand-driven one, began in 2011 with the start of unrest in Syria and its impact on Lebanon. Prices had been rising steadily from 2006 until 2010 by about 35 percent annually. "Real estate in 2006 was undervalued when compared to the region and other emerging markets at the time," said Mikhael. "This was a boom time—9 percent [GDP] growth per annum—[and] the housing sector benefited because it was undervalued."

The boom years are over now, but prices remain relatively high. "The cumulative decrease in real

estate prices over five years, since 2011, has been just 20 percent," says Bank Audi's Barakat, adding that list or asking prices rarely go down in Lebanon. "Low leverage in the market means developers don't rely on debt to finance their projects, but instead, count on their own financial means and are not under pressure to sell at any price. In addition, the type of demand in Lebanon is end-user demand; speculation only accounts for 20 percent of the market," he adds. With Gulf investors out of the market, and Lebanese abroad investing less, Barakat says resident Lebanese demand is keeping the market together.


BANKERS' BAG OF TRICKS

BDL protects consumers' rights by requiring banks to disclose their APR, including all fees and insurance costs, to any potential home loan customer. But sometimes, highly suggestive and emotive language used to promote a loan in advertising campaigns can mislead. Grace periods, in particular, are a misnomer. "A grace period as advertised by banks is not

really a grace period," says Mikhael. "While you only start to pay the principal amount after the end of the grace period, you actually do make monthly payments during the grace period, but only interest payments on the principal."

In fact, the much-touted grace period, be it for one, two, three, or four years, is a little more than a poison chalice. "People are happy when a bank gives them a grace period, but in fact, this is to the bank's advantage, not the customer's, since it's a period of time during which your principal has not decreased at all, but [instead] accumulated interest that you eventually will have to pay," says BSL's Watfa.

The way the monthly payments are structured also has an impact on how much a customer pays each month. BDL rules require that monthly loan repayments not exceed one third of a borrower's total income. Some banks allow customers to make a one-time balloon payment at the end of the year to lower the outstanding loan amount and further reduce the interest. "Customers should ask about the monthly payments more



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Home loans

than the interest. The monthly payment is divided between interest payment and principal payment. If a bank overloads the monthly payments with interest, the principal remains high, and a customer ends up paying more in interest over the whole repayment period,” says Mikhael.

Two different banks could have the same interest rate for the same loan amount, and the same repayment period, but their monthly payments would still differ markedly. “If a customer asks how the monthly payment is structured, a bank is obliged to tell them,” says Byblos Bank’s Ghobril. Mikhael says that banks generally do not tell customers how their monthly payment is structured, how much of it is interest, and how much is principal, if they do not ask. “It’s up to individual banks to decide how they structure their loans—BDL doesn’t insist banks tell customers how much of their monthly payment comprises interest and how much is principal,” Mikhael says.

SELLING THE LOAN

A loan is still a product that comes with a price tag and the unassailable consumer right to ask questions. Advertising is designed to make any product attractive and compelling, and home loans are no exception. “While advertising may get customers through the door, once they’re in, BDL imposes strict guidelines on banks that require them to disclose how interest rates are calculated to their clients. Banks have to be very transparent,” says Ghobril.

Local banks are intensively marketing their products to both resident and expatriate Lebanese, especially banks that are looking to expand their market share. “We do a lot of marketing for our products. We had a huge campaign for expatriate housing loans, and it has been a great success,” says Georgina Dinar, head of group



Customers would do well to ask about monthly loan payments

consumer loans at Byblos Bank. “The idea is to assure the Lebanese living abroad [so that they] come home and invest in their country. Our team in Abu Dhabi and Dubai held a seminar for expatriates to promote our loan products.” The bank also adds a few sweeteners to reel in potential customers, including a special account for expatriates, cash transfers at low rates, and a pre-approved credit card with a \$5,000 limit and no basic annual fee for the first year.

Three years ago, Byblos Bank also introduced the Expatriate Land Loan as part of its expatriate package. “Interest in the land loan has been very good. It’s very important for the Lebanese abroad to buy a home or buy land on which to build a home in their native villages,” Dinar says. To sweeten the deal further, for the first two years of the loan period, Byblos’ rate is cost of funds plus 2.8 percent instead of the standard 3 percent.

Bank Audi runs two or three promotional campaigns for their home loan products each year, according to Grace Eid, head of retail banking

Lebanon at Bank Audi. “Over seven years, we have had road shows aimed at expatriate Lebanese. We have gone

■ “Interest in the land loan has been very good. It’s very important for the Lebanese abroad to buy a home or buy land on which to build a home in their native villages”

to Latin America and sent people to the Gulf. Most Lebanese in the Gulf would love to own a home in Lebanon. We see less interest from the US, but we do see interest from Latin America and from Africa—the Lebanese there have a nostalgic longing for owning a home in Lebanon,” Eid says.

Audi offers 0 percent interest credit cards, special accounts, low cash-transfer rates, and a free robot vacuum cleaner to each home loan customer. In addition, the bank also tries to build a strong bond of trust with consumers through what are framed as public-service TV ads that inform the public of their rights when dealing with banks. “As the consumer

is not an expert, three years ago we introduced “Banking Tips,” a video series on TV, which includes advice on real-estate expert fees, home insurance, and bank-file fees,” Eid says. The series was a clever way to promote a feeling of trust between consumers and the bank. It has since been replicated by at least one other local bank.

Not all banks, however, promote their housing loans intensively. BML’s Zovighian says, “We don’t advertise our housing loan products; we only promote it through our brochures that we have at our branches. We haven’t found a way to market it properly to a wider audience yet, but we can’t market the [prepaid interest housing] loan as a ‘0 percent’ interest loan because it is not.”

TYPES OF LOANS

The market has many options for first time home buyers: For lower-income homebuyers, there are loans from the Public Corporation for Housing (PCH); at the middle to lower-middle end, there is the BDL subsidized loan and Habitat Bank loan; and then there are the banks’ own custom home loans that meet the needs of second home buyers.

The Banque de L’Habitat, or Habitat Bank, offers home loans at attractive rates, and its customers are exempt from stamp duty and mortgage fees, but the loan amount is limited to LL800 million (\$533,333). The bank currently has a 6 percent market share in the home loans market, according to Bankdata. “BDL owns 20 percent of the Habitat Bank, while commercial banks own 80 percent. BDL asked the Habitat Bank to lower its rate to 3 percent with the stimulus package, [and] this took clients away from commercial banks,” says Ghobril.

The PCH offers home loans that can finance 100 percent of the value of the purchased home with no

down payment required, but the value of the loan is limited to just LL270 million (\$180,000). The applicant’s monthly salary also determines the size of apartment one can purchase under this loan. “The PCH is the most advantageous: The loan period can extend for up to 30 years, but in the first 15 years you only pay off the principal, [and] the PCH pays the interest for you. After 15 years, your home is fully paid for. Over the following 15 years, you start paying back the interest the PCH paid on your behalf to the bank,” Mikhael says.

For higher-income people looking to borrow larger amounts to finance a property purchase, banks offer custom loans. Byblos Bank, for example, offers a US dollar loan with no upper limit on the amount borrowed, at rates that top 9.5 percent for a 10-year loan to finance the purchase of a piece of land. “Our product allows us to address the needs of niche customers, those who wish to buy a second home or a chalet—even those who wish to buy a piece of land, we cater to them,” Dinar says. “It’s not a highly profitable loan product, but our aim is to serve our customers and to grow our customer base.” She adds that if a customer wishes to build on the land, the bank can extend a second loan to cover construction costs with the land mortgaged to the bank as collateral.

STRUCTURING THE LOAN AND TRANSPARENCY

Each bank structures monthly loan repayments differently, through its own internal financial engineering. BDL leaves such decisions up to local banks to determine. “The monthly payment is reviewed each year based on the new interest [rate],” says Dinar. “From a transparency perspective, we provide our

customers with a key-facts statement from the start that lists all the fees and costs of the loan and interest payments distributed throughout the year. The structure of monthly payments—[the] percentage of the payment that is interest and [the] percentage that is payment of principal—is standard for all banks in Lebanon,” Dinar says.

Bank Audi’s Eid says that banks have to tell clients about their APR, as well as life-insurance fees. “Banking services are standard. We differentiate ourselves from other banks by putting the customer at the center of our offering. People have different needs, and we have to provide financial solutions for our customers. We are not driven

■ Two different banks could have the same interest rate for the same loan amount and the same repayment period, but their monthly payments would still differ markedly

by volumes alone, but rather offer the right product for the right customer,” Eid says. Personal bankers learn about applicants, so they know to point them to the product that best suits their needs, she says, examining their repayment capacity and total income. Eid adds that the market has become more regulated over the past three years.

While banks continue to promote their home loan products as the best deal for the consumer, they will be held to a high standard of transparency and fair dealing by the central bank. This, however, does not replace the consumer’s responsibility to ask questions and to shop around for the home loan that best fits their needs and their financial means. ■

By Nabila Rahhal

Raise a glass to something new



The stories behind Lebanon's latest vineyards

Lebanon's wine landscape has evolved continuously since the end of the civil war in 1990. There were only about five operational wineries at the time; today, Lebanon has 45 wineries, according to the latest count by the Union Vinicole du Liban, Lebanon's official association of wineries—and some in the field place the figure as high as 50.

This increase has opened investors' and wine enthusiasts' eyes to the potential that lies within a glass of Lebanese vino, and as a result, even more

wineries are set to enter the market.

EXECUTIVE took a look at three wineries that launched their first vintage within the past few years to find out what motivated their owners to enter this business, and what they bring to this dynamic industry.

LATOURBA

Nestled deep in Saghbine, west Bekaa, with a view of Lake Qaraoun, lies Latourba winery. Latourba is the brainchild of Elie Chehwan, an engineer and former head of municipality

of Saghbine, who envisioned a social-development angle for the winery. It also includes an animal farm and an ecotourism project.

Chehwan wanted a sustainable project that would support Saghbine and allow locals to work within the area rather than have to travel into cities for work. He already owned some land in the village, and rented additional land from a nearby monastery on a long-term contract.

Since the land he owned was known for its rich layers of soil—

■ Latourba released its first vintage in 2014. Today, the winery produces 12 vintages, making 4,000 to 5,000 bottles of each. Latourba also wants to be the first winery in Lebanon to produce a sparkling wine



hence the brand name Latourba, which translates to “the soil” in Arabic—Chehwan considered crops that would benefit from this richness. “We thought of wine because, since the time of the Romans, the land here used to be planted with grapes known for their superior quality,” says Chehwan, explaining that he did not want to stop at planting table grapes since he believes agro-foods—processed foods from the land—have a larger and more stable market, both locally and abroad, compared to fresh produce.

Starting in 2006, Chehwan began working with Sofoklis Petropoulos, a Greek winemaker who has a PhD in winemaking from Australia and five years of experience making wine there, to plant his 65 hectares with a variety of grapes.

Chehwan only uses his grapes for wine and sells the surplus to other wineries. Latourba produces only monovarietal wine and does not have blended vintages. “Every parcel has a different grape variety, and the same parcel makes the same vintage every

year, so it’s interesting to compare year after year,” says Chehwan, explaining that as a new winery, producing monovarietal for a couple of years helps him understand how each grape variety is maturing and responding to the soil, in case he wants to produce blended wine in the future.

Latourba released its first vintage in 2014. Today, the winery produces 12 vintages, making 4,000 to 5,000 bottles of each. Latourba also wants to be the first winery in Lebanon to produce a sparkling wine. Chehwan says he has been working with an expert consultant from Champagne, France, on this pet project for five years now: “It takes time, because you can experiment only once each season, so you have to wait until the next year to modify the recipe and test it,” he explains.

