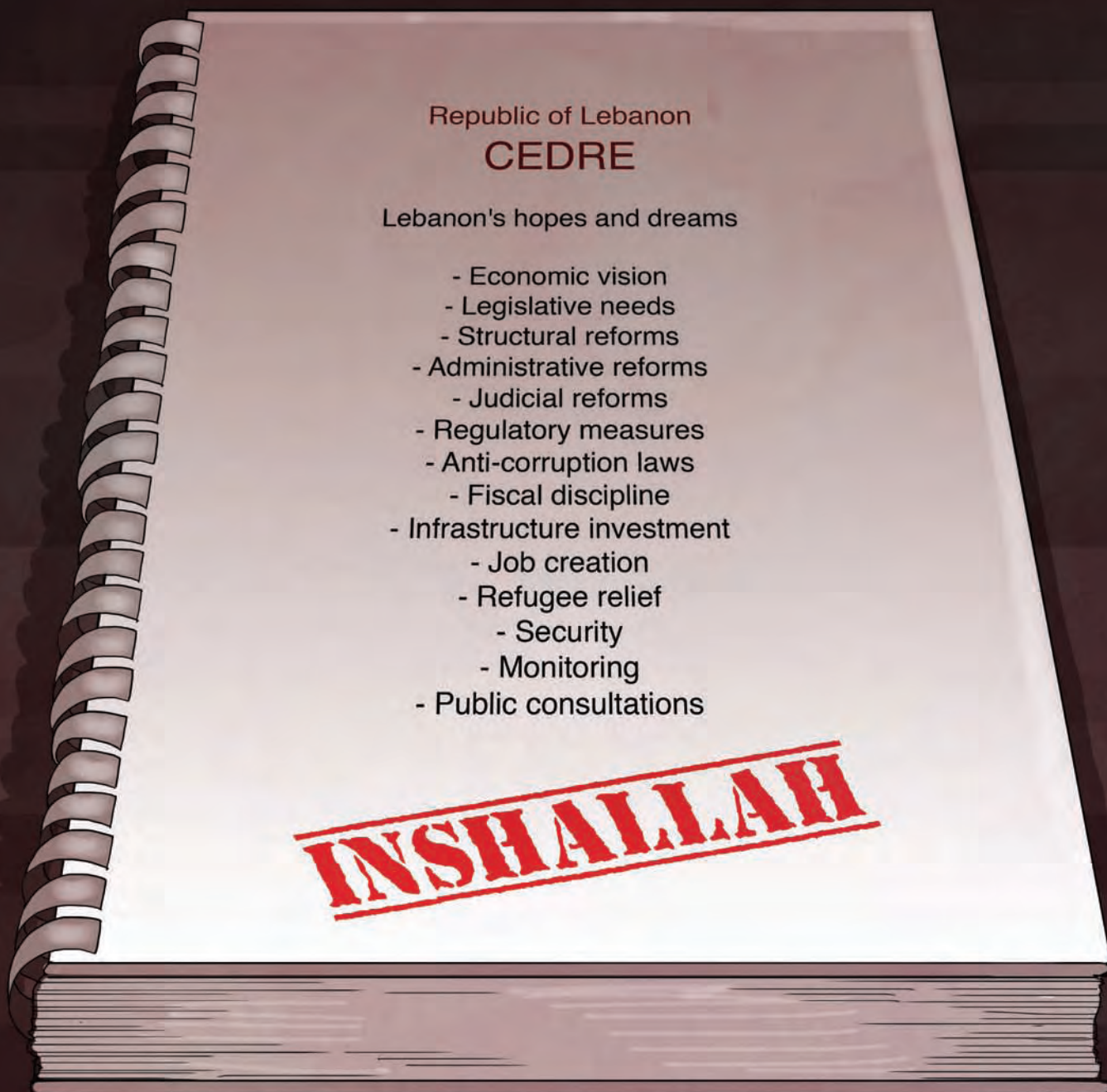


# Executive

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# EDITORIAL

#223

## L'espoir fait vivre

**On March 27, before addressing an auditorium filled with our best scholars, academics, researchers, journalists, intellectuals, and experts who have dedicated their lives for this nation, I asked if any of them was granted access to or had seen or even touched one page of the Capital Investment Plan (CIP)—the answer was a unanimous “NO.”** The rest of the conference, which was titled “Enhancing Domestic Accountability in Lebanon in Light of CEDRE Conference,” organized by Issam Fares Institute and the Lebanese Center for Policy Studies, was a succession of inspirational but frustrated presentations on what should be done to save Lebanon.

The CIP was eight months in the making and was endorsed by the cabinet on March 21. The CIP and a vision document for stabilization, growth, and employment that included ideas for reform were posted online seven days before CEDRE as Executive went to print, which did not allow time for a full evaluation. The McKinsey report on Lebanon’s productive sectors did not make it online. The rushed and opaque manner in which these pillars have been prepared is alarming.

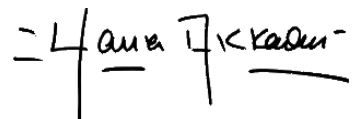
We live for the day when the role of civil society organizations is reinforced and their rights respected. We have a seat at the table because we, the citizens—the owners—need to monitor the practices of our self-entitled politicians who have manipulated our trust and mismanaged our resources for decades. It is not a privilege to have that seat; it is a right. When it is treated as a privilege, and accepted as such, we shall be as corrupt as the establishment itself.

For 20 years, no one has called for the realization of each one of the projects that are now included in the CIP as much as this magazine. No one called for the adoption and implementation of reforms as much as we did, and no one has been a witness of our government’s disregard to these appeals as much as we have. So forgive us for our frustration, but we are not seeing, or getting assurances, that this call for reforms is authentic. And as long as it does not fall within the framework of inclusiveness and participation, citizens will find it difficult to swallow the legitimacy of our government.

It’s unfortunate that we are only left with the hope that the World Bank, the IMF, the UN and its agencies, will help donor countries learn from the past and go beyond their political motivations to help institutionalize our government’s commitment to best practices.

We remain ambitious, positive, and naive. Let’s hope for the best.

Inshallah.



Yasser Akkaoui  
*Editor-in-chief*

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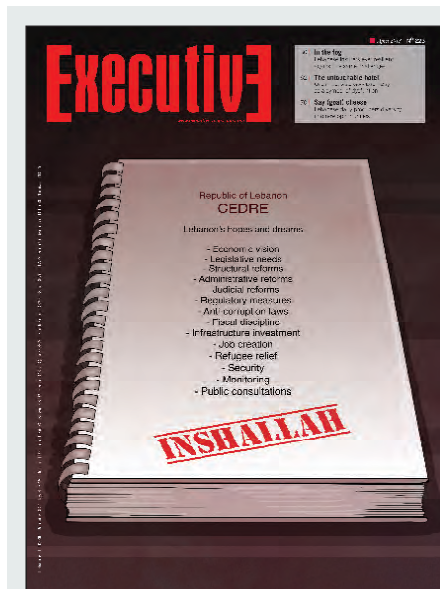
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## **Published by NewsMedia sal**

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# LAST MONTH

## ZOOM IN



*King Salman bin Abdulaziz receives Prime Minister Saad Hariri at the royal palace in the Saudi capital Riyadh marking a step toward restoring Lebanese-Saudi relations.*

### PM Hariri meets Saudi king and crown prince in Riyadh

On March 1, Prime Minister Saad Hariri made an official visit to Saudi Arabia, where he met with Saudi officials, including King Salman and Crown Prince Mohammed bin Salman, to discuss strengthening Lebanese-Saudi relations. It was the Premier's first trip back to Riyadh since his November 2017 visit, during which Hariri was allegedly confined against his will and forced to announce his resignation live on Saudi TV. Although the move was later rescinded upon Hariri's return to Lebanon in December, the incident caused a political shock in the country and a rift between Beirut and Riyadh.

### Over 100 female candidates register for the elections

The deadline for Lebanese to put forward their candidacies for parliamentary elections came on March 6 with 976 individuals registered to contest the May vote. Of that total, a record 111 women paid the fees required to run as parliamentary candidates, up from a mere 12 female candidates who registered for the previous par-

liamentary election in 2009. Following their individual registration, candidates then had to group themselves into lists to run in the newly defined electoral districts and submit these to the interior ministry before the March 26 deadline.

### International Women's Day in Beirut draws thousands

On March 11, thousands of women marched in Beirut to mark International Women's Day. Held under the slogan "Different causes, shared anger," the event brought together a wide collection of citizens, activists, and non-governmental organizations to raise awareness on issues women in the country were confronting. Topics highlighted during the march included gender equality, violence against women, LGBTQ rights, and migrant domestic worker rights.

### Cabinet agrees to 2018 budget

The Council of Ministers agreed on March 12 to a 2018 state budget that would lower the 2017 deficit by \$145 million and passed it on to Parliament for approval. The move comes as



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# LAST MONTH

## QUOTE OF THE MONTH

“Different causes, shared anger.”

*Slogan for Women's Day March held on March 11*

the government is under pressure to institute financial reforms in the run-up to the CEDRE conference focused on attracting international investment in Lebanese infrastructure. Lebanon had previously been without a budget since 2005 before the 2017 budget was passed by Parliament in October last year after months of deliberations.

### Acclaimed Lebanese novelist dies

Emily Nasrallah, an award-winning author, died on March 14 at the age of 87. She acquired international fame as an author following the publishing of her first book in 1962, “Birds of September.” Considered a feminist icon in Lebanon, many of her writings dealt with themes such as women’s struggle for self-determination. Last month, before her death, Nasrallah received the National Order of the Cedar—Lebanon’s third-highest honor—in recognition of her accomplishments and contribution to Lebanese culture.


### Lebanese security agencies receive support at Rome II

The Rome II conference, focused on obtaining international funding and support for Lebanon’s security agencies, was held in the Italian capital on March 15. The event, which was attended by Prime Minister Saad Hariri, saw the Lebanese Armed Forces and the Internal Security Forces both present five-year development plans for prospective donors. France, the UK, and the European Union all announced funding allocations for Lebanese security agencies during the event.

### Cabinet approves CIP for CEDRE

On March 21, The Council of Ministers approved the Capital Investment Plan (CIP), which will be presented on April 6 at the upcoming CEDRE (Paris IV) conference. The CIP is a blueprint for investment projects that the Lebanese government hopes will gain international backing and funding at CEDRE. The plan calls for \$20.4 billion in investment for 250 projects that would be carried out in three four-year cycles between now and 2030. The CEDRE conference is aimed at engaging international investors in Lebanese infrastructure projects. Lebanon suffers from chronically poor infrastructure: Electricity and water shortages, lack of public transport, and poor waste management are among the challenges that the country hopes to tackle with the help of investors at CEDRE.

### Lebanese charged with murder of Filipina in Kuwait

On March 27, the Lebanese employer of a Filipina maid who was found dead in a freezer in Kuwait in February was indicted for murder in Lebanon. The death of domestic worker Joanna Demafelis, who had been reported as missing for over a year, drew international attention and sparked a renewed debate surrounding the abuse of women working as maids abroad. The employer, identified as Nader Essam Assaf, was deported from Damascus, Syria, following an Interpol manhunt. According to some reports, his wife, a Syrian national, has also been detained. Assaf allegedly confessed to the murder. He faces a possible death sentence. 



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# LEADERS

CEDRE

## This won't be easy

New investments could add \$20 billion to Lebanon's debt

This month, Lebanon will send a delegation of state officials to Paris to pitch an infrastructure development program dubbed the Capital Investment Plan (CIP) to the international community and private investors. Alongside the CIP officials will also unveil an economic vision, fiscal discipline measures, and structural and sectoral reforms.

Of the four, EXECUTIVE has only seen the CIP, which it obtained through an informal channel despite the plan's endorsement by cabinet on March 21. The others are not accessible. On paper, the CIP calls for some \$20 billion in funding for 250 projects

scheduled over the next decade, until 2030, though at this stage the plan is not set in stone (see report on CIP, pages 14–28).

What effect the CIP will have on the economy is unknown, and we do not know when further information will be unveiled, but the picture will be clearer after Paris. For now, we know that the development plan calls for raising debt to pay for the projects. Obviously, this will increase Lebanon's public debt, but we do not know by how much because at this stage it does not appear to have been modeled.

One component of the plan that would have a large impact to the economy, but remains ambiguous, is expropriation. The expropriation program, some \$2.6 billion as written in the CIP, will basically transfer funds from the public sector to a spe-

cific group of landowners. The state will borrow the money it needs to compensate the owners for their land. This implies a subsidy to consumption, but the owners are undisclosed. Therefore, it is impossible to gauge whether the transfer of wealth will be socially just, and we do not know how these people will spend the money they receive for land. The plan's infrastructure projects, which are required to support the economy, will have to be built somewhere, so expropriation spending will be necessary. Whether the projects or the subsidy to consumption process will bear the fruits of enhanced economic productivity and competitiveness over the long term is unforeseeable.

The needs of communities and stakeholder groups will have to be balanced, and Lebanon's high level of communal fragmentation will be



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# LEADERS

an especially challenging obstacle. Our leaders must find a way to create a compromise culture that finds a mutually beneficial approach, but our past experience with this is not so encouraging.

Lebanon saw volatile periods first during the years of the late Rafic Hariri, where compromises were insincere, and people vied to get the biggest slice of pie for their own interest. In the post-Rafic Hariri years, after 2006, the compromises were reached on a horizontal level but at the expense of greater disruption at the vertical level: elites were happy, but the people neglected.

The challenge from that perspective is to reach a compromise that is better for the country. All the projects in the CIP are geared toward boosting employment for refugees as part of a formula that rests on international support—which Lebanon deserves. Our country made efforts to take care of refugees when no one else would. But is this support for refugees genuine or is it of a political nature? Political statements and market observations provide no indication that this support is yet coherent, internalized, or even forward-thinking, and the support might come from all stakeholders, but they need to make much more effort to think of the needs of people. Promises are abundant but whether they are empty remains to be seen.

## PAYBACK

If the CIP, in its current incarnation, tells us one thing, it is that we are not banking on the future—we are banking on hope. Lebanon is attempting to raise some \$20 billion in new money, whether in the form of public-private partnerships (PPP), grants, or concessional lending, all of which will have to be reimbursed in one way or another; no one invests

without the expectation of returns.

Repayment arrangements will likely vary by stakeholder. The World Bank, for example, would want to be reimbursed in monetary returns and is interested in avoiding the headache of Lebanese instability. The hope of institutions like the European Bank for Reconstruction and Development (EBRD) and others is to maintain stability and keep Syrian refugees from leaving Lebanon and flooding into the EU. For this, they are ready to provide concessional loans, essentially at subsidized rates of interest. But loans remain loans and, of course, EBRD would like to get their money back, with a little bit of compensation for their time and effort. PPP partners will hold similar expectations in the sense that they may want to help Lebanon, but with clear expectation of investment security and profits. Some Lebanese, be they locals or diaspora, may be interested in doing something for their country, but even they will expect to see real returns on their investments. Taking on \$20 billion in debt to pay for these projects means Lebanon would have an obligation of \$20 billion, meaning each and every Lebanese national acquires a future obligation, piling on burden to our collective responsibility. So we as a society have to be aware of that.