Latourba wine is currently available for purchase online on the 209 Lebanese Wine website, in high-end restaurants, and in boutique wine sellers. Chehwan says he is planning on opening a boutique store in Beirut where Latourba wines will be sold among international wines, and where charcuterie, cheese, and wine nights will be held with visiting sommeliers.

The Latourba winery itself was only the beginning of the vision Chehwan had in mind for his property. In 2015, he built an animal farm with cows, goats, sheep, and chickens adjacent to the vineyards. He uses these animals to produce eggs, *labneh*, and a variety of cheeses, including goat cheese.

While these products do not have a brand name yet and are not available in the retail market, customers can buy them from Latourba. Visitors will also be able to enjoy them in the restaurant Chehwan is developing on

Wine

the property, which will be open by summer 2018.

The restaurant will be a part of a 15 kilometer space for a tennis court and children's activities, a small guesthouse, the winery and cellar, and the animal farm. The project will also include a shop that will sell Latourba wine, the food products produced on the property, and traditional *mooneh*—food such as pickled vegetables or mollasses made by villagers to be stored in the pantry—prepared by local villagers. Chehwan hopes to employ more than 10 families through this project, in addition to the families making part of their livelihood through selling their items in the shop.

Chehwan thought of this project as way to profit from the serene and beautiful setting of his property in a way that city-dwellers would appreciate. "I felt that luxury tourism is no longer in demand, and people are looking for authentic ecotourism. They want to be in nature [at least] once a year. It's also good for children to experience farm life and nature," he says, recalling how one of his children's friends was surprised to see that chickens have feathers, having only seen them on supermarket shelves.

Chehwan will not disclose how much he invested in the project, claiming he was focusing on the social impact of his venture and did not have a feasibility study in mind. Today, however, Chehwan sees promise in his project beyond the social value. "I felt that this project has a lot of potential, whether it's the wine or the food products—it has the potential to [meet] some of the local demand for quality food items and decrease the rate of importing," he says. He also took a subsidized loan from Banque du Liban, Lebanon's central bank, when he set up the farm, and another one for constructing the winery. He says he will take a third when he wants to expand his wine production.

SEPT

Maher Harb was satisfied with his life in Paris—he had a promising career in business-intelligence consulting and had lived there since 2001 when he left Lebanon for his university education—but he always felt there was something missing.

The only place he would feel truly at peace, he decided, was in the home his father built in their village of Nahla, Batroun, a year before he passed away.

In 2009, when the economic crisis was just starting in Europe, Harb was denied a project he had really wanted within his company, and began to question his life choices. "I realized that I feel at peace in nature, and when I would go visit the villages around France, I would feel almost

the same kind of peace I would feel on my visits to Nahla. I realized that maybe the life I was living is not the one for me," explains Harb.

After months of introspection, Harb decided to become a winemaker and plant the small plot next to his family's home with winemaking grapes. Thus began a year of research during which Harb read as many books as he could about winemaking, visited many wineries across France, and even made wine in his apartment.

Harb returned to Lebanon in 2010 and, using the \$35,000 he had saved in Paris, he transformed the woodland in Nahla into a plot of land ready for planting. But this depleted his funds, and he was left with no resources with which to move forward.





Fratelli Rossetti opens @ABC Verdun to the rhythm of swing

Fratelli Rossetti opens the doors of its second boutique in Beirut at ABC Verdun, prime retail and entertainment destination in town. On October 5th, Holdal Group and Diego Rossetti inaugurated the new store during an evening of swing dancing, from 6 to 9pm, under the auspices of the Embassy of Italy in Lebanon. In this occasion, a sophisticated and elegant Fall/Winter collection was presented, revisiting the 1940s style in a contemporary way.



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Wine



One step closer to the bottle

For the next two years, Harb worked within his original field in Lebanon to make the needed amount to plant the land with grapes—which he did in February 2012. But he was once again at a financial roadblock, so he returned to work in business-data analysis, this time in Riyadh. “I stayed there for two years and a half, struggling with wanting to come back to the vineyard and staying in Riyadh to make a living in a domain which was helping me make a life,” recalls Harb.

In the end, the vineyard won out, and Harb submitted his resignation in Riyadh. In mid 2014, he applied for a Master of Science in Wine Management at the International Organization of Vine and Wine. Using \$50,000 from the money he had earned in Riyadh, he spent the next year and a half immersed in learning about wine, touring 25 wine-producing countries, and meeting influential figures in winemaking. “This was the most beautiful experience of my life. I came back to Lebanon [at the] end of 2015 physically exhausted and broke, but full of energy and determination to start my own winery,” says Harb.

For the next two year, he made money by working at wine retail shops and wineries, and by giving wine appreciation lessons. At the same time, he was working on

launching his own winery and promoting it on social media.

He registered the company in 2016 and chose the brand name Sept (“seven” in French), as that is his and his father’s life number in numerology. “This project is really an homage to my father, so our common life number was the perfect name,” explains Harb.

He took his first personal loan the same year to buy winemaking equipment in order to produce the 2016 vintages. He also applied for an \$80,000 Kafalat-sponsored loan, which was approved two months ago, and which will allow him to work toward the 2017 vintages.

Harb follows the natural method of winemaking, meaning he works with natural yeast and uses no additives in his wine except sulfur, of which he uses less than the minimum recommended amount. Since

■ “I know that the concept, and the way I do my wine, will appeal to the international niche markets that I know of”

he produces *vin du lieu* (wine that represents the soil and area it is produced in), he uses each grape variety separately and clearly states the region of origin on every bottle. In addition to the grapes from his vineyard in Nahla, Harb buys grapes from Zahle, Deir El Ahmar, and Riyaq from farmers whom he works with to establish quality control.

Harb launched his first vintages in October 2017 during Vinifest, the annual Lebanese wine festival, and says the positive response he received from fellow winemakers felt like validation for his difficult journey. He has produced 6,000 bottles of the 2016 vintage, and will produce 7,000 for the 2017 vintage. He expects to produce up to 12,000 bottles annually for the three years after that.

Sept wine can currently be brought from 209 Lebanese Wine’s online platform and enjoyed in several niche restaurants, such as Bar Du Port in Saifi. Harb is working with Tire Bouchon, an importer, on a distribution strategy that includes training hospitality staff in wine appreciation so that they may in turn knowledgeably help customers make wine choices.

Harb is keen to distribute internationally, taking advantage of the strong network he developed from his master’s program days. “I know that the concept, and the way I do my wine, will appeal to the international niche markets that I know of. This will give great credibility for my project,” he says.

VERTICAL 33

The name Vertical 33 stands for a latitude with rich soil ideal for red wine production. Eid Azar, one of the winery’s founding partners, chose the name to highlight the importance of terroir, which is the type of soil used for his wines. “It’s the geographic location that makes all the difference in wine; everything else is details,” he says.

Azar is a medical doctor at Saint George Hospital. He did his medical training in New York, where he learned to enjoy drinking and began collecting fine wines.



Pinot Noir grapes grow well in cold climate

spirit. CREATES AND PRODUCES ONE OF THE BIGGEST TV COMMERCIALS IN THE REGION

Once again, Spirit Advertising has been assigned by Rotana Hotel Management to conceptualize and produce one of the biggest TV commercials across the region.

In celebration of its historic 25th anniversary milestone, Rotana, one of the leading hotel management in the region with hotels across the Middle East, Africa and Turkey, has partnered up with Spirit Advertising to create and produce their latest TV commercial. The campaign will be rolled out on all leading global TV networks including CNN, MTV, TV5, France 24, Sky News Arabia and all MBC channels just to name a few. It is also worth noting that the TVC was shot in different cities and properties on a period of several days and the music composition was realized in the UK.



To watch the TV Commercial visit www.spirit-me.com



The TVC portrays Rotana's brand promise "Treasured Time" while highlighting its brand values represented through "The Rotana Life", with the word "LIFE" serving as an acronym for Long-term, Innovative, Friendly and Ethical.

"2017 is a special year of Rotana as we complete 25 years of operations and mark a historic milestone in our growth journey. In many ways, the campaign is our way of sharing our happiness and excitement with our guests who are placed at the heart of our story. It is the experiences and moments they have come to enjoy, cherish and associate with the Rotana brand that define our core success. This campaign celebrates this relationship through our brand values and our promise of delivering "Treasured Time" to our guests, each time" said Amal Harb, Corporate Vice President – Marketing, Rotana Hotel Management.

"Rotana's TVC is a reflection of the company's leadership position in the region, which is aptly captured in the narrative through different scenes shining a light on the experiences that have made Rotana the preferred hospitality partner of guests from around the world. We congratulate Rotana on completing 25 years of operations and feel proud that we could be a part of this phenomenal achievement" said Hani Haddad, Chairman and CEO, Spirit.

About Spirit

Spirit Advertising was established in 2004 in Beirut and 2007 in Dubai, this global award winning advertising network offers an array of services such as creative, branding, communication campaigns, PR & Media, online marketing all under one roof.

www.spirit-me.com

Wine



Vertical 33's vineyards in Remtanieh

In 2011, during a hike in Bouarij—a village on the outskirts of the Bekaa, which lies between the eastern slope of Mount Kneisseh and Kefraya village—he came upon an old village called Remtanieh, which had been abandoned for nearly 50 years.

It was clear from the ruins, which included broken-down farmhouses and farming terraces, that the area had been agriculturally rich. “During the 1930s and 1940s, before the state of Lebanon came to be, this area was all planted,” explains Azar. “The village was left to decay because it didn’t make sense to have a cultivated area here when the Bekaa valley had opened up as a plantation; it was very difficult to compete with that economically in terms of scale. It’s also difficult to plant here because no big tractors can come in due to the narrowness of the roads. The area’s gradual revival began in 2005,” Azar said, when a few farmers started apple plantations.

While taking in the beauty of the land, Azar saw some live vines, which dated back to the pre-independence era. It was then that he thought of reviving the location as a vineyard. So he and two of his friends pooled their personal funds and brought nine hectares of land to set up a vineyard and winery.

In 2012, Azar and his partners

met Yves Confuron, a well-known winemaker from Burgundy. They invited him to their property to study its potential, and he joined the project as their partner. After rebuilding the terraces and preparing the land, they began planting in 2014.

Azar says the idea behind the winery is to make the most of the area’s microclimates. “Our approach to winemaking is terroir-based, which means that you don’t drink grapes, you drink where the grapes are coming from. If you put the exact same grape in a different soil, it’s going to behave differently,” explains Azar.

As such, he planted each variety of grape in the climate where he thought it will grow best. For example, Azar planted the Pinot Noir in the land adjacent to the winery because of its high altitude (1,600 to 1,400 meters), which the Pinot needs, while they planted the Cinsault in Kefraya, since it is hotter in the valley, and that grape responds well to heat.

In addition to the vineyard around the winery, Azar and his partners bought additional land in Zahle (planted with Cabernet Sauvignon), Umol (planted with Obeidy), and Kefraya (two separate plots—one in the valley, and one on the slopes above it).

Vertical 33 released its first la-

bels in 2017, and Azar says it was an experimental year where they only produced 1,000 bottles. He plans to have nine labels and will produce between 2,000 to 4,000 bottles of each depending on the yield. All the company’s wines are monovarietal, and the grape variety along with its area of origin is clearly labeled on the bottle.

Azar plans to distribute Vertical 33 in niche markets. Confuron, a distributor that is already present in 80 markets worldwide, will be facilitating the international distribution of Vertical 33.

Azar says they are planning to open their own wine shop and bar in Gemmayze before the end of 2017. The purpose of this venture, according to Azar, is to market Vertical 33 “one-on-one,” since, as a small winery is it easier for him and his partners to do their own marketing.

Vertical 33’s local distribution will be through two friends, one of whom works with Found’d Group, a holding company of several restaurants in Lebanon. Vertical 33 will be present in The Gathering and Kaléo, two restaurants managed by Found’d, as well as in high-end restaurants such as Liza, where customers appreciate good wine, Azar said. “My wine is \$35 per bottle, so I’m not interesting for most restaurants because other wineries offer them a bottle for free for every two bottles they sell,” he says.

The wine will not be available in supermarkets, as Azar explains there is too much competition. “I’ll be smashed among titans, and I’ll have to compromise on quality, which I don’t want,” explains Azar.

Those interested in buying Vertical 33 can do so in the upcoming Gemmayze outlet, and at the winery itself. Azar and his partners are working on a restaurant and guesthouse project on the property, the construction of which is almost done. Azar says they are respecting the nature of the property and only using the stones and materials which are already on the land itself.



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The thyme trailblazers

Transforming Lebanon's favorite herb

A heavenly aroma greets you when passing by a bakery; tangy flavors linger on your taste buds long after you have swallowed that last bite. Yes, we are talking about zaatar—the faithful companion of the *man'ousheh*, a Lebanese breakfast favorite.

Jordan, Syria, and Lebanon each have their own versions of zaatar, mixing different herbs and seeds with dried thyme leaves. The Lebanese zaatar mix typically includes dried Lebanese thyme (scientific name *Origanum syriacum*), sumac, toasted sesame seeds, and salt.

This simple staple has been the object of innovation in Lebanon, through the cultivation of the thyme itself or, more recently, through twists to the original recipe.

WILD THYMES

Lebanese thyme is a wild herb found in almost all of the country's mountainous areas. It is plentiful, as it needs very little water to survive. It is collected mainly by rural families, who dry it and mix it with the other zaatar ingredients. It is then either sold it to commercial distributors and resellers, or to friends and family.

However, careless harvesting—ranging from pulling the plant from the roots to cutting the leaves before they have fully matured—is harmful to the herb and risks depleting Lebanon's resource of wild thyme.

To reduce over-harvesting and protect Lebanon's thyme, Law 179 was published in 2012 in coordination with a project funded by the UNDP. Under this law, those who want to collect thyme have to abide



Fresh from the land and ready to be dried

by several regulations, including obtaining a license, which indicates the area they want to harvest in, and harvesting only once a year, between June and October.

THE POWER OF PLANTING

While measures were put in place to monitor those harvesting wild thyme, international NGOs also encouraged farmers to grow thyme themselves.

After the Israeli withdrawal in 2000, these organizations worked on projects that would provide families in rural areas of south Lebanon with a source of livelihood. It was then that the idea of cultivating thyme took root—although many farmers resisted, believing that cultivated thyme would be of a lower quality than the wild variety.

Cultivating thyme ensures a steady supply of the zaatar mix, which, due to its high demand in the local market, makes it a viable source of income.

Although some are still reluctant to plant thyme, Mohamad Nehme, a construction worker turned thyme farmer, is a firm believer in the practice. He was one of the first farmers to fully embrace thyme cul-

■ Many farmers resisted, believing that cultivated thyme would be of a lower quality than the wild variety

tivation back in 2000, and he says he began to plant thyme even before it was encouraged by international NGOs.

A BRAVE NEW WORLD

As Nehme recounts, he and his



Zaatar



Eight of The Good Thymes mixes are already on sale

family, who are from the village of Zawtar in south Lebanon, collected modest quantities of thyme every year. They would then turn it into zaatar and sell it as a supplement to the family income.

This activity was not without risks, according to Nehme, as they were on the frontlines with Israel and were subjected to sniper attacks or risked setting off cluster munitions whenever they would collect thyme from certain fields. It was then that Nehme thought of finding a way to grow thyme in a safe place, instead of risking his family's lives by collecting wild thyme in these dangerous areas.

Nehme says it took a lot of trial and error—especially at first, since he was working alone with no support—to be able to plant thyme that survived the season.

When the UNDP took an active interest in thyme cultivation in 2006, after the July war, it found Nehme and helped him develop his planting techniques to increase his yield. In turn, Nehme helped UNDP

promote thyme cultivation among Lebanese growers, using his own success story as an example.

Nehme slowly began to develop his business, renting more land on a long-term basis to plant thyme on whenever his profits allowed. Today, together with a partner, he has planted 120,000 square meters of land with thyme. The land is divided between a small plot in his hometown of Zawtar and a bigger plot in Baalbek, where, as he explains it, land is cheaper and more likely to be available.

Nehme produces 10 tons of cultivated thyme per year, which translates into 50 tons of zaatar that he sells for \$13 a kilogram. Ninety percent of his production is sold in Lebanon to restaurants, high-end bakeries—because his zaatar is more expensive than what bakeries that sell *mana'ish* (plural for man'oushe) for half a dollar can afford, and small-scale traders. He exports the remaining 10 percent to the USA.

Nehme also sells distilled pure thyme that can be used for medicinal purposes, and whole thyme

plants, offering free consultations and advice with each plant sold.

WHERE IT ALL STARTED

Innovations in thyme do not stop at the farm—the traditional recipe for zaatar was recently given a modern interpretation by Fady Aziz, a branding specialist and designer.

Aziz had always loved being in nature—he was a scout as a child and in various hiking and eco clubs in his youth—and so after 15 years of working a desk job, he decided to find a career that allowed him to be in nature. Aziz also wanted his children to spend more time outdoors,

■ Innovations in thyme did not stop at the farm—the traditional recipe for zaatar was recently given a modern interpretation

especially in his hometown of Kfar Houneh, in South Lebanon.

There was a piece of land next to a monastery in Kfar Houneh with abandoned centenarian terraces that Aziz says he had always loved, and so he considered renting it as the base for his undecided project.



Thyme grown next to the monastery in Kfar Houneh

NEW INTERIOR



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CENTRALE

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Zaatar



Adonis Valley's organic zaatar

Aziz says that when he approached the monastery's father for the land, the priest was surprised as Aziz had no background in agriculture. He asked Aziz to produce business plan, upon which he would lease him the land.

It was then that Aziz started seriously studying potential uses for the plot. His ideas ranged from starting a snail farm to planting chestnuts or organic fruits and vegetables, but nothing captured his interest—until the idea to plant thyme suddenly struck him, when he thought of how much zaatar is a part of his daily breakfast routine with his children.

With his plan in place, Aziz rented the land from the monastery on a long-term basis in 2016. He then began meeting with zaatar producers, thyme growers, and agriculture experts to familiarize himself with the industry. It was Nehme who sold Aziz his first thyme shrubs and taught him some of the practicalities of planting it.

After cultivating the thyme, Aziz began thinking of where to go with his venture, and turned his marketing and creative experience inwards to his own brand.

Because his research had exposed him to the challenges in the local zaatar industry, Aziz had already decided to develop a creative zaatar brand that, as he puts it, Lebanese could be proud of. "Because there is no quality control or regulations in the zaatar market, it is chaotic. Also, most Lebanese take zaatar for their relatives when they travel, as do most tourists, so I thought, why not have a well-presented and well-branded zaatar to go out of Lebanon?" asks Aziz.

THYME TWISTS

Aziz wanted to take his project further than the typical zaatar mix and. "I wanted to create a new concept from the zaatar that we know, especially now that everything fu-

sion is trendy," he says.

The Good Thymes, officially launched in September 2017 during Beirut Design Fair (BDF). Aziz has developed 38 zaatar mixes, eight of which have already been introduced to the market and include hot zaatar, zaatar with nuts, and zaatar with fruits. Whenever possible, he gets the ingredients for the mixes from rural families in his village and surrounding areas, to support the local community. His workshop is also in Kfar Houneh, where he employs local youths to help him with the preparations and packaging.

The Good Thymes is primarily available for purchase through the company's website. A bag of zaatar ranges from \$10 to \$20, depending on the mix, and LibanPost delivers orders over \$20 for free across Lebanon.

You can also find the zaatar in Sandwiched, Salt and Butter, Voltfit, and J Grove for now—but Aziz says he has received interest from delicatessens and high-end retail stores. Aziz is also in the process of completing the paperwork to begin exporting The Good Thymes.

BUILDING SUCCESS

Since BDF, Aziz has participated in several festivals and exhibitions across Lebanon, and says the response has exceeded his expectations. These festivals served as a platform to introduce The Good Thymes to the market, and since then opportunities have been pouring in.

So far, Aziz produces a total of 4,500 bags of zaatar per month. "Once you dry the herb, the zaatar can stay for two years, maximum, and I can have a steady supply all year long. This is why I am expanding my land to have a bigger stock to work with in the winter when harvest is over," he says.

In addition to the initial 8,000 square meter plot in Kfar Houneh,

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Zaatar



Wild thyme growing in Nabatiyeh

Aziz has rented 7,000 square meters in Karkha (also in southern Lebanon), and is in the process of acquiring additional land. Aziz also plans to work with thyme farmers, guaranteeing he will buy all their crop if they abide by the quality-control standards which he sets: no

usage of pesticides, specific time and method of harvest, etc.

Initially, Aziz invested \$100,000 of his and his wife's savings into the land, the equipment, and the branding and marketing (which Aziz says has been the biggest investment). He hopes to continue



■ Aziz says he aims to elevate the status of zaatar production in Lebanon to that of wine production



working alone for as long as possible, but says that he would consider taking on a like-minded investor if needed.

Aziz says he aims to elevate the status of zaatar production in Lebanon to that of wine production. "I want to create the fame that Lebanese wine is gaining locally and abroad, but with zaatar cultivation. And we can do it: The infrastructure and land is there," says Aziz, who has already begun working toward that goal by welcoming many friends to his farm in Kfar Houneh, and planning a thyme harvest day where visitors can experience zaatar-making first-hand.

By taking a second look at agri-food products—whether it is zaatar or wine or any other Lebanese production—Lebanese entrepreneurs are breathe new life into them. ■



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By Nabila Rahhal

From the olive to the oil

An ancient Lebanese crop makes its way into the 21st Century

Olive trees are arguably as entrenched in Lebanon's identity as its cedars. The country is home to 16 olive trees known as the Sisters, or the Olive Trees of Noah, which are among the oldest olive trees in the world. Located in Bcheale, in northern Lebanon, these olive trees are said to be 6,000 years old, according to local folklore.

Historically, Lebanese growers have cherished their olive trees and counted olive oil among their most prized possessions, taking quantities of it with them when forced to leave their homes during the war. This esteem has not faded over time. To date, the olive-picking season is much anticipated, with many families gathering annually for olive harvesting.

Rooted in the long tradition of olive farming in Lebanon, the modern olive oil industry is thriving—but it is not without its complexities and challenges.

THE FACTS, PLEASE

According to the Ministry of Agriculture, Lebanon has a total planted area of 270,000 hectares; olive trees constitute 20 percent of that area, or around 54,000 hectares.

There are over 100,000 commercial olive tree growers in Lebanon, according to Mariam Eid, who is responsible for overseeing the olive oil division at the Ministry of Agriculture's agro-industries department.

According to Roland Andary, value chain manager at USAID's Lebanon Industry Value Chain Development (LIVCD) project, more than 80 percent of olives grown in Lebanon are used for the production of olive oil, with the rest consumed as table olives.

As such, it is no surprise that the olive oil industry is considered among the most significant agro-industries in Lebanon. "You cannot talk about agro-industry in Lebanon without talking about olive oil, especially since it covers this much space, employs a big number of people, and has so many challenges," says Andary.