## PAINFUL REFORMS

Lawmakers are considering a 5 or 6 percent budget position cut to state spending that the cabinet endorsed in mid-March. What we spent in 2017, almost \$16 billion, is lower than the new obligations that the CIP could represent, \$20 billion. If we borrow this money, it is just reshaping and increasing our obligation. Our public debt is

now over \$80 billion, and new debt from implementing the CIP means we are burdening new generations long into the future. These obligations will only be met if there is an increase in economic productivity, and economists EXECUTIVE spoke with predict that Lebanon needs to achieve, over many years, at least an 8 percent annual growth rate to claw its way out from under the public debt.

With Lebanon's current demographics, conventional wisdom might suggest this to be almost impossible to achieve. Reforms are necessary, and we have been saying this for a very long time. But let us not forget the alternatives. We can decide to ef-

■ Lebanon will need to embrace this pain if we want capital investment with a lot of external help ... All of Lebanon must accept that.

fectively bankrupt the state, go into default and ask for the world community to bail us out with an externally imposed rescue plan managed by the World Bank Group and International Monetary Fund. But ask around in countries that went through such processes. It is a recipe for uncertainty and great suffering. Also, Lebanon just does not have it in itself to break down in state default. So we have to succeed to win investors, mobilize our many real friends, and show that we can do as we promise: that we can reform. Reforms are never without pain and people do not like pain. Lebanon will need to embrace this pain if we want capital investment with a lot of external help. To make it work this time it must come with the understanding that it will be painful. All of Lebanon must accept that. ■



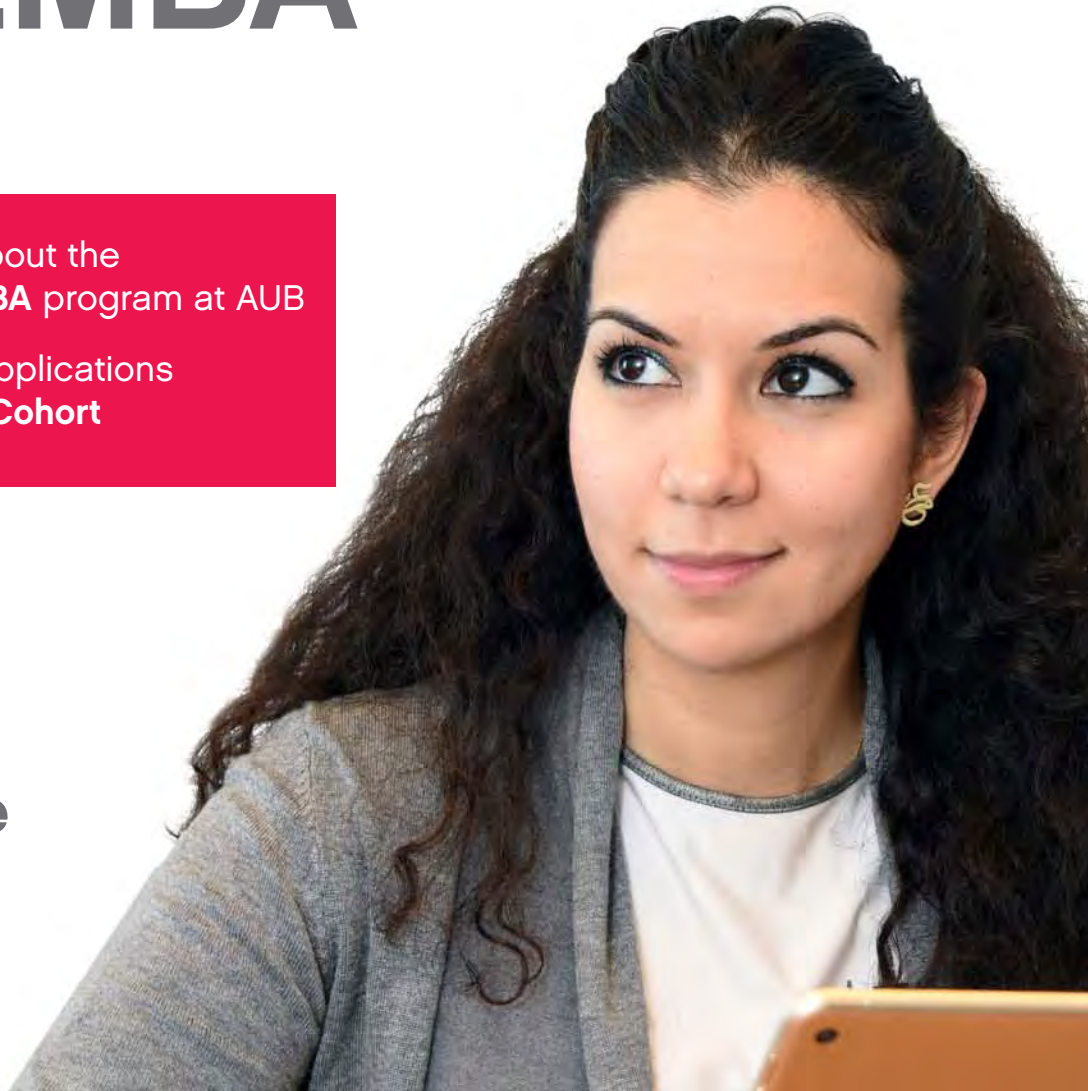
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# A litmus test IN PARIS



All stakeholders know that reforms and investments are needed. Paris may be our last chance

**April 6 could be a very good Friday for Lebanon.** Not only does it unofficially usher in the fruit season, a symbol of renewal and rebirth, but it is also the day that state officials will pitch a set of large-scale infrastructure projects to the international community and investors at the CEDRE conference in Paris.

CEDRE is just one waypoint on a roadmap for rebuilding confidence in Lebanon and stabilizing the economy. Other points along the route were the mid-March security conference held in Rome, and a regional refugee aid conference in Brussels scheduled for later in April. The response at Rome, says Christina Lassen, head of the European Union delegation to Lebanon, “sent a very strong political signal of support” (see interview page 26). Signs of support for Brussels are also positive. The EU commissioner for European Neighborhood Policy and Enlargement Negotiations, Johannes Hahn, told reporters after a late-March visit with Prime Minister Saad Hariri that Lebanon would receive part of the EU’s pledge to grant 560 million euros for refugee aid in Brussels. The Paris conference, sandwiched in

between Rome and Brussels, is the main act before parliamentary elections scheduled for May, and officials will need to wow investors enough to sell the conference as a success back home.

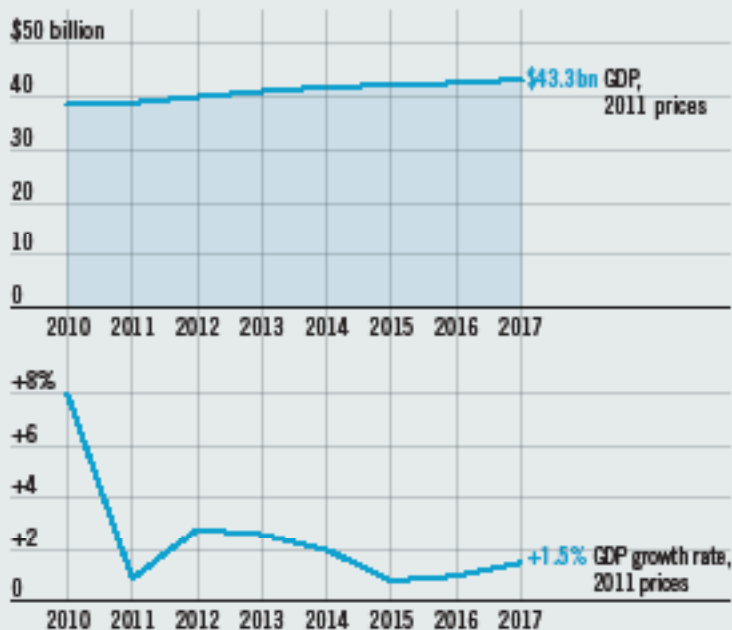
Lebanese officials will arrive in Paris with an infrastructure development program: the Capital Investment Plan (CIP). In its current iteration, the CIP, a development plan that will raise debt to pay for the rehabilitation and expansion of the nation’s infrastructure, was billed by an advisor to the prime minister at a recent closed door meeting as “Lebanon’s biggest-ever investment plan.” The plan, endorsed by cabinet in mid-March, calls for some \$20 billion in funding for 250 projects scheduled over the next decade until 2030—though figures, projects, and timelines are likely to change (see CIP story page 20).

Officials will carry with them three additional pillars: an economic vision, fiscal discipline measures (political parties accepting reductions in the 2018 state draft budget is pointed to as the beginning of this process), and an evolving list of structural and sectoral reforms and good governance measures. The economic vision statement is being prepared by McKinsey & Company, a management consulting firm, but the report had not been made public by the time EXECUTIVE went to print. Officials have said at conferences and closed-door meetings that the vision would address how to grow Lebanon’s current productive sectors and enhance productivity, and recommend what sectors Lebanon should focus on in the future.

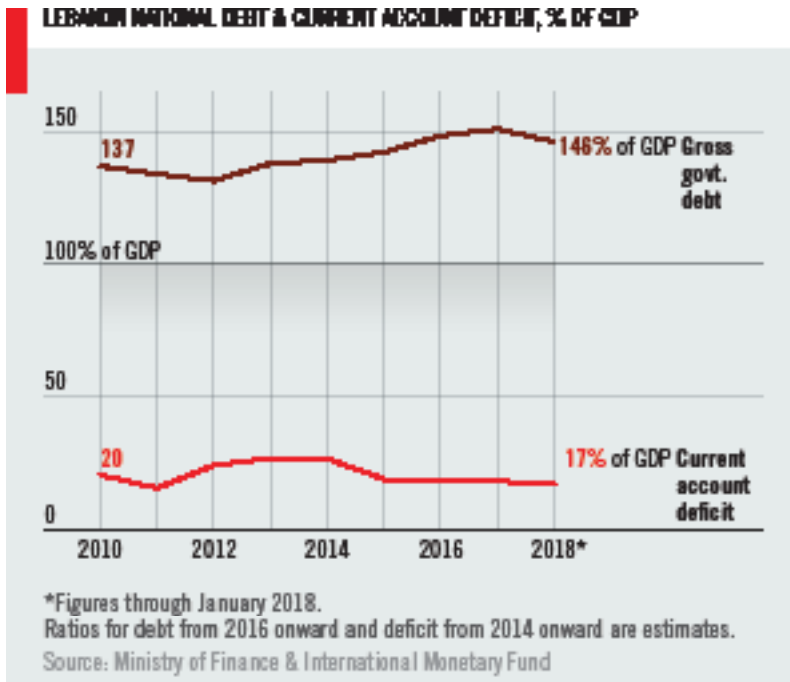
## A BLEAK PICTURE

An official in the prime minister’s office told a gathering of civil society organizations at a late-March closed-door meeting that the CIP was prepared to address specific economic shortcomings: tremendous challenges in public finances, monetary policy that has exhausted all options to maintain stability, low growth rates, high unemployment, increasing levels of poverty, and the balance of payments problem. The public sector, the official said, was reluctant to invest in the economy, and Lebanon’s infrastructure

LEBANON GDP TREND, IN 2011 PRICES



Source: Ministry of Finance & International Monetary Fund



■ The growth rate plunged from 8 percent in 2010 to an average of 1.7 percent between 2011 and 2017, due in large part to the compounding effects of the neighboring civil war but also the two-and-a-half-year presidential void, a paralyzed Parliament, and weak governments.

is worn down because of years of low state investment and overstretched because of the large refugee population plus a growing national population.

The indicators are not good. By the end of January, Lebanon's public debt reached \$80.4 billion, or 146 percent of the nation's gross domestic product, according to Ministry of Finance figures. Lebanon also suffers the weight of multi-billion dollar deficits year after year, thanks in part to interest payments on its debt, which has become as large and flammable as the doomed Hindenburg blimp. According to International Monetary Fund figures, Lebanon's current account deficit averaged \$9 billion per year, or roughly 21 percent of GDP. (Current account is considered an important indicator of a nation's economic health, and in general compares imports to exports in terms of goods and the large inflow of remittances, which helps maintain the balance of payments. In Lebanon's case, outflows are much more than inflows, because of interest payments for its debt). "If a country runs a current account deficit as high as 5 percent of GDP each year for five years, then a significant economic slowdown is highly likely, and so is some kind of crisis," writes Ruchir Sharma, head of emerging markets and chief global strategist at Morgan Stanley Investment Management, in his 2016 book, *The Rise and Fall of Nations*.

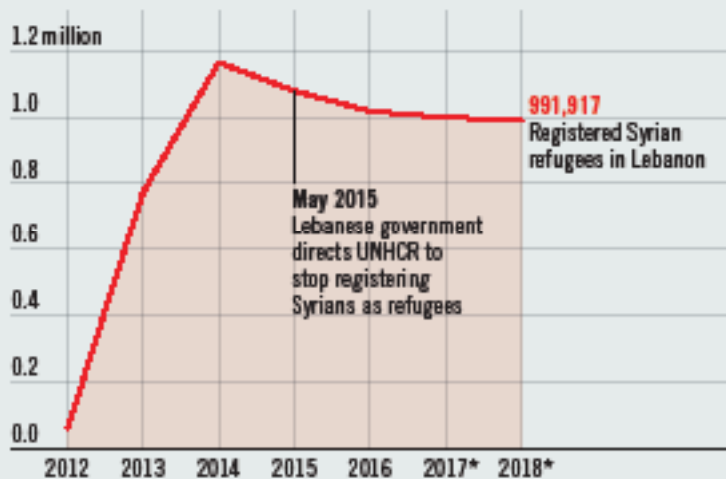
Syria's civil war cut off Lebanon's land routes to trading partners in the Gulf. Between 1 and 1.5 million Syrians sought refuge from conflict in Lebanon, making up a significant proportion of a country as small as Lebanon. For both the local and refugee populations, unemployment has risen and poverty rates have skyrocketed, as EXECUTIVE reported in December.

Mazen Soueid, who in November was appointed Lebanon's Economic and Social Council, told EXECUTIVE that the country's economy has been battered by both internal and external dynamics.

The growth rate plunged from 8 percent in 2010 to an average of 1.7 percent between 2011 and 2017, due in large part to the compounding effects of the neighboring civil war but also the two-and-a-half-year presidential void, a paralyzed Parliament, and weak governments. He says Lebanon needs to reach 5 percent growth rates per year just to stabilize and 8 percent growth to pay down the public debt (see Mazen Soueid Q&A, page 50).

Lebanon is reluctant to commit new money to infrastructure. Between 2010 and 2016, Lebanon allocated just over \$500 million per year, a yearly average of 1.25 percent of GDP, to capital investments. (Full 2017 figures were not yet available for this article.) Any country where public debts and primary deficit are massive burdens would expect

## REGISTERED SYRIAN REFUGEES IN LEBANON



\*Figures through end September each year, except 2017 through end November and 2018 through end February.