THE OLIVE GROWERS

According to those interviewed, the majority of olive plots in Lebanon are owned by small-scale farmers with around two to three hectares of trees. While many of these farmers contract their land to traders who handle the olive harvest and process the oil, there are others who still work their own land.

Working on such a small scale drives up the cost of production, which in turn increases the price of Lebanese olive oil, explains Eid, adding that other expenses such as electricity and labor also impact production costs. This makes Lebanese olive oil expensive when compared to olive oil production elsewhere, for example, a 20-liter container of olive oil costs an average of \$150 when bought directly from the grower.

"The price of Lebanese olive oil is high, which makes it hard to sell. But this is because the cost of production is high, starting with the price of the land to the salary of the farmer. So we are working to reduce the price through the olive picking machines we distribute, or the benefits we are offering cooperatives," explains Andary.

Eid says the Ministry of Agriculture encouraged growers to come together to form cooperatives or unions of cooperatives, so that they can divide

expenses among themselves and also be able to pool their olives together and supply large quantities when asked.

Oléa, the growers' cooperative of Lebbaa and its neighboring villages in south Lebanon, has benefited from both these initiatives, receiving assistance from the ministry and the LIVCD program as well. "As a collective, USAID provided us with automatic harvest equipment—they paid for 70 percent of it and we paid the rest—and they give us technical support. In turn, I rent out the equipment to growers for a reasonable fee of \$20 per day. This helps reduce the cost of olive oil production, since labor is expensive in Lebanon," says Denise Tegho, president of the cooperative, explaining that three people working the machine can harvest a field that would take 20 people twice as much time if harvesting by hand. Tegho also explains that as a cooperative combining their small quantities of olives together, they were able to develop their own brand of olive oil and sell in bulk when needed.

THE HOLY GRAIL OF OLIVE OIL

Because Lebanon is small, its olive oil production is relatively low compared to other countries. Lebanon cannot hope to compete with mass producers such as Italy, Spain, Tunisia, or Greece. Instead, those interviewed for this article said that Lebanon should focus on producing high-value products like extra-virgin olive oil (a classification of olive oil which has less than 0.8 percent of fatty acid in it) or premium extra-virgin olive oil (which must contain less than 0.3 percent fatty acid).

However, according to Eid, extra-



Olive Oil



virgin olive oil accounts for less than a quarter of Lebanon's production. "The grower and the mills don't know any better, and we're trying to develop training programs for that. The challenge is to get the grower to change his traditional ways," says Eid.

Improving the quality of olive oil starts with the growers, and therefore, many programs, including the LIVCD program, offer training for growers on how to take care of their trees to improve yield. The program also provides training on post-harvesting techniques. These include processing olives on the day they were harvested because olives start to deteriorate the moment they are picked.

The quality of mills for extracting olive oil is another area that can negatively impact quality. Traditional presses, which use grindstones in an open tub to mill olives, are still common in Lebanon. However, it is almost impossible to produce a high-quality oil with such presses, because the tubs do not have covers, which exposes the oil to oxidation.

Also, in traditional mills, the discs used to press the olives are made from hemp—as opposed to synthetic fibers in modern mills—which is difficult to clean. If the mills are not cleaned well between each press, the olive residue from the previous press begins to ferment and leaves a bad flavor.

Eid explains that the Ministry of Agriculture has no control over the quality of olive oil produced, because its jurisdiction is over food safety only. The ministry regulates the hygiene of the olive mills, setting guidelines for cleaning the presses between each extraction and general cleanliness.

Gradually, more mills have become aware of the limitations on quality imposed by traditional methods, and are embracing modern equipment. NGOs have donated or

contributed to the purchase of up-to-date equipment, and mill operators have noted the difference.

Tegho explains that her family's olive mill benefitted from the modern equipment provided by LIVCD. Her family was finally able to enter the export markets by producing extra-virgin olive oil, which had been impossible using a traditional mill.

Brands such as Zejd or the recently launched Adon & Myrrh (see box page 68) are leading by example in their usage of modern mills and branding techniques to produce high-quality olive oil. These two brands also purchase olives from growers under strict quality-assurance guidelines, which incentivize growers to follow best practices.

DEVELOPING A TASTE

However, it may be the Lebanese consumer that is affecting the quality of olive oil present in the market, having gotten used to oil pressed the traditional way. "Lebanese don't yet have the culture of appreciating olive oil like they do with wine, which is more developed. This is why we have a challenge in convincing the customer to appreciate a good-quality extra-virgin olive oil, which is rather

■ More mills have become aware of the limitations on quality imposed by traditional methods

bitter. They want the sweet flavor of oxidized olive oil, but this does not have the health benefits associated with olive oil," says Abed El Karim Al Rifai, head of the business development department at Litat Group, which owns Adon & Myrrh.

Youssef Fares, general manager of Olive Trade, which owns Zejd, believes consumer education is key. "We should have national campaigns to raise consumer awareness on what good-quality olive oil is. Otherwise,

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November 27 - 28, 2017 at 10:00 am at Phoenicia Hotel, Beirut

4 SESSIONS WITH MORE THAN 30 SPEAKERS

DAY 1 27.11.2017

9 AM – 10 AM **REGISTRATION AND MORNING COFFEE**

10:15 AM – 11 AM **OPENING CEREMONY**

11 AM – 11:15 AM **COFFEE BREAK**

11:15 AM – 12:45 AM **SESSION 1:**

REAL ESTATE SECTOR IN LEBANON BETWEEN THE PAST AND THE PRESENT:

- The evolution of the real estate sector in Lebanon for the past years
- The real estate and construction sectors, a strong base for the Economy and Domestic Product
- Is the sector in danger?
- What is the future of prices?

14 PM – 14:15 PM **LUNCH**

14:30 PM – 16 PM **SESSION 2:**

REAL ESTATE SECTOR - DIFFICULTIES AND SOLUTIONS:

- Investing in infrastructure strengthens the sector and facilitates its work
- Government plan on investing in infrastructure: an urgent need
- Bureaucracy kills the sector and the solution resides in mechanization and E-government
- Facilitating real estate procedures is a necessity
- Solutions to address obstacles

DAY 2 28.11.2017

9 AM – 10 AM **REGISTRATION**

10 AM – 11:30 AM **SESSION 3:**

INVESTING IN REAL ESTATE: CHALLENGES AND OPPORTUNITIES:

- Real estate investments in Lebanon: growth depending on situations
- Public-Private partnership in favor of the sector
- Banks role is fundamental for the prosperity of the sector: from funding to motivation
- New tax measures: effects and risks
- Stability of legislation and tax performance: pillar for the sector's success

11:30 AM – 11:35 AM **COFFEE BREAK**

11:35 AM – 13 PM **SESSION 4:**

THE WORLD TOWARDS GREEN BUILDING:

- Green buildings... Profitable despite the additional cost
- Green building in Lebanon at an early stage... How to boost it?
- How can our properties become eco-friendly with the support of local and international parties?
- Green building in Lebanon and the economic and environmental impacts

13 PM – 13:15 PM **CLOSING CEREMONY** - Recommendations
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THE DAILY STAR

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ADON & MYRRH

Adon & Myrrh is the latest Lebanese olive oil brand to enter the market. The team behind the company began work only three years ago, and it intends to start its first marketing campaign in early 2018 at the latest.

Rafic Daou founded Adon & Myrrh in Bdadoun, Mount Lebanon, in an effort to preserve Bdadoun's natural landscape. He saw the number of real estate projects increasing in the region, and many villagers selling their property to developers, so Daou offered them an alternative, buying the land himself to use for olive trees. Although Karim Al Rifai, head of the business development department at Adon & Myrrh, did not disclose the size of his investment, he says he spared no expense in developing a modern mill. "The purpose of the mill is to produce high-quality olive oil that would elevate the perception of Lebanese olive oil locally and abroad, especially that it is the only mill in the Middle East that removes the pit before extraction which gives the olive oil a more balanced taste," he says, going into the mill's specifics and explaining how ecofriendly and advanced it is.

Adon & Myrrh produces only extra-virgin and premium extra-virgin olive oil. The company's mill has a capacity of 450 kilograms of olives per hour; Rifai explains that the company starts production gradually early in the season, and keeps increasing it as the season progresses until reaching 4.5 tons every day.

Adon & Myrrh currently owns land with olive trees, which is not enough for its production ambitions, so Rifai says he buys olives from farmers under strict growing, harvest, and post-harvest quality control standards, which are regularly enforced. "We brought 150 tons of olives last year, and this year we are buying 200 tons. We relatively buy bigger quantities of olives because we press them when green, which has a lower yield but produces a better quality oil," Rifai explains.

Adon & Myrrh's insistence on quality is a "double-edged sword," says Rifai, as it elevates its cost of production, and therefore, their selling price. A 500 ml bottle of extra-virgin Adon & Myrrh olive oil costs \$11, and a premium extra-virgin bottle costs \$16.50.

Rifai explains that his goal is to buy more land so the company can plant all its olives instead of buying them. "This economy of [scale] will reduce the cost of production on us, and thereby decrease the price for the consumer."

Adon & Myrrh can currently be brought online, in nine delicatessens and specialty stores, and in 12 restaurants. "We want to grow our presence in both retail and [the food-service industry]," explains Jessy Naim, a marketing executive at Adon & Myrrh. "But we are a niche product, so it makes the most sense for us to be in high-end delicatessens and also in hotels and restaurants."

■ "We buy big quantities of olives because we press them when green, which has a lower yield but produces a better quality oil"



House of Zejd's boutique store in Tabaris sells a variety of olive oil products

they are not reaping health benefits, and we are not helping the farmer improve the quality of their olives, nor the mills their methods of extraction," he says, explaining that activities such as olive picking and visits to the mill—which he organizes—go a long way in developing a more modern olive oil culture in Lebanon.

A large percentage of Lebanese consumers, especially the older generation, buy their olive oil in 20-liter *tanke* from villagers based on personal relationships or referrals. But the younger generation, according to Fares, is more aware of the varieties of olive oil (like flavored olive oil) and their different qualities. They therefore tend to buy from specialty stores or ask more questions when buying from the source.

Growers themselves are now aware of the importance of marketing, and have become more aggressive in promoting their olive oil by participating in festivals and events where they can interact directly with the consumers, according to Oléa's Tegho. Growers have been developing their own brands and labels, explains LIVCD's Andary, hoping to sell a larger percentage of their production independently to get the best rates—otherwise, they would be forced to sell their olive oil to traders who buy at low rates.

Through these small but steady steps, Lebanon's olive oil industry, which has been slow to modernize, is slowly transforming into a competitive industry that the Sisters would be proud of.





S Y N E R G I E S

The Entrepreneurial Spirit of Lebanon

Synergies Events Supports SME's



Small and medium enterprises in Lebanon (SMEs) form the backbone of the Lebanese economy in which they play a pivotal role in driving economic growth and job creations.

Also, they are drivers of growth, because they form an indicator to a healthy and sustainable economy. LSME (Lebanon Small and Medium-sized Enterprise Conference) ran for two days and built around a number of main themes, sessions, and presentations, as well as interactive round table discussion, all in our powerful agenda.

LSME conference was held under the patronage of Ministry of Economy & Trade, support of Banque Du Liban, and collaboration of Ministries of Telecommunication & Finance. With the participation as sponsors and main supporters to the events: Audi Bank, Jammal Trust Bank, Credit Bank, Adir Insurance, Earth Technologies, CodenDot, BIAT, Balamand University, Makhzoumi Foundation, CSS, ESFD. Furthermore, LSME conference highlighted the importance of SMEs, as well as their contribution to the national economy.