Source: UNHCR

the state to be reluctant to invest, and officials have expressed this reluctance simply because the state cannot afford large investments.

## FROM THE PAST

Lebanon appears to be in a situation where the water has risen almost above its head and its body is clutching at any chance to grab a life raft. We have been to Paris before, and made reform promises that, for some reason or another, never came to be. But there is a feeling that this time will be different, inshallah.

Lessons from the past show that the political class of Lebanon, when divided, can scupper any chance for reform. In 1998, when the balance between political powers shifted and Syrian influence (by way of then-President Emile Lahoud) was increasing, to the detriment of Rafic Hariri and Western allies, many of the projects in Hariri's Horizon 2000 plan were put on hold or canceled. Adding in the economic difficulties of the era made for an appetite that was no longer conducive to such ambitious plans. In contrast, the period between 1989 and 1992, after the fall of the Soviet Union and the end of the Cold War, brought changes to the region, and reforms became possible at the beginning of the 1990s that were not during the previous decade. This was derailed later in the decade, when Syrian

and Iranian pressure wore down Lebanon, and regional peace initiatives meant to reconcile Israel with its Arab neighbors failed. All the ambitious development that Rafic Hariri was planning was no longer possible.

That is the lesson: If Lebanon now wants to develop the country and invest in infrastructure, the government needs to have a good showing in May in order to see through its reforms. The CIP is needed by politicians aiming for leadership posts in the next government to credibly campaign for reelection. But if they do not have a strong showing in the elections then the development plan may never be heard of again. They need the confidence of the international partners and this confidence will depend to a large extent on how much support

they get at the ballot box on May 6. If there is a high level of distrust in the form of low voter turnout, then the probability of implementation may decrease.

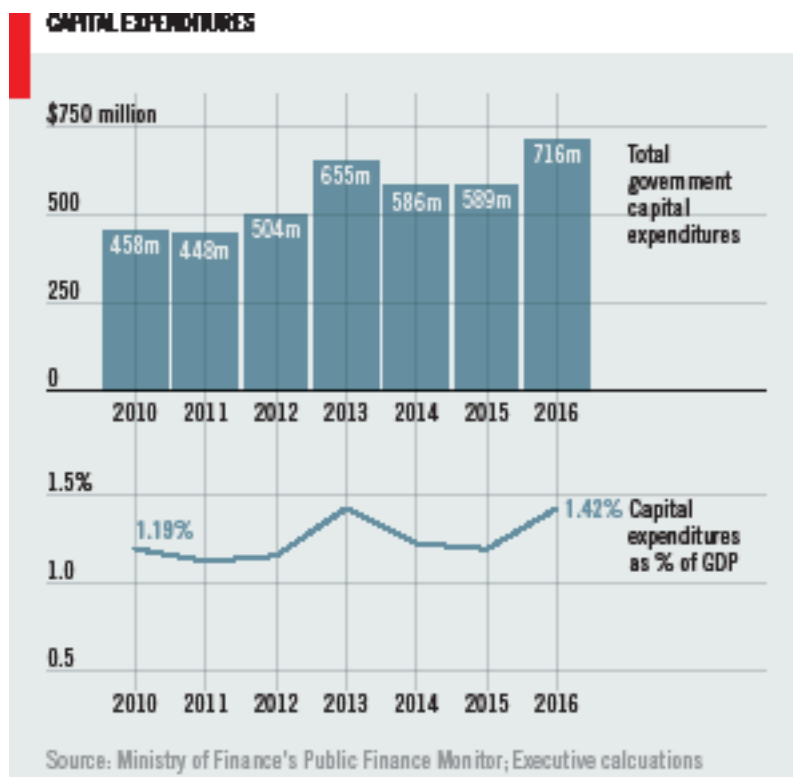
## GAINING TRUST

Past experience has taught the private sector to be skeptical about partnering with the Lebanese state. At an investment conference held in early March in Beirut, a Chinese businessman addressed the energy minister, who had earlier spoken about partnering with the private sector to construct power plants. "What guarantees [for] revenue can the government make?" the businessman asked. But the minister had already left, the businessman was told by the panel's moderator.

Lebanon has had some trouble in partnering with the private sector in the past, and has had zero successful public-private partnerships, remarked Ziad Hayek, secretary-general of Lebanon's High Council for Privatization and PPP, in a September 2017 interview with EXECUTIVE. One example from around the turn of the century is the story of Libancell and Cellis, the two cellular companies operating Lebanon's first-generation mobile network. Their contracts had arbitration clauses, and when the government moved to terminate the contracts prematurely the companies filed for arbitration.

In that case, says Marwan Sakr, a partner at the

## CEDRE



law firm SAAS Lawyers who specializes in arbitration, the State Council, Lebanon's highest administrative court, issued an opinion that the arbitration clauses were null and void and that the state could not arbitrate, and ruling instead the court to be the body hearing cases against state entities. In 2002, Lebanon amended its arbitration law to allow arbitration for any state entity, with the Council of Ministers approving the agreement to arbitrate between state entities and other parties, Sakr told EXECUTIVE. (The number of civil suits against state entities is said to be quite large, according to lawyers EXECUTIVE interviewed for this story. EXECUTIVE's information request to the State Council for the number of civil suits heard by the court against state institutions procuring projects was not answered, and after going to the court after not being able to follow up on the request by telephone, EXECUTIVE was told that staff are instructed not to pick up the telephone).

It's not yet clear whether the CIP can prove to investors that Lebanon is worthy of their confidence. Mohammad Alem, a senior partner at the law firm Alem & Associates, told EXECUTIVE that potential investors the firm had met with had ex-

pressed interest in knowing what is in the CIP, and in investing in Lebanon, but few were excited, citing concerns regarding corruption, bureaucracy and red tape, or political interference in bidding processes. He said that foreign investors, including institutional funds, have not shown much appetite yet, and he questions the overall viability of the CIP and its projects.

Investors that EXECUTIVE spoke with directly were more optimistic. Philippe Ziade, for example, is going to Paris with a wishlist. Ziade, the founder and chairman of Growth Holdings, which on its website claims \$3 billion in assets across the real estate, technology, construction, hospitality, and entertainment sectors, wants a robust legal framework for independent power producers to make the market more competitive and to codify the procurement process. He told EXECUTIVE on the sidelines

of an energy conference in mid-March that those measures alone would improve financing costs. Ziade also wants feed-in tariffs to allow anyone to produce electricity (usually in the form of rooftop solar panels) from their home and generate returns by selling power to the state.

Investors and fund managers that show up at CEDRE have the option of investing in Lebanon or investing elsewhere, and they will be looking

■ Reforms may be a prerequisite to obtain investors' commitments, and the list of reforms is long, broad, and ever growing.

for jurisdictions that provide lucrative returns and lower levels of risk. Reforms may be a prerequisite to obtaining investors' commitments, and the list of reforms is long, broad, and ever growing. In general, investors will ask for

fiscal discipline, appointment of regulators, and the passing of a backlog of legislation.

The way the state operates must change: that's the consensus ahead of Paris. Now might be the last chance for serious reforms to prevent the country falling into the abyss, and who knows what would happen to Lebanon deep down in the dark. ■

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# What's in the Capital Investment Plan?

A look at Lebanon's development plan for CEDRE

**Judging a book by its cover may no longer be common lingo in the digital age, but it seems to be exactly what Lebanon is hoping people will do ahead of the CEDRE investment conference scheduled for early April in Paris: Never mind the details; be impressed by the dazzling overall figures and exciting projects.** At CEDRE, Lebanon plans to pitch its development program, the Capital Investment Plan (CIP), to investors in order to finance the rehabilitation of infrastructure that has degraded over the last few decades because of low state investment and overloaded use.

For the most part, investments pledged at Paris could become reality—if the Lebanese state fulfills longstanding, half-hearted promises of reforms. The proposed list of reforms continues to evolve and grow in length, but in general includes changes to legal frameworks, fiscal discipline, and the regulatory environment. The consensus EXECUTIVE has gathered ahead of CEDRE is that without reforms, pocketbooks in Paris may not readily open (see cover story, page 30).

The numbers found in the CIP leave one with more questions than answers and an impression that the plan at this stage is more conceptual than set in stone. It is a living document that will evolve over time as investors weigh in, and will probably depend on Lebanon actually fulfilling the reform promises it makes to investors at Paris. Capital investments take time and lots of planning, and so do reforms. “Everybody acknowledges that this is the beginning of a process,” Christina Lassen, head of the European Union delegation to Lebanon, tells EXECUTIVE (see interview page 14). Meanwhile, the general feeling is that CEDRE is Lebanon's only remaining avenue to finally make credible investments in infrastructure, with the country's economy teetering on the cliff's edge and given the state's proven inability over time to invest for the future on its own.

Altogether, the plan estimates an investment need of \$20.4 billion, plus land expropriation costs of \$2.6 billion for 250 projects that could generate some 178.3 million labor days. Investments and implementation of projects are envisioned over three phases—cycles 1, 2, and 3—each lasting

about four years, from now until 2030. Insiders tell EXECUTIVE that first phase projects could take one or two years before they are truly “shovel ready”—meaning that feasibility studies, environmental impact assessments, or designs for many of the projects are yet to be prepared—and the general impression is that there is no reliability of the estimated investment needs, expropriation costs, or timeframes. The overall figure of investment need could be much higher, Prime Minister Saad Hariri noted in keynote addresses at local conferences held in Lebanon back in March. Although the CIP will be funded through “external lenders and donors or private investors,” according to the plan, the lack of clarity on real investment costs could eventually plunge Lebanon into further debt to pay for these projects.

Many of the 250 projects have been in the concept books for a long time, some since the late 1990s or early 2000s. Some of the projects appear to be the leftovers from previous development efforts that, for one reason or another, were not funded. The projects are spread across eight different sectors: transport, water and irrigation, wastewater, electricity,

telecom, solid waste; tourism and cultural heritage, and support to industry. For some sectors, the listed projects seem to be divided into separate phases spread across the three cycles.

Projects are scheduled into the different

cycles based on their priority rating. The score is based on two factors: one for readiness to implement the project, and one for the expected economic or social impact of the project. The two scores added together can range from 2 (not studied and not ready for implementation) to 6 (all preparations finished and big expected impact).

## TRANSPORT

The transport sector has 24 projects over the three cycles that together require an estimated in-

■ The consensus that EXECUTIVE has gathered ahead of CEDRE is that without reforms, pocketbooks in Paris may not readily open.



vestment of \$6.9 billion, plus land expropriation costs of \$1.9 billion, and could generate some 49.15 million labor days. Top projects by dollar value in the first phase include \$500 million for the rehabilitation of the Beirut Rafic Hariri Airport, \$500 million for roadwork around the country, and a bus rapid transit system for metropolitan Beirut (for which the World Bank agreed in mid-March to mobilize \$259 million in concessional loans). The second cycle includes a phase two for roadworks, a touristic port in Jounieh, the rehabilitation of the

Rene Mouawad Airport in north Lebanon, and a railway from Tripoli to the Syrian border. The last phase includes a highway bypassing Saida, expansion of the Saida port, and a final phase of roadwork around the country.

## WATER AND IRRIGATION

The water and irrigation sector has 223 entries that are not all separate projects, but rather segments of projects scheduled over the three cycles. Altogether, the entries require an estimated invest-

## CEDRE

ment of \$4.3 billion plus land expropriation costs estimated at \$595 million, and are estimated to generate 40 million labor days. The largest projects by value in cycle 1 include \$300 million for construction of the El Bared Dam in Akkar in the north of Lebanon, which would, according to a description of the project's impact, increase water supply and recharge groundwater, plus \$300 million for the construction of irrigation and water supply networks near Nabatieh in south Lebanon that would supply 20,000 cubic meters of water per day and irrigate some 14,000 hectares. Many of the entries described in cycles 2 and 3 are expansion of projects begun in the first phase, such as upgrading water supply networks around the country.

## WASTEWATER

The wastewater sector has 134 entries that will need an estimated \$2.6 billion in investments plus land expropriation costs of \$57 million, and would generate an estimated 45 million labor days. The largest projects by value in the first cycle include \$300 million to upgrade the Daoura wastewater treatment plant in the Metn hills outside of Beirut, and \$83 million to build treatment plants and collection networks around Aley. Projects in cycles 2 and 3 are mostly construction of wastewater treatment plants and networks around the country.

## ELECTRICITY

The plan for the electricity sector calls for 22 projects over the three cycles with an investment need of \$5.6 billion, which would generate an estimated 28.8 million labor days. No expropriations estimates were given for any of the projects. The largest project by value is \$1.2 billion for 1000 megawatts of electricity-generation capacity spread between two power plants, one at Salaata in north Lebanon and one at Zahrani near the southern city of Saida. There is also a \$140 million gas pipeline to feed natural gas and generate electricity at current power plants, but there is no expropriation estimate, and much of the proposed pathway (the report reads "along the coast") would cut through built-up area.

## TELECOM

All eight projects listed for the telecom sector have an estimated investment need of \$700 million with no land expropriation figures given. Six of the eight projects list labor needs as minor, while the remaining two projects estimate 700 man-months of generated labor combined (the labor indicator is

inconsistent with the CIP methodology). The largest project by value is a national cloud platform requiring an estimated investment of \$200 million, and an upgrade of the mobile network to 5G at an estimated investment of \$150 million.

## SOLID WASTE


Earlier in 2018, the government endorsed the Integrated Solid Waste Management policy, which is designed to decentralize waste management and assigns responsibility to municipalities to deal with their own garbage, as EXECUTIVE reported in March. A total of \$1.4 billion is budgeted for solid waste projects, but there is no specificity about what projects will be funded, where they might be located, or how much labor could be generated. There are also no expropriation costs figured into the \$1.4 billion allocation. This all suggests that this part of the plan is completely fluid and will change.

## CULTURE, TOURISM, AND INDUSTRY

To support the tourism sector, the CIP calls for the restoration of unspecified archaeological sites and heritage buildings, the support of unspecified museums, and allocations of money to cinema, the arts, public libraries, and educational facilities. In total there are 11 entries that have an estimated investment cost of \$264 million, with largest allocations by value going to archaeological sites (\$70 million) and heritage buildings (\$50 million). Support for Lebanon's manufacturing sector is

■ Altogether, the plan estimates an investment need of \$20.4 billion plus land expropriation costs of \$2.6 billion for 250 projects.

lumped into this section, with two projects whose investment costs could total \$75 million—\$50 million for cycle 2 infrastructures for three industrial cities, and \$25 million for infrastructure in Tripoli's special economic zone.

The CIP in its current form leaves a lot to be desired: It may not be robust enough for fans of planning and long-term thinking, the penciled-in figures might not impress economists, and the fiscally responsible crowd will probably not be too excited at the prospect of raising more debt. But despite these shortcomings, Lebanon absolutely needs to invest in its infrastructure, and the Paris investment conference offers a first step toward doing that, inshallah. 

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# Let the sunshine in

Lebanon's electricity plan comes up short on renewables

**Anyone who has lived or spent time in Lebanon is aware of the chronic gaps in the electric grid, which have resulted in regularly scheduled power cuts of three hours a day in Beirut and as much as 12 hours a day outside the capital.**

The government has persistently pursued stopgap measures, such as renting power from Turkish generator barges, rather than dealing with the failings in the national grid or looking to increase the country's use of renewables. The latest plan put forward by Lebanon's energy ministry to address the country's electricity woes by 2030 again relies on expensive stopgap solutions while failing to capitalize on the country's considerable potential for renewable energy generation.

At the moment, private diesel generators cover the daily power cuts, generating about a third of the country's total electricity. This solution to the chronic power shortage comes with its own set of problems: Consumers often pay inflated prices to private generator owners, and emissions from the generators contribute substantially to the dangerous levels of air pollution in Beirut and other urban areas.

The situation is not sustainable, but neither is the government's current plan to address the country's power shortage, which would perpetuate Lebanon's reliance on polluting fossil fuels to an unnecessary degree and undervalue its true potential for renewable energy.

## POLLUTING PROPOSALS

The current plan, prepared by Dar Al-Handasah, an engineering consulting company based in Beirut, and put forward by the Ministry of Energy and Water to the Capital Investment Plan, aims to increase Lebanon's renewable energy output to 12 to 15 percent of the country's total by 2030. The modesty of this goal ignores the ideal conditions for renewable energy generation in Lebanon. With about 300 sunny days a year, moderate temperatures, and low levels of dust and sand, Lebanon is very well situated for the development of large-scale solar photovoltaic farms.

A recent study by the Energy Policy and Security Program at the American University of Bei-

rut (AUB) and the National Council for Scientific Research (CNRS), which I co-authored, proposed that Lebanon could build a capacity of at least 1,000 megawatts of solar photovoltaic energy.

From an economic perspective, the benefit of investing in renewables is certainly greater than that of continuing to rely on two rented power-generating barges stationed off the coast, as the energy ministry proposes to do through at least 2022. The total cost of this plan, which has a capacity of 825 megawatts, would be around \$2.25 billion.

The same sum could fund the construction of a 3-gigawatt solar power plant equipped with state-of-the-art energy storage technology, which would be able to produce more than three and a half times what the rented electricity barges are capable of. But while the energy barges would remain for only three more years under the energy ministry's proposal, a solar power plant would continue to generate power over a lifespan of 25 years. (Batteries for storing solar energy would have to be replaced after 15 years.)

Furthermore, the government's plan will exacerbate Lebanon's already substantial issues with air contamination and other environmental problems. Under the current plan, seven new fossil-fuel-based power plants will be constructed along the Lebanese

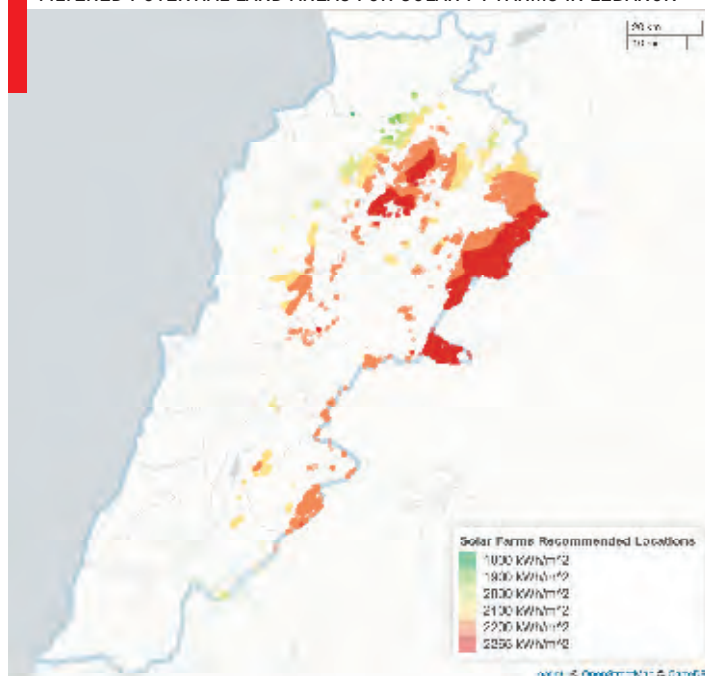
■ The government's plan will exacerbate Lebanon's already substantial issues with air contamination and other environmental problems.

shore by 2030, worsening the environmental impact of the existing heavy-fuel oil plants and backup diesel generators. Even if fueled with natural gas, which is considered a relatively clean fossil fuel, when these seven plants are all operational, they will emit around 1.3 mil-

lion tons of carbon dioxide per year as well as a substantial amount of smog-forming nitrous oxide.

One proposed site for a thermal fossil fuel-fired power plant, Selaata, is particularly problematic. According to a 2014 report by Mott MacDonald, a British consultancy firm, the site is nominated as a marine protected area with sensitive ecosystem. Moreover, the proposed location is adjacent to ar-

## FILTERED POTENTIAL LAND AREAS FOR SOLAR PV FARMS IN LEBANON



■ The government's plan could be realistically modified to include the construction of at least one large solar photovoltaic power plant by 2020.

cheological sites, which could be rendered inaccessible if the plan materializes.

Lebanon should not give up thermal, fossil-fuel-based electricity generation completely. This is neither reasonable nor practical at present, due to Lebanon's urgent need to bridge the widening gap between electricity supply and demand, and the need to meet demand around the clock—not only when the sun is shining and the wind is blowing.

However, the government's arguments against using more renewable energy fall flat. Lebanon's energy officials generally make two main claims to explain their lack of ambition in this regard: that there is not enough available land suitable for harvesting renewable energy, and that the grid would be unable to handle large loads of the intermittent power generated through renewable sources.

The claim that land is in short supply was debunked by the recent AUB–CNRS study, which showed that there are about 60 square kilometers of suitable land with high levels of solar irradiation (sunlight) that can be used for both solar photovoltaic plants, which directly convert the sun's light into electricity, plants, and solar thermal, which provides electricity by first converting the sun's light into heat (see map). The area estimate is actually a conservative one, and the true scale of available land could be double the current estimate.

As for the claim that the grid is not able to carry large loads of intermittent renewable energy, experts who have worked on the grid confirmed that as cur-

rently configured, it is suitable to carry renewable loads of up to 300 megawatts in one location. Above that level, upgrades to the grid and the installation of a fiber-optics-based system would be required, but the technology and expertise to do so are available.

Furthermore, as noted in the AUB–CNRS report, given that Electricité du Liban currently provides less than 70 percent of the country's total energy, with the remainder coming from backup generators, any additional sources of energy—even if intermittent—would be an improvement.

Finally, energy-storage technology is rapidly improving, and its costs are falling. As this trend continues, the intermittency of renewables will become less of an issue, because energy stored in batteries can help cover gaps in energy production during adverse conditions—like cloudy days.

The government's plan could be realistically modified to include the construction of at least one large solar photovoltaic power plant by 2020. This would save around \$800 million per year in imported electricity from barges and eliminate the need for one new thermal fossil-fueled power plant.

By doing this, Lebanon would save around \$3 billion by 2030, increase renewable energy production to 24 percent of the country's total, produce less harmful and polluting emissions, and improve energy security. ■

*ALI AHMAD is director of the Energy Policy and Security Program at the Issam Fares Institute for Public Policy and International Affairs.*

## A window of opportunity



The EU backs reform and investment in Lebanon

**EXECUTIVE met with Christina Lassen, head of the Delegation of the European Union to Lebanon, to discuss the challenges Lebanon is facing, what to expect from the upcoming CEDRE investment conference and Brussels II refugee aid conference, and the outcomes of last month's Rome security conference.**

**E** *It is an interesting time for Lebanon, given that we have the first opportunity in many years to look at major infrastructure investments with real promise for their realization. As the European Union appears to be a very interested stakeholder in this scenario, let me ask: What is the EU's official perspective on the Capital Investment Program [CIP] that Lebanon has recently presented?*

I think there is a window of opportunity for Lebanon right now. There is international good-

will to support the stability of this country that is perhaps not unprecedented in recent years. At the International Support Group meeting in Paris last December, there was a roadmap laid out for focusing on different aspects of this country's stability in terms of security, growth of the economy and creation of jobs, and the issue of refugee response.

One of the main pillars for the Lebanese government is the focus on the country's run-down infrastructure, which—as the government says—has not seen the right investments for decades. Some investments in infrastructure were done after the civil war [in the 1990s], but the level of public investment in infrastructure has been extremely low over the past 10 years or more. There now is a chance with this renewed focus on [infrastructure investments].

The government's logic behind infrastructure investments is to create jobs and get the economy back on track. The international community has accepted this logic, and we have been looking forward to receiving the formal presentation of the government's vision, which was finally released [on March 15]. We are now preparing for the [CEDRE] conference in Paris. We now have this package of investments into different infrastructure projects, and at the same time, there is a very important document on the government's economic vision that contains a broad range of structural and sectoral reforms. We expect a lot from this package, meaning if this is to succeed, achievements have to be made on both sides of the coin.

[CEDRE] is an investment conference. It is not a donor conference. That is why it is not so important what the EU's official position is. We are positive and, as the saying goes, the EU is open for business, but to that end, investments will depend on private investors and international financial institutions [IFIs]. They need to assess all these projects. Are the projects viable? Do they make sense, in terms of promoting sustainable growth and employment? Are they profitable? They will look at them as investments, and the more economic and structural reforms the government carries out, the more the [investors and

institutions] will be interested in investing.

This is where we can [pitch] in and help. What the EU has at hand is to provide assistance that makes these loans more concessional and have better terms. But it has to be attractive to the private sector and the IFIs. This is why we are encouraging the government to carry out the reforms that would make the investments more viable. I think everybody agrees with this logic, and this is also what the [government of Lebanon] says that they want to do, so there is now a chance to have these infrastructure investments, but very importantly, also to have these economic reforms that this country, as everybody acknowledges, has been lacking for a long time.

**E** *How much leverage do you see the EU as having to incentivize the political establishment in Lebanon to implement the reforms?*

It is not what we want, but what is in the country's interest. A very important point that the French hosts of this conference have proposed, and the government here [in Lebanon] is

also talking about, is that there has to be a very clear and effective follow-up mechanism. We will all see what is being proposed now in Paris, and then there will be a follow-up mechanism where

■ “We are encouraging the government to carry out the reforms that would make the investments more viable.”

everybody can regularly assess what is going on, on both the reform and the investment sides. In terms of leverage, the leverage is, again, with the investors. If the IFIs are to be interested [in financing infrastructure projects in Lebanon] they want to see those reforms.

We are not at all talking about conditionality here. Investors want to make sure that they are getting something in return.

**E** *When were you given access to the CIP document?*

All the documents were released on the 15th of March. It has been only a few days, and that is why everyone is now studying [the document], especially the IFIs.

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## CEDRE

**E** *Is that not a very short time to go through an extensive document of some 130 pages and study the CIP, which outlines numerous projects in areas such as transport and water on about 50 pages each, in time before the Paris conference?*

I think everybody acknowledges that this is the beginning of a process. That is what the government is also saying. They are hoping for positive statements of intent and [financial] commitments, but also commitments to look through this [CIP] with a very open mind, and I think this is what everybody wants. The international community cares about stability in this country, and that is [demonstrated by the interest in CEDRE]. Not every country can get 60 countries to come to a big investment conference. There is a special case here because of the situation of this country. It is the beginning of a process, and yes, it is a short time [to review the documents and projects], and we said it would have been good to get the documents earlier, but we also understand that there has been a huge effort from the Lebanese side to get all of this together. In the Lebanese political system, things take time, and the Council of Ministers has now approved this document, which is a very good development.

**E** *If I understood correctly, you said that the infrastructure projects and the reforms in Lebanon are seen by the EU very much as parts of one package. In your view, do the Rome and Brussels conferences on security and refugee issues constitute parts of this overall package for development?*

We see them as part of the overall roadmap to stability. In this context, it was important to have the Rome conference. It was dealing with investments into the Lebanese security sector, and I think everyone was very impressed with the developments that have been achieved, especially with the Lebanese Armed Forces, but also the other security agencies over the previous years. This conference sent a very strong political signal of support from the international community for Lebanon's state institutions in the security sector, and also toward helping them to continue these reforms and improvements and capacity building. As the prime minister has said, security and stability is a prerequisite for attracting the investments the government is proposing in the CIP. In that sense, there is a clear link between


investments in security and economic growth.

Brussels II is not a conference that will be focused on Lebanon alone, but on the question of the Syrian refugees in the region and also inside Syria. So I think there is a strong link between all three conferences, but they all focus also on different aspects.

**E** *What is the ratio of support between before the crisis and today, if you compare funding provided under the European Mediterranean Neighborhood Program before the crisis, and the engagement in the past few years, since the crisis erupted?*

Before, many of our member states [in the EU] said that Lebanon was not a developing country according to our norms, and we would not have any programs here. Of course, we as the EU were always engaged [with Lebanon], but if you look at our support to Lebanon before the crisis, we were giving around 35 to 40 million euros a year. For the last three years, we have been giving between 280 and 340 million euros a year, so it is a huge increase.

I often hear frustration that Europe is not doing enough, but I think that most people realize deep down that we are here to help and will continue to do so as long as this crisis

is going on. And that is why the High Representative [of the European Union for Foreign Affairs and Security Policy, Federica Mogherini,] is hosting the conference in Brussels at the end of April, to make sure that not only the European Union but the whole international community does not lose sight of this crisis. She wants the international community to focus on the need for political solutions [to the Syrian crisis] through the UN track, but also very much—and that is of course what we also focus on from here—on not forgetting the huge needs of [Syria's] neighboring countries. This is very important, even as we keep in mind that there are many crises in the world right now, and that there is huge pressure on humanitarian support budgets. This crisis is still going on, and we need to continue supporting as long as that is the case. 

■ “Not every country can get 60 countries to come to a big investment conference. There is a special case here because of the situation of this country.”



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# In the FOG



Lebanese insurers ever resilient against the same challenges

**Assessing the insurance industry of Lebanon at the current junction of global insurance challenges, regional vagaries, domestic economic hurdles, and the country's ongoing political issues is not without difficulty.** Just as with the national economy, there are hopes and interesting prospects, but they are mainly just over the horizon—whether in the reconstruction of war-torn Syria and Iraq, in the development of an oil industry, or in the infrastructure and investment programs that are being ambitiously pursued by the Lebanese state (see story page 20).

In the best of all possible worlds, where “tout est pour le mieux,” as Voltaire’s Pangloss never tires of assuring us, Lebanese insurance would of course be developing relentlessly, and managers would not ask

for their companies to be mentioned editorially in magazines they advertise in. Alas, the world being as it is, and the Lebanese insurance sector not having released new performance numbers for about six months, it is difficult to perceive insurance as a growth industry in Lebanon for the current period.

Much of the fog that obscures the insurance industry’s state and future prospects is not generated locally. Challenges from abroad are enough to send the whole industry, including its biggest multinationals, into deep soul-searching. “Insurance company leaders have a lot on their plates,” the accounting firm Deloitte mused at the end of last year in its outlook for the global insurance industry in 2018, pointing to intense insurance technology develop-

ment, political and regulatory upheavals around the world, an “accelerating evolution” driven by innovation and higher customer expectations, and “disruptive newcomers” who are looking to take market share from incumbent insurers.