"Sustainability is no longer about doing less harm. It's about doing more good." — **Jochen Zeitz**

IWC SCHAFFHAUSEN REVAMPS BEIRUT BOUTIQUE

Q&A WITH BRAND DIRECTOR LUC ROCHEREAU

Words by **Olga Habre**



Boutique opening with (from left to right), brand ambassador Lana El Sahely, Mher Atamian, Luc Rochereau, Jaques Atamian, brand ambassador Raya Abirached, Barkev Atamian

Executive Life sat down with Luc Rochereau, IWC's regional brand director for Middle East, India and Africa, to discuss the re-opening of the brand's local boutique in the Jewelry Souks section of Beirut Souks in October, their relationship with local distributor Atamian, and how the brand fares among other fine watchmakers.

E Can you tell us about the newly redesigned boutique?

LR: This is a very important moment for us. Next year, we celebrate our 150th anniversary. IWC was created by an American entrepreneur who traveled to Europe to find cheap labor, settling in a village called Schaffhausen in the German part of Switzerland. He brought

with him the Industrial Revolution and the American way of working—everyone in one building working from 8 a.m. to 5 p.m., with a lunch break—which completely changed watch manufacturing in Switzerland. We want to celebrate that as often as we can, and this was a good opportunity with our partner to renovate this beautiful boutique.

For the opening, we've invited our fantastic clients, who are very loyal to IWC. We're not a very showy brand; we're quite understated. Our brand is for discreet people, connoisseurs, and that's why a lot of people in business love IWC, because they don't want to show off, but people will recognize it.



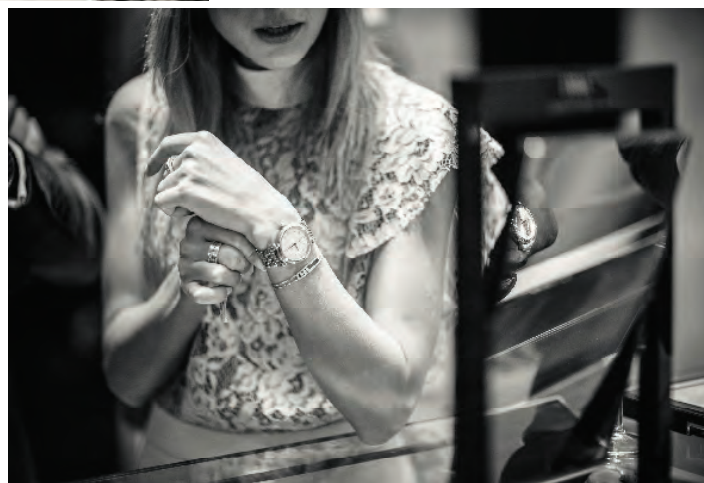
E How do you win over new clients?

LR: We try to attract them with marketing, but I think most of the time it's referrals. Our loyal clients are so proud that they talk to their friends and bring them to the brand—they're our best salespeople. IWC is a very reliable brand, and when you offer an IWC to someone, it's such an amazing gift because it's about emotions. Fine watches aren't about reading time—you can do that on your phone—it's about emotions. A special piece on your wrist is an amazing feeling, especially for men because we're not lucky like women to accessorize with jewelry and handbags, so it's important to have a nice watch.

E Do you think smartwatches will ever be a threat to fine watchmakers?

LR: Not at all. It's a different segment. Smartwatches are a gadget and evolve every few months, so you have to change it regularly. With fine watchmaking, you buy a watch to keep, and wear, during any time of day or evening. I play golf, and I have a smartwatch that serves a purpose, but I know it will be obsolete in a few months. It's not at all a threat for us. On the contrary, it's an opportunity because 85 percent of the population don't wear watches anymore. So for a lot of young people it creates the habit of wearing a watch, and then they'll upgrade to a fine watch at some stage.

E Tastes are changing. How does a company like IWC adapt to these changes in tastes and design?



LR: We evolve and follow the trends of design. Five years ago, the trend was to have bigger watches; now we're coming back to a smaller size. We have designers, and we analyze the market for what the people are looking for. We have to adapt, but within our DNA. You can't succeed if you create something that's the opposite of what people like. It's important to follow the trends and target the next generation. One of the biggest challenges of any luxury brand is to attract the next generation because otherwise, your brand will be associated with your grandparents.

E The world economy is changing. There's the fast growth of Asia, while countries in the Arab world and the Levant have always been big markets but are facing economic difficulties. How do you adapt to fluctuations in the world economy?

LR: Fifteen years ago, our brand was not distributed like it is now. We had zero boutiques in the world eight years ago, and now we have 51. In the Gulf, we have six boutiques. We opened our second boutique in Dubai last year, and we'll open two more in Saudi

“Sustainability is no longer about doing less harm. It’s about doing more good.” – Jochen Zeitz

Arabia next year. So we are still growing. Demographically, in Asia, the Gulf, and the Levant, we’re growing because we opened more boutiques and our clients don’t have to travel to Europe to purchase IWC. We still have growth opportunity in the whole region. The export of luxury watches is decreasing by 10 percent, roughly, from last year. We’re growing in the region, and we’re not overpriced.

E Today what segment is growing the fastest?

LR: The fastest growing market is mechanical watches. We’re not using quartz movements. Furthermore, we’re in haute horlogerie, which means we have specialized watchmakers assembling our movements, not machines. In Switzerland, a watchmaker goes to school for five years. If you’re good, you get an internship at IWC for seven years, and if you’re [really] good you stay after that. You start working on automatic movements and slowly upgrade to complications. These people are very skilled; that’s why the value is absolutely amazing. They work in a room with a red light, and if it’s on, you’re not allowed to enter because they need total silence. The best skills a watchmaker can have is dexterity because you’re working on micro-mechanics, and sometimes there are 500 parts to assemble, some of which you can’t see with the naked eye.

E If you compare consumer behavior, between let’s say the Gulf and the rest of the world. How would you describe the Middle Eastern client?

LR: I would say increasingly there are less differences among our clients because, especially in IWC, it’s mainly a man’s watch. Most of our clients travel around the world, they’re businessmen, entrepreneurs, and they have quite similar tastes. Our collection is available around the world, and while every client is looking for a different watch, a lot of watches are also bought as gifts. We have this amazing selection of offerings in our different ranges, and that’s one of the key factors of our success.

E Can you tell us about your relationships with your agents, especially in countries where there are economic difficulties. What are the KPIs?

LR: We’re not in a short-term business. We have a long-term vision and luxury is a long-term business. I make plans for the next five to 10 years because we know what will happen this year, next year—if there is no big economic crash. What we don’t want is to have partners who will be overstocked and not sell. We have our boutique here, so we know what they are facing. Retail is a very complex, difficult business. Everyone thinks it’s simple—open a boutique and sell—but not at all. We follow sales all over the world. IWC is a Swiss German brand—we are very, very careful and everything is planned properly. Our way of doing business is the same as all the details of the watches. We have a very strong, long-term relationship with our partners, and we are very happy with Atamian: They know what they are doing very well, and they’ve been in this business for many years.

E Some clients feel that buying a watch from abroad, where you might get a discount and a deduction on tax, means you end up buying your watch cheaper than you can get it in Beirut. Is that true?

LR: Our price difference worldwide for IWC [fluctuates] only 5 percent due to VAT or import taxes. We react very quickly to price differences even when there is a forex devolution. We hedge against the currency. IWC is a big brand, and it’s very easy to make a decision, so I have one phone call to make, get confirmation, and I do it immediately. I don’t have to wait to get approval from many people. It’s not possible to get a big discount [because that seller] would sell at a loss and it’s not healthy business.

E We’ve heard rumors that when some agents feel oncoming economic distress, they resort to dumping. Can you notice if an agent is doing that?

LR: We belong to the Richemont Group, so we have a department that [monitors this]. Every watch is unique, with a serial number, and they will know



where the watch is coming from and at what price it sold, etc. The business is a win-win relationship for us and our partners. That's why when we start a partnership we express our values, what we do and how we do it. We've been in the business in many countries for many years and it's a success. So when we find a new partner we say, 'This is our business model. Do you understand it? Do you agree? Yes? Let's go.' Then we go step by step. Like in any relationship, you have to communicate and explain a lot.

For example, three years ago we decided to have a local trainer based in Dubai. Before, our trainers were based in Switzerland and would come to the region for a few days and go back. In the retail business, you have to train people on a regular basis, so now we have a local trainer based in Dubai, fully trained by IWC. Before, clients would say they don't want to buy watches locally because they get better service in Europe. It's very important for us to also raise the level of what we can offer. One of our big missions is also to give a high level of service to our clients in the region. A mechanical watch needs to be serviced like a car, every seven to eight years. We have a dedicated watchmaking center

based in Dubai, and watches are flown out from Beirut to Dubai to get serviced—it's much quicker than to go to Switzerland.

E What are the biggest risks for watchmakers like IWC?

LR: The risk is if we think the job is done. We always have to challenge ourselves to find the best way to communicate with the next generation and adapt quickly to new media: social media, using influencers, etc. The biggest risk in many businesses is if you don't adapt because we're in a world where everything is changing so quickly.

E What do people look for in a watch?

LR: Usually, the motivation to buy a watch is the design—complications and movements come after, and only for a few people. Most people don't really know how they work; they like the magic, they like to have something that is design. This year we're launching the Pilot model tribute to Mark XVIII, which is a replica of the first watch IWC created for the Royal Air Force. It's a fantastic watch for young people because its price is entry-level. A watch is a very sensitive thing, and it's on your skin. You change your clothes, but wear your watch daily. There's also an interesting idea around time. Time now is the ultimate luxury, so part of it is wanting to control that.



"Sustainability is no longer about doing less harm. It's about doing more good." — **Jochen Zeitz**

EVERY DROP COUNTS

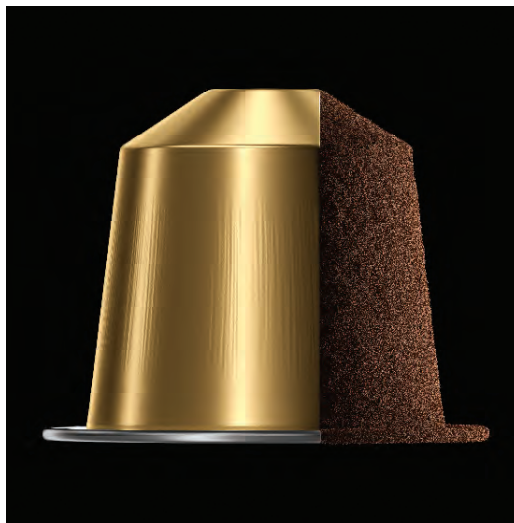
NESPRESSO'S RECYCLING INITIATIVE LAUNCHES IN LEBANON

Words by **Olga Habre**

i

n 1986, Nespresso transformed the coffee market with a new way to brew java, using portioned, single-serving capsules made for use in specialized coffee machines. Since then, the brand has grown into a massive operation offering a range of coffee capsules, machines, and accessories, with sales in 64 countries and more than 12,000 employees worldwide—not to mention its evolution into something of an elite coffee cult. But the company, an autonomous globally managed business of the Nestlé Group, isn't just about coming up with new ways to get caffeine junkies to buy more products—it's also encouraging positive behavior.

Following in the footsteps of other countries in the Middle East, Lebanon finally became part of Nespres-



so's worldwide recycling program for the company's aluminum coffee capsules, which was announced at the launch of the country's third Nespresso boutique at ABC Verdun in October. It might seem laughable that a country drowning in garbage for over two years would take part in a program to recycle miniscule amounts of aluminum scrap, but Nespresso has big plans. It's been encouraging the recycling of capsules since 1991, and aims to have a recycling program in place in all its markets by 2020.