## CHANGING ATTITUDES

Existential challenges for the global industry are not rooted in the usual vagaries of managing the impacts of natural or man-made catastrophes. According to research estimates by Swiss Re Sigma, 2017 moved, in a 10-year comparison, from having below-average insured losses in the first six months to above-average losses of \$136 billion for the whole year (out of \$306 billion total financial cost caused by natural catastrophes). Besides being a testimony to the constant basic reality that the world has its annual share of natural perils, with economic costs that are largely unmitigated by insurance, the catastrophe count of 2017 only reinforces the understanding that the global insurance industry is well-prepared and fully capable of managing its insured risks.

Instead, what has the potential to rock the international insurance industry in its boots during the coming decade are not natural catastrophes, but human behaviors and fundamental changes in attitudes and habits when it comes to everyday activities, such as driving to work. Projections from industry giants such as Allianz Group anticipate that the 20th century norm of people owning cars and buying motor insurance will be replaced by models of non-ownership of cars and abstinence from conventional motor insurance coverage, where digital natives increasingly come to constitute the main economically active strata in the United States and elsewhere, from some point in the next decade onward. Thought leaders in the insurance field often discuss how digitization, cyber risk, and all the unknowns of digital capitalism are approaching their industry with the speed and mass of a bullet train.

The local insurance industry has for the past few years been listening to the messages and predictions related to digitization and cyber risks and is aware of the changes that will be imposed on their businesses. As Lucien Letayf Jr., general manager of Lebanon-based independent regional insurer Libano-Suisse notes to EXECUTIVE, the spread of digitization and new insurance business models are among the main challenges for his company in Lebanon and regionally. That’s in addition to local challenges like the absence of an advanced insurance law in Lebanon, the weak growth of insurance in the country under the prevailing economic conditions, and a lack of social awareness on the importance and value of insurance.

On top of these impending changes under the

digital reincarnation of capitalism, international moods in the financial industry—and one must not forget that insurers are essential cogs in the machine of global financial markets—are this year beset by political concerns over trade wars and overdrawn self-interests by important players on nation-state levels. Global trade wars are not here yet, and it is difficult to predict, as with all human follies, what courses they might run. But regionally active insurers have already been impacted by localized disturbances and trade conflicts such as the altercation between Qatar and its Gulf neighbors. One does not need to highlight that economies, and with them insurance markets, in the Mashriq region have been impacted very significantly by the various conflicts that have shaken the region since 2011. If all that were not enough, markets are showing increasing impacts this year from the slowdown in economic growth in the Gulf region that has been caused by weakening global oil prices.

As a new market report on money and banking in the United Arab Emirates by the National Bank of Kuwait notes, the effects of the 2014 plunge in oil prices and the resultant slowing of growth in key sectors to the beginning of 2018 has translated into factors such as “disappointingly weak” credit conditions. “Since peaking at 11 percent year-on-year in mid-2015, credit growth has been in more or less consistent decline, standing close to multi-year lows at just 0.5 percent [year-on-year] in January 2018,” the

■ Regionally active insurers have already been impacted by localized disturbances and trade conflicts.

report reads, illustrating some of the reasons why the Beirut-based regional specialized insurance company the Lebanese Credit Insurer (LCI) says it was compelled to shift focus away from some Gulf markets. “We have scaled down our activities in the Gulf region a bit, mainly in Saudi [Arabia] and UAE, because of the problems related to dropping oil prices that led to the stop of infrastructure projects and to crises of finance and banking in Dubai,” Karim Nasrallah, chairman and general manager of LCI, tells EXECUTIVE.

Several reputed Lebanese insurance-sector companies with regional business in insurance and brokerage, like LCI, tell EXECUTIVE that 2017 was a difficult year for them. Lebanese insurance companies often do not report on their performance abroad, however, regional markets are very important for many Lebanon-based insurers. As Libano-Suisse’s Letayf points out, the small, crowded national insurance market in Lebanon confronts providers with

## Insurance

high costs and low prices, plus Lebanese insurers have long-standing skills which give them an advantage in regional markets.

When taking the regional and international challenges of insurers into account, the domestic market challenges in Lebanon—which are undeniable—appear very manageable and minor, albeit with one main negative characteristic: They are thoroughly entrenched. One might compare the problems of Lebanon's insurance industry to an annoying allergy against pollen that resurfaces every spring with violent sneezes, or to some fungus that itches under the soles of your feet and reappears year after year. Worst all, the ailments of the Lebanese insurance industry appear perfectly curable, but nonetheless do not receive proper treatment.

One example is motor compulsory insurance, which has yet to be sorted out fully, even though it was mandated four years ago by the then-new Lebanese traffic law. Specifically, third-party liability (TPL) insurance against material damages was made mandatory for all motorists in this law, which was adopted in the summer of 2014 and purportedly started to see widespread enforcement by traffic authorities three years ago this month, in April 2015.

It was clear to key stakeholders in the Ministry of Economy and Trade, in its affiliated Insurance Control Commission (ICC), and in the insurance industry why the sector was not ready to deliver the full compulsory cover in 2015: Experiences with the compulsory TPL against bodily injury, which had been implemented a decade earlier, showed that it would be necessary to modernize motor insurance processes and improve methodologies to combat insurance fraud before the industry could ramp up to the legal mandate of providing traffic participants with better insurance safety. Implementation of this compulsory TPL against material damages was pushed into the future at the time—justifiably so in the eyes of many observers.

Nadine Habbal, the acting head of Lebanon's ICC, writes in the recently published 2016 Insurance Sector Annual Report that “work on the motor third-party liability (MTPL) track is nearly accomplished” toward aligning the MTPL with international standards. “The key drivers in this context are the adequacy of the benefits paid to the victims of road accidents, the implementation of a centralized risk database, and a sound governance for the stipulations on minimum tariffs,” she writes, affirming the ICC's determination to combat practices by some insurance industry players that in the past undermined full implementation of MTPL.

## STALLED PROGRESS

The impression these comments give is nonetheless that almost four years after the adoption of Lebanon's traffic law, full implementation of TPL against material damages is still not achieved. This impression is strengthened by comments from Fateh Bekdache, head of the National Bureau of Compulsory Insurance and general manager of Arope, a large motor insurer in Lebanon, who explains to EXECUTIVE that this document did not obtain all the required signatures from the full Council of Ministers, so the terms and conditions imposed on citizens were voided by the Constitutional Court.

According to Bekdache, there are some positive developments in new initiatives to make sure motor vehicles in Lebanon have verifiable road identities. New license plates with tamper-resistant features were introduced just before the beginning of 2018, and these plates are bound to significantly cut down on illicit practices such as swapping plates from vehicles that are presented to motor insurers to vehicles that have been in a collision in order to

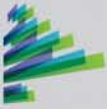
■ The ailments of the Lebanese insurance industry appear perfectly curable, but nonetheless do not receive proper treatment

commit insurance fraud. “It is definitely a plus. We have been suffering for a long time from having the same plates on two or three cars, as there were cars with fake license plates in

circulation. It is a very important move to now have measures to make license plates more secure. New regulations are always helpful, but the more important thing is the implementation of such measures by the security forces,” he tells EXECUTIVE.

However, Bekdache says, a combined policy for the two branches of compulsory motor TPL, sought by motor insurers, has yet to come into existence and is “in the pipeline” under a project to develop the country's compulsory motor TPL schemes in collaboration with the World Bank. “Until now, there is nothing that can be called compulsory insurance for material damages,” says Bekdache, adding, “We have been promised that we will very soon have the report from the World Bank in order to implement [compulsory motor TPL against material damages].”

Just as the traffic law and its associated compulsory motor insurance coverage appears to not be fully implemented yet, there are other areas where old grievances seem to linger, and sound insurance development objectives have yet to be implemented.



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## Insurance

For one, bancassurance—the practice of banks selling insurance—is in need of regulation. A reminder from Banque du Liban to commercial banks at the end of 2017 that bancassurance is not currently legal triggered a curious press release by the ICC highlighting the (uncontested) fact that “insurance companies owned fully or partially by banks form a fundamental pillar of the insurance sector.”

## LACKING SUPPORT

Similarly, problems pertaining to insurance sales by mutual insurance societies that operate outside of the overall regulatory framework do not appear to have been resolved, despite many years of efforts from the Association of Insurance Companies in Lebanon, or ACAL. There are numerous further problems about Lebanese insurance practices, the most crucial of which are the failure to adopt a modern and adequate insurance law (a draft law has been in the pipeline of endless delays for almost 15 years), and the need to foster consolidation in the sector through mergers and acquisitions. Wishes voiced by insurance leaders to see the latter, overdue process accelerated with the help of soft loans and incentives from the Lebanese central bank may have been delivered by mistake to the Easter Bunny instead of Santa Claus.

With all that is not advancing, one cannot but note that there is a certain degree of exasperation in circles of insurance advocates who are desperate to see the insurance industry live up to its potential in Lebanon. However, this is not to imply that the insurance industry in this country is in a bad state when compared with the economy, a fact that has been stressed by local and foreign analysts in several reports over the recent past. BLOM Bank titled a brief on the industry last year “Robust Lebanese Insurance Sector Despite Economic and Political Challenges,” and specialized international insurance ratings agency A.M. Best last month tooted the same horn by titling a research note “Lebanese Insurers Continue To Demonstrate Resilience, Despite Challenging Operating Environment.”

The same is true for some (but in all likelihood not all) insurance companies in Lebanon. Outliers among the more than 50 sector companies innovate, perform, and deliver impressive performances, if one makes allowances for the small size of many of these companies. For example, a vocal company in the domestic market is Sécurité Assurance, which boasted in a recent self-description of its business of its exceptional growth. “During the first quarter of 2017, the company achieved more growth than in

all of 2016,” it claimed in a profile document sent to EXECUTIVE, adding that its growth in 2016 was more than 10 times industry average, at 30 percent. Sécurité attributed its ascent to the position of fastest growing insurance company in Lebanon to having incentivized and educated its staff, deployed new apps, stepped up its branding and, as assistant general manager Anthony Khawam tells EXECUTIVE by phone, to “serving our clients in superior ways.”

Farid Chedid, chairman and general manager of the Chedid insurance group, tells EXECUTIVE that a potent local insurance industry would have been a fantastic partner to the country’s current infrastructure development efforts. “The insurance industry in Lebanon is very resilient, and the problems that exist in sectors like motor and health are manageable problems. It is a very good industry,” he affirms, but then cautions that this industry is in need of “help, assistance, and support from the government.”

■ “The insurance industry in Lebanon is very resilient, and the problems that exist in sectors like motor and health are manageable.”

He explains that an insurance sector, with its need for assets with long-term duration, makes the perfect investor in

infrastructure projects, and that infrastructure projects, in turn, are ideal for insurers to invest in (for more on insurance in relation to the Capital Investment Plan of Lebanon, see page 36). The problem, in his view, is that the development of insurance in Lebanon until now was subject to total neglect from the state. “If the [Lebanese government] assists the insurance companies in growing, the insurance companies will be able to invest long-term and will be able to be a major player in the economy of the country. But they are totally neglected, which is a pity,” he says.

As the Lebanese Minister of Economy and Trade, Raed Khoury, concluded in his introduction to the ICC Annual Insurance Sector report for 2016, “Profitable sustained growth in the insurance sector needs to be achieved with an objective to narrow the gap [with the banking industry] and establish a more balanced structure in the financial services sector.” Given the lack of political support and subdued growth record of the insurance industry, which would need to take 10 steps of growth for every single step of advancement by the banking industry, what remains to be added is only one question: How?





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# TAKING RISKS

Should Lebanese insurers dip their toes into oil and gas?

**Adding to the misty picture of insurance industry prospects in Lebanon are uncertainties over the sector's ability to exploit three major opportunities which are slowly taking shape inside and outside of Lebanon: energy, infrastructure, and reconstruction.** The book of doubts on the purported three new miracles includes some question marks if the industry will be able to develop a profitable pool for energy insurance related to the new oil and gas contracts. However, much more precarious are the opportunity prospects themselves as far as cross-border reconstruction projects in Syria and beyond, oil and gas finds offshore on Lebanon, and, the newest, but existentially old, prospect of insuring infrastructure projects laid out in the recently announced Lebanese Capital Investment Plan (CIP).

Max Zaccar, the president of the Association des Compagnies d'Assurances au Liban (ACAL), current president of the General Arab Insurance Federation (GAIF), and chairman and general manager of Lebanon's Commercial Insurance, is enthusiastic about all three development prospects. He tells EXECUTIVE, "Regarding the infrastructure program, everything under the Capital Investment Plan will need insurance, and the CIP projects will bring additional work to the insurance companies. But this is just the tip of the iceberg, because we are all waiting for the reconstruction of Syria and Iraq. Africa is also full of insurance needs where Lebanese companies can play a role. We have to get ready for all this."

However, his greatest enthusiasm is reserved for the project of constructing the ACAL energy pool for insuring the oil and gas industry locally, on the reasoning that the Lebanese insurance law mandates all assets are insured in Lebanon. "The contract for oil and gas exploration was signed between the government and the operators as of February 2018, which means operators will start drilling in 2019 and should prepare themselves by importing their equipment and materials in 2018.

"Under the law, all assets have to be insured in Lebanon, the insurance [for local oil and gas indus-

try assets] has to be made in Lebanon, and we as insurance [providers] have to prepare ourselves to serve this new industry. ACAL wants all interested member companies to participate in this new insurance, and this is why we developed the idea of a pool. The pool should see many companies participate and be managed by ACAL. It will create new job opportunities and expertise for ACAL, and we will export our pool in the future to other Arab countries," Zaccar says.

## POOLING RESOURCES

In the overall move to fulfill the national resource dream, an important milestone for implementing the long-awaited exploration and eventual exploitation of Lebanese offshore gas has indeed been reached in the awarding and signing of contracts with the consortium that emerged last year as sole bidder for Block 4 and Block 9 (out of 10 maritime exploration blocks in Lebanon's Exclusive Economic Zone). Even before these contracts were



signed, however, ACAL had been working to ensure the rights of Lebanese insurance companies in the national energy industry.

For at least the past three years, the association centered its outbound lobbying efforts in a dual track emphasizing the law's requirement for local insurance on the legal side, and the project of an energy insurance pool on the technical side. Additionally, the association made efforts to internally marshal local insurers toward readiness for participation in such a pool, with the rationale that the project would serve the primary purpose of expanding the skills of the local industry, which has never before been exposed to oil and gas risks. With these core messages, ACAL had been vocal through 2015–2017 by participating in or staging dedicated conferences on energy insurance, and by lobbying public officials and stakeholders with the message that Lebanese insurers are ready, willing, and able to take on the responsibility for oil and gas insurance contracts.


According to Zaccar, ACAL's effort to rally skeptical member companies behind the idea of a pool has borne fruit as demonstrated by a survey earlier this year, in which a majority of the over 50 insurance companies in Lebanon stated their interest to join. "We did a survey with insurance companies about their interest in the pool two months ago and had the support of 31 insurance companies which expressed their interest in taking a \$21 million retention," he told EXECUTIVE in an interview last month. Equally, while the external lobbying initially had met with lackluster responses from government officials, comments by officials in the

Lebanese Petroleum Authority (LPA) since last year turned more favorable to the involvement of Lebanese insurers.

However, that does not mean that all concerns over the idea of an insurance pool as a risk sharing mechanism for Lebanon's energy assets have vanished. Elie Hanna, the president of the Lebanese Insurance Brokers' Syndicate (LIBS), tells EXECUTIVE that some insurance brokers in Lebanon may even have expertise in coverage of oil and gas risks that is superior to that of local insurance companies, and that LIBS would be opposed to any pool that does not include a role for brokers (see interview on page 40).

More technically, a vehement questioning of an energy pool's rationale comes from Lebanon's prominent Chedid group of companies, which includes insurance and reinsurance broking services, and insurance consulting companies in the Middle East. Farid Chedid, the group's chairman and general manager, details several concerns over the viability and wisdom of having a Lebanese energy insurance pool when taking into account the number of risks that can be insured, the potential for profit or loss from such a pool for insurers, and the circumstances of oil and gas exploration.

"Oil and gas insurance is a global business because you need a large number of homogeneous risks that are diversified globally. You need to spread your risks on a global basis, or you always lose money. I think there is a misunderstanding [in Lebanon] as to the benefit of the pool. You would organize a pool if you have a large number of homogeneous risks that cannot be insured by one



■ "Oil and gas insurance is a global business because you need a large number of homogeneous risks that are diversified globally. You need to spread your risks on a global basis, or you always lose money."

## Insurance

or two companies,” he says and explains that the consortium, which won the bids for oil exploration in the two awarded Lebanese offshore Block 4 and Block 9, cannot be expected to deploy more than four or five drilling rigs at most. “This is not a large number, and for Lebanese insurance companies to come and say, ‘We want to insure three or four rigs and want to do a pool,’ I think is a very wrong decision,” he adds.

According to him, the resulting exposure for the Lebanese insurance industry would be huge in relation to the premium incomes that it could achieve. Moreover, the potential to make profits would, at best, be slim, while a loss would potentially be a financial catastrophe as claims incidents in the oil and gas sector can become huge.

“It is in the interest of the international [energy] companies to lure and attract the Lebanese companies [into having a pool]. But it is not in the interest of the Lebanese to be involved in this, because there is a certainty of a loss. Even if [things initially go without accident and claim for years], in case of a loss [event], you have risk for the Lebanese insurance industry to lose \$20 million in one event, with zero possibility of payback,” Chedid explains. He reasons that this risk is juxtaposed with a potential to earn only some \$200,000 in premiums income (collectively) over 10 loss-free years when prevailing rates in oil and gas insurance are taken into account.

Regarding the circumstances for operating oil projects offshore Lebanon, he points to the fact that the Arabian Gulf region has shallow waters, and an almost total absence of natural perils, whereas Lebanon has deep waters and has to take the possibility of natural perils, such as an earthquake and related floods, into account. In light of the low profit potential, high risks, and overall circumstances of having a Lebanese energy pool, Chedid is openly dismissive of the idea that Lebanese insurers would acquire greater knowledge about oil and gas insurance by operating a pool at a potential cost of millions. He suggests that a company with a small stake in the pool could earn no more in premiums than it would from insuring a single motor vehicle and calls the plan “an absolute waste of time.”

## IF AND IF

It cannot be ruled out at this point that the idea of a Lebanese oil and gas insurance bonanza could, despite all such technical considerations, hold some appeal to local companies in the case that the current scenario of drilling in two blocks



by one consortium would result in rich finds, and that subsequent bidding rounds would generate a far-flung industry with a multitude of operators digging and drilling in Lebanese waters. However, this possibility is not one that anyone should be holding their breath for, given that the national reserves are still unclear, and that a large oil industry in Lebanon is, at best, many years away.

Similar to the risk for evanescence of Lebanese energy prospects, recent history can nurture only the most fugacious of hopes for Syria and Iraq to be reconstructed without any delay or backsliding into conflict and violence. As ACAL board member Karim Nasrallah, chairman and general manager of the Lebanese Credit Insurer (LIC), says, “We don’t know when the war next door will end. You don’t want to build your future on the back of the rebuilding of the infrastructure of Syria.”

So what about insuring the CIP and its legion of hot infrastructure projects? Nasrallah and Chedid are both insurance professionals with direct expertise in the issues that relate to coverage of cross-border investments and loans, which is certain to be one of the first issues of concern for international investors who are looking through the proposed Lebanese infrastructure investments. As a matter of fact, insurance needs for CIP projects will entail two dimensions. Chedid confirms that the first dimension is insurance of assets in Lebanon, with coverage needs stretching from construction related policies, such as Contractors’ All Risk (CAR), to covers protecting equipment and materials during transport, etc. Lebanese insurers are well versed in the issuance of the related poli-

cies and highly qualified to insure all first-party assets in Lebanon, which moreover is their prerogative under the Lebanese law.

Contrary to this need for local insurance is the scenario when it comes to safeguarding financial commitments that are dedicated by a foreign investor. The topic then, Chedid says, “is a foreign investment in Lebanon, whether through a loan or through equity. As this is foreign money coming into the country, you can insure it against political risk, such as confiscation, expropriation, and nationalization; you can insure it for inconvertibility of currency, [and] for frustration of contract (breach of contract) that is due to political reasons, [meaning] a political decision in the country to stop the contract. From that perspective, foreign lenders or investors expect their insurance [against political risk] to be done from outside [of Lebanon].”

## BEWARE BLACK SWANS

Nasrallah, whose company LCI operates as a private sector player in the space of insuring trade and investments, confirms that he has seen “definite appetite for Lebanon” coming from actors in the international cross-border insurance of investment risks, and also says that there is some room for insuring projects of the type listed in the Lebanese Capital Investment Plan (which he had not seen, and which seemed to not have been provided to the relevant local insurance stakeholders by the government’s team). However, according to him, capacity for insuring large infrastructure projects is internationally limited. “The capacity from the private market [for insuring such investments] is small, and the tenor of insurance will be very short. [Such] risks are mainly covered by governmental export credit agencies, or ECAs. ECAs can cover long-term projects that have grace periods built into their repayment plans, and they can cover all these ambitious projects,” Nasrallah tells EXECUTIVE.

As he explains, international rules for export trade credit are defined according to categories set by the Organization for Economic Cooperation and Development (OECD). One has to differentiate between marketable risks (that can be covered essentially by a provider in the private sector) and non-marketable risks that only are assumed by the insurance units of multilateral agencies, such as the World Bank Group’s Multilateral Investment Guarantee Agency (MIGA), and governmental or quasi-governmental ECAs that have governmental mandates to support exports or foreign direct investments.

According to Nasrallah, some small short-term

Lebanese projects in infrastructure could be syndicated in the private market for political risk insurance, but, by and large, all political risk insurance for projects related to Lebanon is going to be ECA business as long as a cross-border component is involved. “Anything related to infrastructure, anything that goes over seven to 10 years, which will be the case, will be purely for multilaterals and ECAs to cover. This is not something that any insurer in the local market will be involved in. The local market will not benefit from any of this,” he says.

The prospects of insuring the projects related to CIP and the final implementation of infrastructures in Lebanon thus, while this implementation seems not quite to be just around the corner, look to be the bets that the Lebanese insurance sector cannot afford to miss, even as the political risk side of the coverage looks to bypass many local players. As far as the categories of political risk, Nasrallah says that the main coverage category from a claims point of view for Lebanon would be war and civil unrest, since the track record of Lebanon has been very good in recent years as far as expropriation and breach of contract risks.

Both Chedid and Nasrallah confirm that coverage of political risk in the context of the CIP will be available, and that international trade credit agencies perceive Lebanon as a very insurable market. Chedid additionally emphasizes that, on one hand, investors in Lebanon will expect to be covered against political risk and loss of profits, and that, on the other hand, Lebanon cannot afford going into projects uninsured as they typically represent the risk combination of very low probability coupled with very high severity in case of an event that would qualify as a

■ “The black swan is the fat tail, something that has a very remote probability of failure, but if you have failure, the consequences are horrendous and catastrophic.”

Black Swan. “On your probability distribution, the Black Swan is the fat tail, something that has a very remote probability of failure, but if you have failure, the consequences are horrendous and catastrophic. For a country like Lebanon, we

cannot afford to not insure against fat tails,” he says. Nasrallah, on his part, ends by voicing concerns that more investment and their insurance is needed for the government’s plans to work. “All the CIP projects will be great, but I do not perceive any lender as being comfortable to lend if there are not basic reforms that are done. You cannot pour money into the country as it is today. It needs restructuring.” ■

# THE ART OF INSURANCE

Talking brokerage in a languid environment

**Brokers play an important role in highly functional insurance markets, providing clients with advice on risk and policy choices.** They often help clients obtain covers, assist them with claims, and act as intermediaries between clients and insurers. But Lebanon's insurance brokers have faced several difficult years in a row. To gauge the views of licensed Lebanese brokers on the state of the industry, EXECUTIVE sat down with Elie Hanna, president of the Lebanese Insurance Brokers' Syndicate (LIBS).

**E** *It appears that the past few years were not extremely profitable for insurance companies. How has development been for brokers and intermediaries?*

The fact that many insurance companies have not been making a lot of profit, in my view, is due to the high competition among the many insurers that exist in Lebanon. This is their problem. The insurers have to study the risks and determine their rates in line with the market, whereas we, as brokers, advise our clients and provide consultancy. We sell the most competitive and most suitable policy to the client. As far as the development of our business, brokers have a good share of the market in Lebanon. Things could be better economically, but I am satisfied, except for our need to fight all kinds of illegal brokers and illegal channels for insurance distribution, such as bancassurance [insurance products sold through banks] and mutual insurance cooperatives that work through informal and illegal channels. From our communication with the Insurance Control Commission (ICC) [a regulatory body that operates under the Ministry of Economy and Trade] we know that in 2017 the ICC started banning all illegal brokers, meaning all who are not licensed but sell insurance. We should thank [them] for this and also for working toward a new law that improves the insurance industry in Lebanon.

**E** *How many licensed brokers and LIBS members do we have in Lebanon right now?*

There are brokers who are licensed with the



ministry; I don't have the exact number, but it is around 400 to 500 brokers, both individual and companies. Then, there are about 1,600 to 1,700 agents who represent insurance companies. At LIBS, our number is now about 170 members out of the 400 to 500 brokers. Under our bylaws, only individual brokers and brokerage companies can join. Agents [who represent a single insurer] are not eligible to join, but we are working on the bylaws and [will] hopefully amend them this year so that all brokers, agents, and other intermediaries can come under the umbrella of LIBS as the official representative body of brokers in Lebanon.

**E** *What are the main targets that are currently being pursued by LIBS?*

Our main target is to modernize and upgrade the law as far as insurance broking is concerned. If we can reach an agreement with ACAL [the Association of Insurance Companies in Lebanon] on this and have a joint position on the insurance law, it will be great, but we aim at least to see the law on

brokers. The second objective is about digitization, which is very important. In this regard, we have a concern not to be late and out of the market. Another objective, which also would relate to the law, is how to ban or close down all illegal channels, illegal distributors, or brokers. In December 2017, Banque du Liban [BDL] reminded all banks that it is illegal to market, sell, or advertise insurance in banks.

**E Did you see a change of bancassurance-related practices in response to the BDL memo?**

It was not 100 percent implemented. We are working very closely with ACAL and the ICC in order to have this BDL instruction applied, especially since it is a reminder from Riad Salameh, the governor of BDL. We discussed this issue with the ICC and informed [them] that we will no longer [allow] the banks to [sell all types of insurances]. We have no problem if the situation is amended under a clear legal provision that defines what policies the banks can sell, such as unit-linked life insurance contracts or policies that are attached to other investment products. But banks must not be allowed to oblige their [loan] clients to buy insurance products through the bank or an insurance or brokerage owned by the bank. As per Article 152 in the law on banking and finance, banks are not allowed to sell any products except for financial products.

**E Are any numbers available yet that would allow an assessment of the degree to which the BDL reminder was adhered to?**

The reminder was issued in the last week of 2017, and the ICC issued a memo in 2018 about the issue. This memo did not address the issue to its full extent, and we, as LIBS, informed the ICC that we did not accept the roundabout way in which the memo was formulated. The ICC was perhaps trying to help the brokers, but the memo was not clear to us, and we saw it as unacceptable. We want everything to be very clear. We decided to give the ICC time to review our comments, but informed them in an official letter that LIBS will take the issue to court if the memo is not canceled. We are serious because this is our domain, and our future as brokers, our families, and employees.

**E There is much talk related to oil and gas projects in Lebanon. Do you also expect this new business to help the brokers?**

Of course it will help the brokers. We are working to assure that this sector is activated for the benefit of all Lebanese, not only for one group of people.

**E One plan for oil and gas insurance in Lebanon involves a pool of insurance companies and managed by ACAL. What is your position on that idea?**

We do not want any pool that will be a monopoly and positions us as brokers outside of the pool. We as brokers should be part of the pool or participate in oil and gas insurance in another way. We are ready to collaborate with the ICC and with ACAL, with the [Lebanese] Petroleum Administration, the Ministry of Energy and Water, everybody. We will fight [to take part in the arranging of oil and gas insurance deals] because this is our future livelihood.

**E Oil and gas insurance is not only a matter of having capacity in underwriting, but it also requires a lot of specialized expertise. What about this aspect?**

We brokers have more expertise on this than the insurance companies. Some Lebanese brokers have activities and branches in oil-producing countries like Saudi Arabia, neighboring Gulf countries, Egypt, or in Europe where they do oil and gas insurance. They have experience in handling oil and gas risks, which tend to be very large, and also challenging—more so than the Lebanese insurance companies.

**E I want to ask you about the about the 250 infrastructure projects sought after in Lebanon's recent Capital Investment Program. How are brokers prepared to deal with such projects, as far as the related insurance needs on the ground?**

When any of these infrastructure projects are implemented, many investments will be made with money from abroad. International investors will require insurance against risks such as expropriation or nationalization. Secondly, as per Lebanese law, all insurance of assets on the ground in Lebanon should be issued through licensed Lebanese insurers. In any case, international investors and companies engaging in infrastructure projects should coordinate with somebody who is present in the market. It is better for international companies to deal with someone who knows everything about the market, and as Lebanese brokers, we have experience with arranging insurance of infrastructure projects. It is the law that policies should be issued with licensed Lebanese insurance companies, and international companies have to work with Lebanese insurers and brokers that are licensed in the market.

■ “We are working to assure that this sector is activated for the benefit of all Lebanese, not only for one group of people.”



## Offshore petroleum investments made riskier

The maritime boundaries dispute's effect on investors

**In light of the recent Lebanon Investment in Infrastructure Conference as well as the highly anticipated CEDRE conference (also known as Paris IV), it is undeniable that attracting private investment is Lebanon's top priority.** This comes shortly after the country signed petroleum contracts with international oil companies (IOCs) for the exploration and production of offshore petroleum resources in Block 4 and Block 9. This major step for the Lebanese petroleum sector is anticipated to bring investments not only for the offshore upstream petroleum sector (exploration and production), but eventually to other sectors contributing to the overall petroleum value chain.