Nespresso's recycling program in Lebanon has partnered with Zero Waste Act, a local recyclable-waste collection program from Contra International, a company involved in the waste and construction sectors. Nespresso is in charge of collecting its pods from cus-



tomers, and the recycling company is charged with separating and processing consumed capsules, so that leftover coffee grounds are used for compost, while aluminium is transferred for recycling and introduced back into the aluminum chain to create new goods.


Consumers worldwide are increasingly interested in sustainability, and many countries are committed to recycling on a national scale. However, in Lebanon, the practice isn't popular, to say the least. Even a years-long trash crisis hasn't significantly shifted local practices. Yet Fabio De Gregorio, Nespresso's business development manager for the Middle East, Africa, and the Caribbean, is hopeful, saying, "We're witnessing that there is more and more interest toward recycling. If Nespresso managed to [pioneer portioned coffee] 30 years ago, I believe that we can also help encourage people to recycle."

Over the years, the brand has faced criticism for its use of individual aluminum pods, but various studies and articles are at odds, with some claiming individual pods are no worse for the environment than other coffee-making methods. Nespresso remains adamant that aluminum capsules better seal in flavor. Aluminum is one of the most easily recyclable materials, and what's more, it's infinitely recyclable, with nearly 75 percent of the world's current aluminum coming from recycled sources. While Nespresso has never disclosed the proportion of its capsules that are actually recycled, it claims it has the capacity to recycle 75 percent of capsules sold worldwide.

De Gregorio clarifies that Nespresso is not just trying to encourage recycling—it's looking at the whole val-



ue chain. "Nespresso has been working toward sustainability on several fronts," he says, thanks in part to the Nespresso AAA Sustainable Quality Program in collaboration with The Rainforest Alliance, launched back in 2003. Its work training independent coffee farmers helps contracted growers achieve certification standards, pays them higher prices than the market average, and supports farming communities with innovative solutions aimed at preparing future farmers and helping farmers save for retirement. For Nespresso, this is also essential for business: "We've built strong relationships with 70,000 coffee farmers in 12 countries. By working this way, we're meeting our supply [of quality coffee that meets our standards], which is most important for our business, and also, we're sustainable and doing social good," De Gregorio says. The company says it has also reduced the carbon footprint of one cup of Nespresso coffee by 20 percent. He concludes, "Recycling is a very important part of the [cycle], partly because it's what is visible to people; however, it's only one part."

Reiterating that it's difficult to measure how many customers actually recycle their capsules, he explains, "We are trying to make it as easy as possible. The goal is [to] encourage and educate clients." Lebanon's Nespresso drinkers can now drop off their used capsules at any of the brand's three boutiques in Lebanon—in ABC Dbayeh, Achrafieh, and Verdun—or request a pickup through the company's local website or by phone. For a country like Lebanon, recycling coffee capsules is something like a drop in the ocean, but every drop does count. 

"Sustainability is no longer about doing less harm. It's about doing more good." – **Jochen Zeitz**

A TIME FOR LOVE

HEAL LEBANON

Words by **Zeina el-Khalil**



*"I was born in 1976,
that means I died in 1976.
In Beirut, red shoes, white blouse,
blue skirt fell to the street."*

This is the first memory I have of my very last memory. How is it that I know this? It is not something I remember. Of course not. How does one really remember their own death? But it is something I know deep in my gut. This present, physical body of mine was never shot, but could I perhaps have inherited this memory from somewhere? More and more research today, by way of epigenetics, shows that trauma can be passed down genetically. Could this memory have come through by way of the collective memory?

Over 20 years ago, ceasefire was called and general

amnesty declared. We picked up the ragged pieces of what was left of our lives and moved on after our civil war ended. A collective amnesia, supported by both the government and the people took hold, and we all agreed to forget ... as quickly as possible.

The city I have inherited is one that lacks a coherent history. The bullet riddled walls tell a story, while the skyscrapers tell another. Porsches and Range Rovers parked side-by-side in front of champagne nightclubs give a hint of celebration and success, while behind the tinted windows, we see wounds that have never healed, trauma that has been disguised, and pain manifesting itself through physical and mental diseases. How is it that we never ask why there is so much cancer in our community? How is it that our children so young have been attacked by the most unfair and vicious of diseases.

I believe that the lack of reconciliation after our civil war created the distinction of dysfunction in the city we live in today. Our lack of apology to one another, apologies for what we did to each other, contributed to the lack of respect we have toward one another, a lack of unity, and even, a lack of love. Lack of love toward community and often also toward oneself.

“Love that is the essence of what we are, the subatomic texture of the universe, the dark matter that connects everything.”

In 1994 Beirut summoned me, and I decided to move here. I was 18 years old and the war had just ended. I remember walking through the old airport, my eyes picking up the details of peeling paint and mold bursting through the cracks. Today, I miss that fabulous zodiac mural that greeted us upon arrival, or was it departure ... During the rebirth of our city, we traded in our luminous dreams and Milky Way skies for greige, glass, and dust.

Enter the clubbing scene. Dancing may have been the closest thing we had to release and reconciliation, as we swayed and swooned side-by-side in nightclubs like the former Monkey Rose, Crazy, and original BO18, we wondered why we had thought each other to be so different before. In these dark spaces, as our bodies collided and caressed, we unconsciously became one. But this oneness was temporary; the duration it took to down a bottle of whisky and dance until the sun came up.

Perhaps at the time, this was the only way to move forward. The only way to numb the pain of the loss of family, friends, and country. To become so emotionally and physically numb that even lying to someone's face has become a norm.

Twenty years later, we have yet to apologize to each other for the atrocities committed. We have yet to have a real reconciliation process. We have yet to talk about our pain that was shoved down so deep that it has turned us hard and brittle. Because we did not apologize, we failed to come together as a community, we failed to develop respect toward one another. And this lack of respect, coupled with decades of suppressed pain, is very much present in our society today. It is even passed down to our children, either through genetic inheritance, or through our parenting.



*“Cosmic memory.
Transference across generations,
and in my heart, cosmic collisions.
One after the other until I collapse
into a single point of you and me.”*

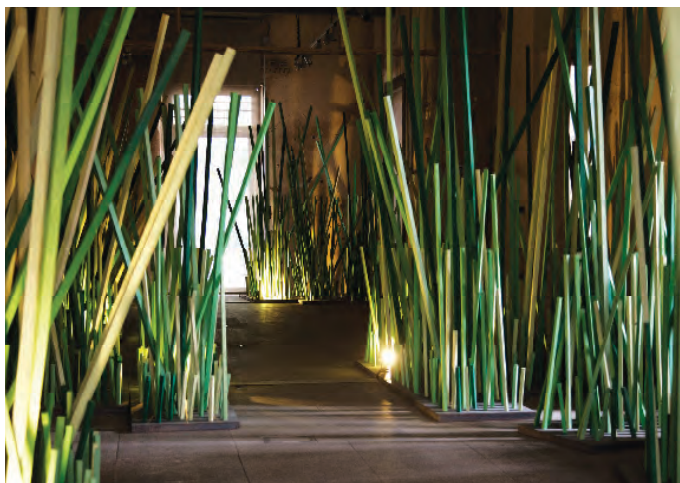
Maybe it was always like this. Maybe since time began. We are all born with a tendency toward violence. We were biologically created this way, which sealed the deal on our dominance as a species. But today, we are no longer in need of this tendency, nor are we ignorant. Perhaps, it is time for a collective evolution in which we can all agree to move forward by way of compassion and love, rather than oblivion. It is time to heal. To heal this small beauty in a most violent part of the world. Pain is the greatest teacher for compassion. It is time to apologize. It is time to acknowledge our pain in public. It is time to share and connect. It is time for love. Here, there is only love. Time to consciously step into the future that is ours to create. Time to come together, as we no longer wish to carry the burden of humiliation.

*“Transmuting pain to love,
the evolution of consciousness,
gathering momentum. The
continual state of love, present.”*

Where to start? Often it is much easier than we think. There is a prayer from the island of Hawaii. It is called the Ho'oponopono, and it goes like this:

*“I'm sorry. Please forgive me.
Thank you. I love you.”*

- Poem excerpts taken from Zeina's poem titled:
96% Love 4% Beirut: Zero: Sunya



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■ **Interbrand**, the world's leading brand-consulting firm, has announced its 2017 Best Global Brands Report, and confirmed **Huawei's** move to number 70—two spots up from its ranking in 2016.

■ The **Government of Australia** announced an AUD 30 million contribution to **UNICEF** over the next three years to increase access to quality education in public schools and strengthen the Lebanese education system through its support for Lebanon's **RACE** strategy.

■ **LG Electronics** announced that it is teaming up with **Qualcomm** to jointly develop a range of next generation connected-car solutions.

■ **Kempinski Summerland Hotel & Resort** welcomed the region's finest food and beverage directors, accompanied by their renowned executive chefs, from **Kempinski Middle East & Africa** for a three-day conference from October 14 to 18.

■ **Mr. Porter** launched the Italian high-end sports watchmaking brand **Officine Panerai** on October 19, with a curated selection of 25 timepieces from across the brand's iconic Luminor and Radiomir collections, along with an Officine Panerai Table Clock.

■ Lebanese optometrists have announced that legally blind people or people with severe visual impairment in Lebanon can now recover their sight thanks to modern electronic glasses, **eSight 3**, which have become available on the Lebanese market.

■ **Capstone Investment Group** sal held a reception to welcome apart-

ment owners to their dream homes at Trabaud 1804, a prestigious residential tower in Ashrafieh.

■ Straight from the Bekaa valley, **Château Ksara** brought its renowned wines for another special edition of **Vinifest**, Lebanon's most esteemed wine event.

■ **Huawei** was the first ICT solutions provider to complete the entire second phase of the 5G technology R&D test organized by the **IMT-2020 (5G) Promotion Group**.

■ Kin Plaza Arjaan by **Rotana** has been voted the "Democratic Republic of Congo's Leading Business Hotel 2017" at the **World Travel Awards' Africa Gala Ceremony** held in Kigali on October 10.

■ Extensive research by **McKinsey** shows that the potential value of the Internet of Things industry by 2025 is \$11 trillion.

■ A new survey conducted by **Bayt.com** and **YouGov** titled "Top Cities in the Middle East and North Africa," revealed that over three quarters of Beirut residents believe that the quality of education in their city is "good" or "excellent," and a majority believe that the availability of educational institutes in their city is the same. Beirut's locals ranked themselves first among other cities in MENA in these two aspects.

■ Welcoming the winter season, **Grand Hills**, a Luxury Collection Hotel & Spa, will offer food-lovers the perfect cozy escape from city noises at **Chez Alain**, its French restaurant, which reopened on October 18.

■ On the occasion of the signing of a memorandum of understanding between the **ISF** and **Roads for Life**, RFL President Zeina Kassem asserted that "this strategic step aims to consolidate the culture of training within the public sector, especially for motorcycle policemen and traffic police units, who are among the first to arrive on the scene of an accident."

■ **Skoun**, the Lebanese Addictions Center, has partnered with **Rafik Hariri University Hospital**, the National Mental Health Programme at the **Ministry of Public Health, Medecins du Monde**, and the **International Committee of the Red Cross**, to establish a community mental-health services unit, a psychiatric unit, and an outpatient substance abuse treatment center.

■ 2017 marks the 30th anniversary of **Bossini**. Under the umbrella of **HST Co., Bossini Lebanon** put on a series of activities to honor the milestone and the launch of the latest brand slogan, "Move on n' beyond."

■ With the unveiling of the **BMW Concept X7 iPerformance** at the **IAA Cars 2017** show in Frankfurt, the BMW Group is not only pulling back the covers on a new model concept for the luxury segment, it is also introducing a whole new take on luxury for the BMW brand.

■ In celebration of its historic 25th anniversary milestone, **Rotana**, one of the leading hotel-management companies in the region, with hotels across the Middle East, Africa, and Turkey, has partnered up with **Spirit Advertising** to create and produce its latest TV commercial.

■ **Nestle** reported its nine-month sales for 2017, featuring organic growth of 2.6 percent, with 1.8 percent of real internal growth and pricing of 0.8 percent.

■ **Lebanese Breast Cancer Foundation** and the Breast Center of Excellence at the **American University of Beirut** chose to spread hope and courage amongst women with an advanced stage of breast cancer, through a workshop entitled “Patient Empowerment Workshop.”

■ **touch**, managed by **Zain Group**, announced its support of **SANAD** and the organization’s humanitarian mission to offer hospice care to terminally ill patients and their families in Lebanon.

■ For the first time in Lebanon, customers can send international money transfers anytime and anywhere that is convenient to them thanks to the partnership between **Cash United**, a **MoneyGram** agent, and **CSC**, the owner of CMO mobile app.

■ Under the patronage and in the presence of H.E. Hussein Hajj Hassan, minister of industry, **Boecker®** held a conference on October 18, to launch the Occupational Health and Safety Lite™ certification program at Phoenicia Hotel in Beirut.

■ **LGB Bank** signed a cooperation agreement with the **Lebanese Army** to install an ATM at the entrance of the Central Military Club in Al Manara, Beirut, in order to facilitate cash withdrawals using all cards.

■ **IAA Global** launched its 2017 IAA Global Conference, “Creativity

Can Change the World,” on October 24 and 25 in Bucharest, Romania.

■ Recognized for its bold, innovation-focused approach to redefining the future of the transportation sector in the region, **Careem** took inter-brand competition to the next level and challenged its main competitor, **Uber**, to a dance-off on October 22 in Lebanon’s Beirut Souks.

■ Under the auspices of H.E. Minister of Telecommunications Jamal Jarrah, **Alfa**, managed by Orascom TMT, in cooperation with the **Francophone Association for Mental Illnesses**, launched an awareness initiative on mental health and the importance of integrating it in public health, as part of the **Alfa 4-Life Program** at a press conference held at USJ.

■ **HMD Global**, the home of **Nokia** phones, has launched the Nokia 8 in the EMI Region. Nokia 8 is a high-performance, beautifully crafted smartphone, designed with content-creators in mind.

■ **Ford’s** region-wide breast-cancer awareness campaign continues to grow this year, having joined forces with a number of online celebrities, media partners, and medical professionals to support those affected by breast cancer.

■ **Ericsson** has released the **5G** Readiness Survey 2017. The report shows that many operators have accelerated preparations for the new technology and that trials are being carried out by 78 percent of the respondents.

■ **SOURCE**, a panel that uses sunlight and air to create drinking

water, made by **Zero Mass Water**, was officially launched on October 4 at Le Gray in Beirut, Lebanon, under the patronage of H.E. Saad Hariri and in the presence of his representative MP Mohammad Kabbani.

■ In support of the national **breast cancer awareness campaign** launched by the Ministry of Public Health under the theme “Kick Breast Cancer,” the **Bellevue Medical Center** held a friendly football game against **Rizk Hospital**.

■ In line with international organizations’ goals and in collaboration with Spinneys, Tawlet restaurant, internationally renowned chef Hussein Hadid, **ACT NGO** celebrated **World Food Day** at their first annual awareness dinner on food waste, on October 16 at Tawlet, Mar Mikhael.

■ **BMW Group** sales of electrified vehicles in the first three quarters of 2017 have exceeded those achieved in the whole of 2016; in September, electrified car sales topped the 10,000 mark for the first time in a single month.

■ The leading global ICT solutions provider, **Huawei**, showcased a range of innovative services and solutions as part of its platform and ecosystem portfolio at **GITEX Technology Week 2017**.

■ **Officine Panerai** and its local partner, **ETS. ATAMIAN**, held a private dinner at Le Yacht Club Beirut for selected VIPs and watch aficionados in a luxurious marine-like atmosphere.

■ **Tommy Hilfiger** opened its fifth Lebanon-based outlet in ABC Verdun, in the presence of influential

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figures and online bloggers, loyal customers, and media personalities.

■ **Vanquish Real Estate** will be giving Lebanese investors the opportunity to expand and discover new opportunities in London, through an event that will be held at Phoenicia Hotel, Beirut, from November 30 to December 2.

■ The **CMA CGM group**, a world leader in maritime transport, opened the first logistics storehouse in Lebanon in the heart of the Bekaa Valley, in Taanayel.

■ During an exclusive global launch held in Munich, **Huawei Consumer Business Group** unveiled its highly-anticipated Mate 10 Series.

■ **Kempinski Summerland Hotel & Resort** has been awarded the title of "Lebanon's Hospitality Project of the Year 2017" during the 14th edition of the annual "Business Warriors" conference.

■ Thousands of hopefuls vied to be named the Arab world's best innovator on Season 9 of **Qatar Foundation's Stars of Science** TV program and, after three intense rounds of casting, nine innovators were chosen to compete for the highly-coveted title.

■ For more than 10 years and with more than \$3 billion of investment in research and development, **Philip Morris International** has been working to develop a variety of smoke-free products that it hopes will one day replace the demand for cigarettes entirely.

■ As part of its ongoing activities and the important role it plays in

linking hotels in the region, **Rotana Hotels Lebanon** held a cocktail party at Gefinor Rotana on October 3 for its corporate partners, including associations, travel agencies and embassies, as well as all sales managers of Rotana hotels in Qatar, Jordan, and Turkey.

■ In the presence of the French KTM Dakar Rider Benjamin Melot, **A.N.Boukather Motorcycles** organized the second stage of the Enduro Cup in association with the **American University of Technology**, Halat Campus.

■ **Women's Entrepreneurship Day**, a non-profit organization, recently announced the appointment of the Middle East and North Africa country ambassadors for 2017.

■ **Ericsson** unveiled the eighth edition of its annual ConsumerLab TV and Media report, which details the massive growth in TV and video viewing and the ongoing shift in the way consumers watch content.

■ Brands in the Middle East and North Africa will soon have access to a full suite of data-driven influencer marketing solutions in the region as **TRACCS** and **Open Influence** join hands to launch "Open Influence MENA" by early 2018.

■ **Societe Generale de Banque au Liban** is pleased to announce the inauguration of its new branch in Hazmieh-Mar Takla.

■ For the third year, the American bank **JPMorgan Chase Bank N.A.** awards **Credit Libanais** with the "2017 Elite Quality Recognition Award for Outstanding Achievement

of Best-in-Class MT103 Straight Through Processing (STP) Rate 99.12%."

■ The Iranian and Turkish movies shown during the 17th edition of **Beirut International Film Festival** have won four out of the five prizes awarded for the categories of documentaries and short movies.

■ **Visa** has selected **Qpal**, a tech startup based in the United Arab Emirates, as the winner of its "Everywhere Initiative," a global program designed to encourage the development of the next big thing in payments.

■ Under the patronage of H.E. Hussein Hajj Hassan, minister of industry, in the presence of Yoshitake Naraoka, vice deputy head of mission at the Embassy of Japan, H.E. Mohammad Kabbara, minister of labor, Ahmad Diab, representing H.E. Marwan Hamade, minister of education, and Cristiano Pasini, UNIDO regional representative, **UNIDO** celebrated the graduation of 130 carpenters trained within the framework of "Supporting the Furniture Sector in northern Lebanon through upgrading and skills training."

■ **LG** announced that 87 Wi-Fi connected LG smart home appliances are now compatible with the **Google Assistant** on Google Home, eligible Android phones, and iOS smartphones.

■ Set to make its first public debut in the region at **Dubai International Motor Show**, the Cayenne is one of four regional premieres from Porsche. The Panamera Turbo S E-Hybrid, Panamera 4S Sport Turismo

and 911 Turbo S Exclusive Series will also share the spotlight at the **Dubai World Trade Centre**, from November 14 to 18.

■ As part of its continuous corporate social responsibility efforts, **GS** has renovated the Lebanese School for the Blind and Deaf in Hadath.

■ “Pedal for Peace” came to an end on October 7 in Beirut. An initiative created by the international organization **Follow the Women** and organized by **Beirut by Bike** in partnership with **Makhzoumi Foundation**, **Beirutiyat** and the **Chamber of Commerce, Industry and Agriculture of Tripoli and North Lebanon**, this tour involved more than 120 women from 15 countries across the globe, riding their bicycles through different regions in Lebanon.

■ This year, **GROHE** has been announced as the winner of nine coveted awards in the “Product,” “Communication,” and “Architecture” categories in the **Iconic Awards**.

■ During the **Beirut International Dentists Meeting**, **BSL Bank** launched its new Dentist Booster Package, offering preferential facilities tailored to dentists’ everyday banking needs and to support the growth of their practice.

■ **Huawei Consumer Business Group** announced its cooperation with **TÜV Rheinland** to certify Huawei’s SuperCharge technology.

■ **T. Gargour & Fils**, the exclusive distributor of **Mercedes-Benz** in Lebanon, announced the launch of the all-new E-Class Cabriolet, com-

bining sensuous design, comfort, and the latest technology.

■ **AUT** hosted a delegation from the **Arab Academy of Science Technology and Maritime Transport** to discuss plans to further the collaboration between both universities.

■ The **Embassy of India** in Beirut on October 2 organized a public celebration of Gandhi Jayanti (Mahatma Gandhi’s Birthday, observed as International Day of Non-Violence) in cooperation with **AUB**, the **Lebanese-Indian Friendship Parliamentary Committee**, and the **Association for Development of Lebanese-India Relations**.

■ Under the patronage of the **Korean Embassy**, **Hilton Beirut Habtoor Grand** hosted the Korean Food Week from September 30 until October 7 at Le Ciel restaurant.

■ **DHL Express** has won one of **Aon Hewitt**’s “Best Employer in the Middle East (Oman, UAE, Qatar, Bahrain, Iraq, Jordan, Lebanon)” awards at the Best Employers Middle East 2017 Awards & Learning Conference that took place on October 2 at the Grosvenor House, Dubai.

■ Signaling the return of autumn, **Starbucks** brought back its seasonal favorite Pumpkin Spice Latte and Frappuccino to its stores across the Middle East and North Africa.

■ **Cosmocity** launched a competition giving three customers the chance to win the massive prize of an all-inclusive trip for two to **Disneyland**.

■ Two companies from Lebanon’s dynamic technology startup com-

munity, **Nymcard** and **CloudHop**, have made it to the finals of **Visa**’s “Everywhere Initiative,” an innovation program designed to encourage the development of the next big thing in payments.

■ **SIDCOM**, a visionary Lebanese Developer, in collaboration with **SMAG**, the retail real-estate development, leasing, and management consultancy firm, organized a media briefing session to officially introduce **Centerfalls**, the upcoming designer outlet mall in Lebanon.

■ **Novartis Pharma Levant Cluster** has won **Aon Hewitt**’s “Best Employers Levant (Lebanon, Syria, Iraq, Jordan, Palestine)” award at the Best Employers in the Middle East 2017 Awards, an annual recognition of the top 10 companies in the region.

■ Reaffirming **Nespresso**’s leadership position in in-home premium portioned coffee, the industry pioneer and **DIMA sal** renewed their commitment to Lebanese coffee aficionados and brought the Nespresso boutique experience to **ABC Verdun**.

■ Swiss luxury watch manufacturer **IWC Schaffhausen** celebrated the reopening of its Beirut boutique with an exclusive event in the heart of the city.