To draw in private investment, Lebanon faces the challenge of providing an attractive investment environment. The BMI Report (compiled by BMI Research, a research firm that provides macroeconomic, industry, and financial market analysis) for the first quarter of 2018 stated Lebanon was a relatively high-risk location for foreign direct investment. According to the report, Lebanon scores 54.1 out of 100 in the overall BMI Trade and Investment Risk Index, with 100 being the lowest risk country. Lebanon ranked in eighth place out of 18 MENA countries (between Morocco and Tunisia). A "relatively high-risk" environment for investment could deter petroleum investors.

These investors, especially in the upstream petroleum sector, generally engage in investments that are described as long-term, capital-intensive, and risky. Although they may take on risky investments, investors are cautious when venturing



*Efforts to reach an agreement in the maritime boundaries dispute dominated recent political meetings between Foreign Minister Gebran Bassil and representatives of the US government [February 2018].*

into such projects. They require that the risks associated with their venture are manageable. Managing such risks is a key determinant to invest or not. In upstream petroleum investments, these risks can be categorized into (i) risks inherent to the petroleum sector, and (ii) risks related to the country hosting the petroleum investment.

### MANAGING RISK

The petroleum industry bears substantial risks that stem from the uncertainty surrounding the sector. In the upstream sector, for example, this uncertainty derives mainly from the presence or absence of petroleum resources in a defined well, and the amount of such resources once a discovery is made. Further, there is uncertainty resulting from unexpected or unknown technical problems, as well as potential accidents affecting the environment, which could be detrimental to the investment.

The country hosting the investment may subject the investor to an array of risks that can reduce the investment return rate. These risks include, inter alia, macroeconomic

instability, exchange rate risk, capital transfer risk, legal and regulatory risk, and political risk. Among the cited, political risk represents one of the highest-ranked factors constituting a main constraint on investment. In the World Bank Group's 2014 MIGA-EIU political risk survey, approximately 20 percent of executives considered political risk as one of the greatest disincentives to investing in emerging markets.

### THE LEBANESE CONTEXT

Political risk generally can be defined as the potential damage to a business operation arising from political behavior. Robert McKellar, in his book entitled "A Short Guide to Political Risk," broadly enumerates the sources of political risk as being: political instability, feeble governance, and conflict.

Political instability is the persistent serious challenge to the longevity and legitimacy of a government. Feeble governance often materializes as inefficient leadership and management throughout a wide range of governing institutions. Conflict generally

refers to friction between different interests and is often preceded by a build up in tension over time. At an international level, risk of conflict is represented by political sensitivity or hostility between rival countries.

A simple extrapolation of the above sources of political risk to the Lebanese context leads to the conclusion that Lebanon has a relatively high political risk. This is due mainly to the political uncertainty heightened by the relatively short life of governments, the prolonged time to form a government, delayed parliamentary elections, regional tensions, the ongoing war in Syria, endemic corruption, and the long history of hostility with neighboring Israel.

Heightened political risk in Lebanon decreases its ability to attract investment in general, and foreign direct investment in particular. This negative relationship between political risk and investment could explain why only three IOCs (Eni, Total, and Novatek), forming a single consortium, participated in Lebanon's first offshore licensing round.

## MARITIME BOUNDARIES

An additional contributor to Lebanon's political risk is the maritime boundaries dispute with Israel over an area of approximately 873,722 square kilometers (see EXECUTIVE's timeline online for details). The recent award of exclusive rights to petroleum exploration and production in Block 9, falling partially within the disputed maritime area, reignited tension in political public statements.

The non-recognition of Israel by Lebanon and the longstanding state of war between them defeat any prospects for cooperation to resolve the dispute. Dispute resolution mechanisms available under international law, namely the UN Convention on the Law of the Sea (UNCLOS), are also undermined as Israel is not a signatory of UNCLOS. Ongoing indirect negotiation lead by a third-party, which seems the only current avenue

to resolve the dispute, has also failed to reach any solution thus far.

It could be argued that the disputed maritime area is too small to have a substantial effect on the petroleum industry. However, this increasing hostility caused by the ongoing dispute and the near start of petroleum activities in offshore Block 9 may escalate into violent actions. Any violent action in response to the build up of tension would be detrimental to the overall Lebanese investment climate. Also, the dispute may undermine the attractiveness of future offshore licensing rounds in Lebanon. Therefore, addressing political risk, including the risk generated by the maritime boundaries dispute, is an imperative for fostering an investment-friendly climate.

## MITIGATE THE RISKS

The ideal scenario for reducing political risk arising from the maritime boundaries dispute would be to resolve it. However, private investors can still play an integral role in mitigating its risks.

Generally, there are available strategies, organizations, and legal instruments for private investors to mitigate political risk in the petroleum industry including the risk of boundary disputes. The strategies include project financing, joint ventures, corporate financing, energy diplomacy, and alliances. Organizations include private and public insurance providers for financial capital and political risk insurance, governmental and non-governmental regulatory agencies, and international energy forums. Legal instruments that can manage political risk include bilateral and multilateral investment treaties, as well as petroleum contracts such as exploration and production agreements (EPAs).

Standard petroleum contracts do

not usually deal with the disputed maritime boundaries' effect on the parties' rights and obligations. However, the mitigation of risks arising from disputed maritime boundaries can be achieved through well-negotiated contractual clauses inserted in an EPA such as force majeure and indemnification clauses. Such clauses address the rights and obligations of the parties in case of any incident that arises from non-delimited or disputed boundaries.

The Lebanese model EPA, issued by Decree No. 43 (2017), does not address the risk of maritime boundaries disputes per se. Force majeure provisions under the EPA could be interpreted to include adverse events caused by the existing dispute and affecting the performance of the investors' obligations. The EPA deems transboundary hostilities as an event of force majeure, among others. Despite their relatively broad terms, however, the EPA force majeure provisions may not cover all the scenarios that may arise from the ongoing maritime boundaries dispute. Should the dispute continue to future licensing rounds, a comprehensive and well negotiated contractual clause would largely contribute to mitigating its risks.

Finally, it is crucial that public and private stakeholders jointly un-

■ Heightened political risk in Lebanon decreases its ability to attract investment in general, and foreign direct investment in particular.

dertake a comprehensive effort to mitigate political risk and its sources by taking a holistic view of the potential levers, to attract more investments and to ultimately improve the wellbeing of the Lebanese citizens. ■

*HASSAN KHALIFE is a qualified Lebanese lawyer who advises energy companies on their work in the MENA region.*

## Wind farms in Lebanon



### Challenges and opportunities

**Earlier this spring, Lebanon signed its first-ever power purchase agreement (PPA) for wind energy with three separate consortiums that will build and operate wind farms in Akkar, in the north of the country.**

The energy ministry's signing of the agreements represents Lebanon's first PPA with the private sector in electricity generation as part of efforts to close an estimated 1 gigawatt gap between current electrical supply and

demand in the country. Combined the wind farms will have a total generation capacity of 180 megawatts. Global wind-energy generation capacity reached 487 gigawatts by the end of 2016, according to the renewable

energy policy network REN21, up 12 percent since 2015—but for Lebanon's first venture into wind energy at this scale, many challenges and opportunities await.

One of the main challenges facing the wind energy industry around the world stems from the sheer size and dimensions of wind turbine components. As wind turbine components continue to grow in size and weight, transportation and logistical challenges complicate the components' delivery to project sites. In Lebanon's case, most of the components will be imported from Europe, arriving via sea to the Port of Tripoli. The challenge of transporting the long, wide blades—three are required for every wind turbine—is caused by the difficulty of maneuvering the massive trailer trucks carrying them around tight turns, along narrow roads, and beneath bridges and overpasses. The same applies to the large-diameter tower sections, of which three or four are required for every wind turbine, depending on the tower's height and design. In addition to these geometrical burdens, road-weight limits also complicate the transportation process, due to the heavy weight of the nacelle, a unit that sits on top of the tower and contains the generator and gearbox, which can reach around 80 metric tons for turbines that generate between two to four megawatts.

For Lebanon's first wind farms, the route between the Port of Tripoli and the project sites in Akkar represents a major challenge. Since the highway connecting the port to Akkar's main coastal road is not fully built, trucks carrying turbine parts will have to use the narrower Beddawi road, which runs inside an industrial zone and includes tight turns and roadside obstructions. The same issues will reappear when the trucks leave the coastal road and start heading up mountain roads to the project sites in Akkar. To mitigate these transportation problems, the turbine components' dimensions and weights

need to be studied early in the project planning phase so that the roads can be surveyed ahead of time. This will provide advance notice for any necessary road widenings or modifications. The construction of the wind farms is scheduled to begin in April 2019, with the sites planning to begin operations by the end of 2020; if these roads are not upgraded in time, the deliveries risk grinding to a halt. Equally importantly, these upgrades represent much-needed infrastructure investments that will translate into increased local employment and reduced journey times. The cost of road congestion in Lebanon is estimated at \$2 billion per year, or nearly 4 percent of GDP, according to BLOM Bank.

Lebanon's Internal Security Forces will also play an important role in the project, escorting the delivery trucks and facilitating their maneuvering by blocking intersections where necessary and removing vehicles parked on the side of the roads.

These logistical constraints need to be identified and resolved early in the process to prevent bottlenecks in the delivery and installation processes. At the same time, these logistical challenges are opportunities for prospective Lebanese logistics companies, who will have a new market to compete over. Investing in trucks, specialized trailers and cranes, and trained personnel will likely pay off as Lebanon continues to develop its wind energy resources in Akkar and other windy regions.

Developing and operating wind farms can also turn low-income rural areas into prosperous ones through job creation and local economic development. This transformation will begin with the construction of the wind farms, which will require the hiring of hundreds of engineers, skilled tradesmen, and workers to take on the many preparations needed before

the wind farms are commissioned and operational. The transformation will continue when the wind farms are up and running, as new permanent jobs will be created to support the operation and maintenance of the farms. It is advisable that a significant share of these jobs be filled by local workers, which will lead to increased social acceptance of the project. This is a huge opportunity for young men and women who are looking for jobs in rural Akkar and the surrounding regions.

Personnel working on site could stimulate the local economy with their spending on accommodation, groceries, and transportation. New businesses such as hotels, restaurants,

■ Developing and operating wind farms can turn low-income rural areas into prosperous ones through job creation and local economic development.

supermarkets, and other retail outlets would be attracted to the area to serve the local workforce, spurring new economic activity. Moreover, wind farms will provide rural landowners and municipalities with a new income stream through land-lease payments for every wind turbine and access road located on public or private land. Overall, Akkar, which is in great need of local economic development, stands to benefit significantly when wind farms and the required workforce move in.

Power purchase agreements are only the beginning of a long process, which will face many challenges, from planning and construction to commissioning and operation. However, these opportunities will likely prove to outweigh the drawbacks, and will translate into much-needed economic activity in an impoverished area. ■

*JIL AMIN is the project manager of the UNDP Decentralized Renewable Energy Project. Amin worked in the wind energy sector in Ontario, Canada before moving back to Lebanon.*

By Hassan Harajli, Vahakn Kabakian, and Jil Amine

## Energy and climate change



Lebanon's intertwined challenges

**Lebanon's commitment to combating or mitigating climate change culminated in December 2015 when Lebanon became a signatory to the Paris Agreement at the United Nations Climate Change Conference (COP21).** Lebanon committed to reducing its greenhouse gas emissions by at least 15 percent by 2030 and up to 30 percent conditional upon the provision of international support. This high-level commitment toward a better climate is being converted into action through strategic governmental projects.

Before discussing these initiatives, it is vital to visit the UN's 17 Sustainable Development Goals (SDGs), which were adopted by world leaders in September 2015, pledging worldwide action amongst governments,

businesses, and civil society to end poverty and to create a life of dignity and opportunity for all by the year 2030. Goal 7 of the SDGs, Affordable and Clean Energy, ensures reliable, sustainable, and modern energy for all, while Goal 13, Climate Action, presents solutions to climate change.

How has Lebanon positively contributed to COP21 while remaining consistent with SDGs 7 and 13?

To ensure access to affordable, reliable, sustainable, and modern energy, the Lebanese Ministry of Energy and Water (MoEW) published an energy policy paper in 2010 laying out solutions for electricity in Lebanon; a sector facing up to a 40 percent gap between supply and demand. The policy paper considered a 12 percent commitment for renewable energy by the year 2020. This commitment was put forward at the Copenhagen Summit (COP15), and is projected to reach 15-20 percent by the year 2030.

The National Renewable Energy Action Plans for the Republic of Lebanon (NREAP) 2016-2020 offers a detailed description of the different renewable energy technologies to be developed in Lebanon to meet the 2020 and 2030 commitments of 12 percent and 15 percent respectively, while emphasizing the target of each technology, the financial assessment, and the required budget to keep the plan going. The NREAP's agenda for 2020 includes: 200 megawatts (MW) of wind energy, 150 MW of solar photovoltaic farms, 100 MW of decentralized solar photovoltaic generation, 50 MW of concentrated solar power, 686 gigawatt-hours (GWh) from solar water heaters, 332 MW of hydroelectricity, 1.3 MW of geothermal energy, and 772 GWh from bio-energy. Lebanon's demand for elec-

tricity reached a peak of 3,460 MW during the summer of 2017, while the power plants' supply peaked at 2,160 MW.

### STRATEGIES IN PLACE


With these targets set, Lebanon's progress toward its climate pledge has been solid. It is anticipated that the cabinet and Électricité du Liban (EDL), in partnership with the private sector, will soon build and operate 200 MW worth of wind energy in the Akkar governorate. In addition, the MoEW launched a Call for Expression of Interest in January 2017 aiming to build up to 180 MW of solar photovoltaic farms in Lebanon. These two initiatives would constitute major milestones in meeting the 2020 targets. This was followed by a massive Call for Expression of Interest (estimated \$1.5 billion) in March 2018 for 1. Wind energy (200-400 MW capacity), 2. Solar PV farms (24 farms, 10-15 MW each), 3. PV farms with storage (3 farms, 70-100 MW each, with 70MW/70MWh storage), and 4. Hydropower (300 MW).

In terms of decentralized solar photovoltaic electricity generation, Lebanon has been witnessing triple-digit growth rates for four consecutive years with an installed capacity of 23 MW at the end of 2016.

With the government's plans for the renewable energy sector along with the private sector's initiatives, Lebanon stands in agreement with Goal 7 of the SDGs.

While Goal 7 helps reduce Lebanon's contribution to climate change by introducing renewable energy sources, Goal 13 of the SDGs aims at taking urgent action to tackle climate change and its impacts.

With support from the UNDP,

A man in a black tuxedo and a woman in a red dress are in a room with a large chandelier and a violin on the floor. The man is standing and looking at the woman, who is sitting on a white chair. The violin is on the floor next to a white sofa.

You see a couple.