■ Under the patronage of the President of the Council of Ministers, H.E. Saad Hariri, **NEXUS** held its inaugural Arab Future Summit in Beirut at Villa Linda Sursock over a two-day period on October 6 and 7.

■ **Samsung Electronics Levant** and **Cherfane, Tawil & Co**, Samsung

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mobile's authorized distributor in Lebanon, unveiled Samsung's new smartphone, the **GALAXY Note 8**, in Lebanon for the Levant region during a launching event that was attended by the Minister of Telecommunication H.E. Jamal Jarrah, Ambassador of the Republic of Korea to Lebanon H.E. Yeong-Man Lee, media representatives, and VIP guests.

■ **NCR Corporation**, a global leader in omni-channel solutions, has announced that **Bank Audi** will be the first bank in the Middle East and Africa region to introduce NCR's most innovative NCR SelfServ™ 80 Series.

■ Having put the spotlight on women for 20 consecutive vintages by adorning the bottles' labels with the work of female Lebanese artists, **Château Kefraya** is now teaming up with young Lebanese talents to ornament the special edition of **Les Bretèches**, with the launch of each new vintage.

■ Leading government and subject-matter experts gathered in Dubai on October 8 to address pressing regional issues on digital transformation at **Huawei's** second annual Middle East Innovation Day.

■ **Bassoul-Heneine sal**, the official importer of **BMW** in Lebanon, celebrated the day of German Unity in Beirut in its annual dinner at Zaitunay Bay.

■ Under the patronage of the President of the Council of Ministers, Saad Hariri, represented by H.E. Minister for Women's Affairs Jean Oghassabian, and in the presence of H.E. Minister of Administrative Development Inaya Ezzeddine, the

L'Oréal-UNESCO For Women in Science Levant and Egypt program honored seven Arab women researchers for their promising scientific projects, during an Award Ceremony held on October 5 at **ESA-Beirut**.

■ Under the patronage of H.E. Minister of Telecommunications Jamal Jarrah, **touch** has partnered with **Lebanon Reforestation Initiative** for its third edition of the "touch forest" initiative for the second consecutive year, as part of its CSSR program "Positive touch."

■ The **Institute for Finance and Governance** organized a roundtable in partnership with the **Banking Control Commission** at its premises in the **ESA Business School**.

■ **Ets. F.A. Kettaneh**, the exclusive distributor of **Audi** cars in Lebanon, announced the arrival of its successful SUV: the all-new Audi Q5.

■ **LGB Bank** sponsored the **Ajialouna** charity luncheon in Pleine Nature, Mansourieh, under the theme of "Summer Farewell."

■ In its efforts to expand its coverage, **Ipsos**, the number-one research company in the Middle East and North Africa, has introduced a new online access panel in Kuwait.

■ **Rasamny-Younis Motor Company sal** has successfully achieved the ISO 9001:2015 standard by Lloyd's Register Quality Assurance with the UK National Accreditation.

■ **IFC**, a member of the **World Bank Group**, signed a trade financing agreement with **BLOM Bank** on October 4.

The **Lebanese Petroleum Business Network** was launched in Beirut on October 16, at the Lebanese Small and Medium Enterprises Conference.

■ The grand opening ceremony of **Someco International** was held under the patronage of H.E. Minister of Economy Raed Khouury, represented by his adviser Nadine Nehme.

■ **Banque Libano-Française** received the prize, "Energy Ambassador of the year 2017—Lebanese Financial Institution" during the International Beirut Energy Forum.

■ **Clemenceau Medical Center**, in affiliation with **Johns Hopkins Medicine International**, hosted the fifth Annual Cancer Care Forum in conjunction with the global month for Breast Cancer Awareness in October.

■ **Byblos Bank** posted satisfactory financial results in the first nine months of 2017, despite the prevailing economic uncertainty locally and regionally.

■ Last month, **Zena El Khalil** launched her multidisciplinary project, **Sacred Catastrophe: Healing Lebanon**, with the aim of transforming Beirut into a "city of light."

■ In the first nine months of 2017, the consolidated net profits of **Bank Audi sal** reached \$437 million, and \$341 million when excluding profits from discontinued operations, as compared to \$316 million of recurrent net profits in the first nine months of 2016, representing a net growth by 8 percent year-on-year. 



BLOM BANK BEIRUT MARATHON NOV. 12, 2017

15 YEARS OF RUNNING



REGISTER BEFORE OCT 25. 2017



**REGISTRATION
POINTS**



All Branches



All Branches



ABC Achrafieh



All Branches



All Branches



Hazmieh

BUSINESS ESSENTIALS

Events

CONFERENCES

	ORGANIZERS	CONTACT	WEBSITE
LEBANON			
2-3 Nov	ARAB ENVIRONMENT AFED Secretariat	+961 1321900; info@afedonline.org	www.afedonline.org
14-15 Nov	UTILITY SCALE SOLAR SUMMIT ACM	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
20 Nov	ACCESS MBA Advent Group	+33 143 414128; projectmanagers@adventgroup.net	www.advent-group.net
20-21 Nov	MIDDLE EAST AND AFRICA DUTY FREE ASSOCIATION Middle East & Africa Duty free Association	+971 4 299 6663; info@meadfa.com	www.meadfa.com
23-24 Nov	ANNUAL ARAB BANKING CONFERENCE Union of Arab banks	+961 1 377800; uab@uabonline.org	www.uabonline.org
27-28 Nov	FIRST ANNUAL REAL ESTATE FORUM "REAL ESTATE SECTOR – BASIS FOR ECONOMIC GROWTH" Real Estate Syndicate of Lebanon	+961 76 769393; info@real.org.lb	www.real.org.lb
29 Nov	THIRD ANTI-CYBERCRIME FORUM Al Iktissad Wal Aamal	+961 1 740173; forums@iktissad.com	www.iktissadevents.com
DUBAI			
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 TECHNOLOGY 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 2017 Terrapinn Middle East	+971 4 440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
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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
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QATAR

4-5 Dec	SECOND ANNUAL QATAR HVAC CONTRACTING CONFERENCE IQPC	+65 6722 9388; enquiry@iqpc.com	www.iqpc.com
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SAUDI ARABIA

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8-9 Nov	MARKETING KINGDOM KSA The P World	+3892 5 111 350; info@thepworld.com	www.thepworld.com
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11 Dec	SMART TRANSFORMATION SUMMIT Naseba	+971 4 367 1376; prachid@naseba.com	www.naseba.com
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EGYPT

8-10 Dec	COMBATING MONEY LAUNDERING AND MECHANISMS FOR DRYING UP THE SOURCES OF FINANCING TERRORISM Union of Arab Banks	+961 1 377 800; uab@uabonline.org	www.uabonline.org
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OMAN

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KUWAIT

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IRAQ

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
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EXHIBITIONS

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LEBANON

3-12 Nov	SALON DU LIVRE Advent Group	+33 1 4341 5238; logistics@advent-group.net	www.advent-group.net
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
29 Nov - 3 Dec	ART OF LIVING SPM Fairs	+9613627607; spmfair@inco.com.lb	www.spmfair@inco.com.lb
1-6 Dec	CHRISTMAS AT THE SQUARE GATA events and Promotions	+961 1 322177; info@gata.pro	www.gata.pro

DUBAI

1-3 Nov	GULF EDUCATION AND TRAINING EXHIBITION International Conferences and Exhibitions	+971 4 335 5001; info@icedxb.com	www.icedxb.com
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BUSINESS ESSENTIALS

Events			
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15-18 Nov	DUBAI INTERNATIONAL JEWELLERY 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
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17-19 Dec	METAL MIDDLE EAST Al Fajer	+9714 340 6888; alfajer@emirates.net.ae	www.alfajer.net
ABU DHABI			
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			
21-25 Nov	JEWELLERY ARABIA Bahrain Tourism and Exhibitions Authority	+973 1 755 8800; info@btea.bh	www.bahrainexhibitions.com
EGYPT			
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			
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11-12 Dec	FUTURE LANDSCAPE AND PUBLIC REALM ACM	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
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LAST WORD

By Thomas Schellen

The meta-economic value of education

LAU's economic impact assessment may be flawed, but it raises the right questions

Everyone loves a study that confirms their deeply held views, such as the Lebanese opinion that Beirut is the best place to pursue an education in the Middle East and North Africa (MENA). Beirut and education shine in the region's perception, so it cannot be a surprise that the Lebanese metropolis beat 18 other MENA cities for availability and quality of education in a new bayt.com/YouGov survey among the region's urban residents.

But how much economic value does Beirut's educational halo translate into? Perhaps it is natural that a private university in Lebanon would seek to quantify its own economic impact on the country. This is what the Lebanese American University (LAU) did this year. The university's department for institutional research and assessment last month proudly declared that it computed that LAU's economic impact in fiscal year 2015/16 exceeded \$896 million, reaching exactly LL1,351,692,872,662.50, or \$896,645,355.00. The amount, which equates to over 1.8 percent of Lebanon's estimated GDP output, sums up the short-term economic impact achieved at its two campuses in Beirut and Jbeil, according to LAU, without including the university's hospital and some of its smaller units. The figure represents economic output that is created in direct, indirect, and induced form from operations (including staff remuneration), capital, and construction, as well as spending by students whose prior secondary education was outside of Lebanon.

Economic-impact studies about universities are not uncommon. In developed countries, they have turned into a fashion of sorts, and have been commissioned by university presi-

dents, boards, or lobby organizations. This is also the case for LAU's study: The university's president, Joseph Jabra, was behind the idea. In principle, this should be a caveat: Any enterprise emphasizing its own economic impact is by definition making a partisan, sell-side effort.

ONE PIECE OF THE PUZZLE

Nonetheless, there is an important signal in LAU's study of itself as enterprise. If the aim of Lebanese society is to elevate education to a more strategic function in the economy, the sector deserves more attention from an economic-policy perspective. The LAU study is too narrow for this, but the university is not at fault for the study's scope. The one-year study period is too short to provide any insights into what national policies Lebanon should embark on for optimizing the economic contribution of its education industry, and how it could reduce the well-known chasm between a graduate and an adequate job in Lebanon.

There also are economic and even philosophical questions that arise. In economic terms, the study was conservative in its modeling, and it prudently did not venture deeply into more speculative areas, such as presenting long-term impacts of tertiary education, or quantifying the alleged added economic lifetime earning power of people with a university degree. But although the number the study arrived at for total short-term economic impact was stupendously precise (and there is no reason to suspect that it is anything but accurate in the context of the economic model used), doubts present themselves as to whether the number is also accurate from the real-world perspective.

To begin with, it is always worth questioning the methodology of economic models. What's more, LAU used more than just verifiable internal data from the university, such as the number employed and their total salaries—but also numbers from other sources of statistical and economic data in Lebanon. This kind of data is suspicious in every country—and in Lebanon more than elsewhere. Further room for doubt derives from the fact that the university's data research does not account for all relevant economic aspects. Research into economic impact is not fully convincing if the education's considerable investment and opportunity costs to both private households and the national economy are left out.

All these concerns, important as they are, do not even scratch the surface of the existential question of the value of education, and where to steer the education efforts of Lebanese society. As Chris Hedges, the former *New York Times* Middle East bureau chief, stated in a recent book, "the true purpose of education is to make minds, not careers." Underlying this is the question: Is education's primary aim to instruct and produce economic performers as cogs in the system, or is the *raison d'être* of education to lead individuals out of ignorance and into perennial development of self and society?

After all, neither life nor education is primarily an economic undertaking, and the link between higher education and higher wisdom is at best as tenuous as the link between money and happiness. In terms of self-assessed happiness in the bayt.com/YouGov poll, for example, between 19 cities in the Middle East and North Africa, from Algiers to Sharjah, Beirut scored the lowest.



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