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**fidus**  
WEALTH MANAGEMENT

the MoEW has completed several assessments that look at climate change impacts. Historical records of the early 20th century indicate unprecedented high temperatures with an expected warming of 1.7 degrees Celsius by mid-century and of 3.2 °C by 2100. Also, a decrease in precipitation ranging between 4 and 11 percent with drier conditions is projected by the end of the 21st century (up to 5.8 mm decrease in average monthly precipitation).

Projections for the end of the 21st century confirm a rise in the number of days with temperatures higher than 35 °C, and an increase in the number of consecutive dry days whenever precipitation reaches below 1 mm. These alterations will produce seasonal prolongation and geographical expansion of drought periods.

This combination of significantly less wet and substantially warmer conditions will result in hotter and drier climate. This switch will bring a reduction in the snow cover by an estimated 40-70 percent (an essential source of water and an important tourism sector) with an expected 2-4 °C rise in temperature. Less precipitation will fall as snow, with snow that currently falls at 1,500 meters shifting to 1,700 by 2050, and to 1,900 by 2090. This will also be coupled with reduced snow residence time from 110 days to 45 days. Snow will melt earlier in the spring. These changes will affect the recharge of most springs, reduce the supply of water available for irrigation during the summer, and increase winter floods by up to 30 percent. This will have adverse impacts on rivers and groundwater recharge and will affect water availability during the summer season and in drought periods.


The decline in precipitation levels will also exacerbate existing challenges to water availability for agricultural (reduced productivity), commercial, and residential uses. Forest fires will be more common and extreme weather events will be more severe, causing damage to infrastructure.

## COST OF CLIMATE CHANGE

The above-listed impacts are expected to cost the government \$610 million in 2020 and \$44.3 billion in 2080 from direct damage (storms, floods, drought) and forgone GDP (expected reduction of 3 percent GDP in 2020 rising to 32 percent of GDP in 2080). What is even more alarming is the fact that households will also incur costs which are projected to reach \$1,500 in 2020 and increase to \$107,200 in 2080, with a higher burden on rural households. A greater risk is that of the damage inflicted on individuals' health. Costs associated with potential increases in the risk of death as a result of heat stress, malnutrition, diarrhea, malaria, floods, and cardiovascular disease are estimated to total \$47.2 billion by 2020. In tandem, costs associated with potential increases in illness and disabilities—from the same climate-related factors are projected to amount to \$177.9 billion by the same year.

The decrease in agricultural production will knock around \$300 million off Lebanon's GDP by the year 2020. In addition, the expected climate change impacts on global food prices will burden Lebanese consumers with an additional \$470 million of costs. Considering the above, Lebanon has produced various strategies and plans, some of which are sector-specific actions that aid in strengthening the adaptive capacity of the country and decrease its vulnerability to climate change. The plans in action include the national biodiversity strategy, the national water sector strategy, the national forest program, the Ministry of Agriculture strategy, the land degradation and desertification action plan, the strategy on health and the environment, and the Paris Pact on water and adaptation. In addition, two water harvesting guidelines have been laid out for the country: one from agriculture greenhouse rooftops and the second from built structures.

In its Intended Nationally Determined Contributions (INDCs), Lebanon has set ambitious mitigation goals with clear sector specific objectives, along with clear indicative adaptation goals. As a matter of fact, strategies and policies subject to modifications will have to meet the national plan; the UNDP will continue to assist the Lebanese government in securing clear directions on the various approaches to be implemented to reduce impacts of climate change and to increase resilience of its most vulnerable sectors.

To facilitate cost-effective deployment of renewable energy technologies in Lebanon, and thus assist the government in meeting its international pledges, the UNDP has commissioned a study on how to reduce the "risks" perceived by the investors. This in turn is an action plan for the government in moving renewable energy forward. These could include instruments, such as well-designed power market regulations, which reduce risk by removing the underlying barriers that create it; financial derisking instruments, such as loan guarantees offered by development or central banks, which transfer risk from the private to the public sector; and financial incentives, such as direct subsidies for sustainable energy, which compensate investors for risk. The outlined action plan was endorsed by the MoEW. Meanwhile, the UNDP along with the MoEW and EDL, prepared the Solar PV and Wind Grid Code of Lebanon—which serves as one of the derisking measures, and when implemented by EDL will allow a larger update of renewable energy sources onto the electricity grid. The ball is in the court of the government, which, armed with the above tools, should follow their implementation to reach its national and international obligations. 

*HASSAN HARAJLI is the UNDP CEDRO project manager, VAHAKN KABAKIAN is the UNDP climate change advisor/portfolio manager and JIL AMINE is the UNDP DREG project manager.*

# COLLECT POINTS ON EVERY PURCHASE



By Thomas Schellen &amp; Jeremy Arbid

## Valued opinions

Lebanon revives the economic and social council

**After over a decade of dormancy, Lebanon's Economic and Social Council (ESC) was reactivated last November.** The ESC is an advisory body to the government, and its opinions are non-binding. EXECUTIVE met with the economist Mazen Soueid, one of 71 individuals named to serve on committees of the ESC, to understand how the institution can address both business and civil concerns, prospects for the coming CEDRE infrastructure investment conference (also known as Paris IV) in April, and getting Lebanon's economy working again.

**E What is your role at the Economic and Social Council?**

I'm the president of the committee that looks at the productive sectors: industry, trade, banks, insurance, and the power sector. I think one of the most important achievements of this government and the new presidency was the appointment of the first council in over 17 years.

**E Is the ESC meeting already and, if so, what are the outcomes of these meetings?**

Of course, several [times], and there are already some questions that have been sent to the council. Let me explain the process: the government issues decrees, Parliament ratifies laws, and the council issues opinions. These opinions, when they are issued by the council [and published in the Official Gazette following a majority vote by the council's general assembly], have a very strong moral power and empower the parties that will benefit from such opinions. The council represents various



■ "One of the most important achievements of this government and the new presidency was the appointment of the first council in over 17 years."

sectors, so it's a space for economic and social dialogue. And it's a space where you have controversy. Sometimes, there are decisions that will have winners and losers, and this is the best place to discuss them to see whether the benefits of the winner outweighs the loss of the loser, and how we can mitigate the losses for the loser or ensure they are minimized. The council is the best place for such dialogue, and obviously there is a need to make use of it.

**E** *It is clear from the indicators that Lebanon's economy is not in a good way. Is this a recession, or are we nearing the cliff's edge?*

Lebanon has been suffering from a protracted low growth period since 2011, when growth collapsed from over 9 percent to less than 2 percent. We have had six years of recession in the country, and we've had two previous recessions: one from 1998 to 2000, and the other in 2005 to 2006. The first recession was because of political shock—the ousting of the late Prime Minister Rafic Hariri—and the second recession was also due to political shock: the assassination of Rafic Hariri, followed by the July War. This [current] recession has eroded a lot of what Lebanon had gained in terms of buffers throughout the times of high growth. The main reason for this long recession is the war in Syria, and it continues to be one very important reason because it has affected key sectors in the Lebanese economy: tourism, exports, and foreign direct investment, especially into real estate. For six years, the largest neighboring country, and the only one with whom Lebanon has a diplomatic relationship, has

been at war, and that has affected our economy. Then came, of course, the presidential void for two and a half years, leaving the country without a president and with a paralyzed Parliament and a very weak government. This also eroded confidence and added to the pressure that Lebanon has been facing.

**E** *The low growth period of the last six or seven years alongside other indicators, such as trade exports, but also anecdotes from business leaders printed in this magazine, suggest that businesses across the private sector are really struggling.*

In times of low growth, the cake is shrinking, and in order to keep the same pie, one's share has to increase. Everybody is trying to increase their share, and I'm not talking here about political parties—that is, of course, taking place—but the Economic and Social Council is concerned with the various sectors [of the economy] and their stakeholders. Today, if you are an industrial-

■ “In times of low growth, the cake is shrinking, and in order to keep the same pie, one's share has to increase.”

ist, and the pie is shrinking, the only way you can sell the same is trying to impose some measure in order to substitute import for local production. But then you are stepping on the toes of the traders. Trade is value added at the end because it gives the consumer choice, and this empowers the consumer and the producers because they can import cheaper goods or materials. Today, lots of these sectors are trying to

expand at the expense of other sectors, specifically because of the low growth environment. When growth is high, the cake gets bigger, fights are easier. Henry Kissinger used to say, ‘The smaller the stakes, the bigger the fights.’

**E** *What is your take on April's CEDRE conference? There are many needed infrastructure projects that are being put forth. But it seems that many of the potential donors from the international community, and also the investors, are expecting some level of structural and administrative reforms.*

The CEDRE conference will be a game changer. It will allow funds for infrastructure in Lebanon without having to [further burden] the fiscal situation. It will allow Lebanon to ease a serious supply bottleneck: Growth rates will not rise again to between 7 and 9 percent unless Lebanon increases its infrastructural base. [Lebanon may also need to] allow Syrian refugees to work again in the construction sectors, rather than competing with Lebanese in the restaurants, or other low paying jobs that usually low-skilled Lebanese work. I think it's very important for the government to take seriously the call for reforms that international organizations are, I wouldn't like to say imposing, but requesting, from Lebanon. And even after CEDRE, in order to get disbursements, Lebanon needs to take active reforms. I think the Economic and Social Council should play a very important role in the coming period because we are dealing with six or seven years of a low growth environment and there is lots of pent-up demand. And there is a need, as we saw during the unfortunate events of the garbage problem, to give civil society a space where it can express its opinion rather than take to the streets.

## Q&amp;A

**E** *What can the ESC do to help the Lebanese deal with the needs and requirements that will be connected to CEDRE? Because evidently it will not happen without reform.*

There will be a lot of painful reforms requested by the international community on Lebanon. And Lebanon today has to swallow that bitter pill. It would have been much better if we had swallowed that pill in times of high growth. Now, we have to swallow that pill. Why? We need the international community, and the international community understands that in order for Lebanon to spend efficiently, it has to undergo reform. Reforms by definition are costly, and by definition, entail winners and losers. In order not to create any social pressures by having to conduct reforms, the council can basically build in support for these reforms through economic and social dialogue, where all involved stakeholders are represented to have a buy-in for these reforms.

**E** *What, in your opinion, is the reform of top priority?*

Reforms in Lebanon will have to start with the electricity sector; that is the most urgent need. It is bleeding the budget by around \$1.5 to 2 billion per year. [The public utility's subsidy] is a highly ineffective and highly inequitable subsidy because it goes to the pockets of those who produce electricity, people who live in palaces and villas [and have a] high consumption of electricity, and it significantly reduces the fiscal space in the budget that should go to social spending on education and health. So I think here, rather than increasing tariffs, because the people who are going to immediately feel

the heat of paying more are the poor, the council can play a role.

**E** *Has the ESC discussed reforming the electricity sector?*

Not yet. We are still a few months old, and in the end, the process is that the government needs to ask us questions for us to [deliberate]. Then we can go to the general assembly and vote on the opinion that is produced by the committee, and if it is adopted by over 50 percent of the members then it is published in the Official Gazette, and is considered an official opinion. We can generate

■ “Members of the council are not paid, we are not on the payroll of the government, we do not get any privileges. It is a favor that you are doing for your own sector.”

an opinion without the government asking us, but we need two-thirds of the assembly to vote.

**E** *What would you say to those who might think the ESC is populated by 71 highly-paid individuals sitting around and issuing opinions that are not binding?*


This is an excellent question because the answer is extremely simple. Members of the council are not paid, we are not on the payroll of the government, we do not get any privileges. It is a favor that you are doing for your own sector and supporting that sector in the place where there is a dialogue on social and economic issues. The overall budget per year of the council, the one that will hopefully be approved, is less than \$2.5 million.

**E** *Going back to CEDRE and the prospect of change, and investment and infrastructure: We heard from some sources that the timeline for implementing any*

*kind of infrastructure improvement after receiving pledges and commitments will still require a multi-year period before shovels hit the dirt on the first projects. Alleviating supply-side bottlenecks that you mention, and the 250 projects in the Capital Investment Plan, compared to the need that Lebanon has and the demands for immediate project implementation: How do these all work together?*

Lebanon needs a lot: in the short term, in the medium term, and in the long term. Our infrastructure is significantly degraded, our port and our airport are not enough to support the growing flow of Lebanese and non-Lebanese in and out of the country, electricity is a mess—so you need a lot of short-term and quick infrastructure fixes. I think that the World Bank has already pledged around \$4 billion for key sectors, and in order to unlock [World Bank funds], the Lebanese government needs to find the money for expropriation spending, because the World Bank does not pay for [that]. So hopefully Lebanon can use some of the [investments] from CEDRE on expropriations, and that would unlock the \$4 billion [from the World Bank].

**E** *We've talked about the donor appetite and their expectations. But what role will the private sector play in financing Lebanese infrastructure, and do the private investors hold dear the same sort of KPIs or reforms as the international community does?*

Yes, absolutely. For the banks there is a big role, and now we have a public-private partnership law. So the private sector can play a very important role by funding part of these projects, but it is very important for the government to appoint regulatory authorities that will make sure that these sectors will be run in an efficient and equitable way, and this is one of the requests of the international community. 

# Moussa KATTINI



*Moussa Kattini with Youssef Baydas and friends at Beirut Airport. Taken in 1963.*

**I**n 1960, after only five years as a working professional, a young Lebanese, Moussa Kattini, published his research on the Lebanese economy titled, “The Lebanese Market—A Gateway to the Middle East.” His report came at the time when there was scarcely any in-depth empirical research on the topic.

The statistical report ran to 120 pages and was one of the first of its kind to be published about Lebanon. Kattini believed in research and diligently kept advocating for elevating Lebanese economic research.

In 1978, three years after the start of the civil war, he left for New York. A few months after his arrival, the University of California published his statistical report and all of his other work in its weekly, underscoring Kattini’s admirable ability to deliver impeccable research.

Kattini has been a full member of the American Arbitration Committee since 1967. He was assigned several high-profile arbitration cases, and today, even at 89 years of age, he is still a reference and go-to expert in the arbitration world.

He returned to Lebanon in 2018, after 40 years abroad, to retire in his home country.

These are merely a few words that barely do justice to a towering Lebanese talent.

*Antoine Chidiac*



*Amine el-Hafez, Moussa Kattini and the Australian Ambassador in Lebanon. Taken in 1968.*



*Moussa Kattini with Khalil Abou Hamad and the Australian Ambassador in Lebanon. Taken in 1970.*

By Peter Speetjens

## Lebanese in Brazil will not vote come May



Lebanese-Brazilians remain culturally and economically linked to the motherland, but politically are far removed

**The Lebanese parliamentary elections on May 6 are bound to make history, as, for the first time ever, Lebanese residing abroad have been granted the right to vote.** Their appetite to do so, however, has so far appeared to be rather humble.

In total, 82,900 Lebanese abroad have registered to vote, according to the official Lebanese government website. Numbers quoted in *The Monthly*, a publication by Information International, a Beirut-based research and consultancy firm, cite 45,827 Christians and 38,329 Muslims registered (the discrepancy in the overall total is likely caused by the difference in those who registered versus those registrations that were accepted).

Some 60 percent of registered Lebanese voters abroad live in Australia, Canada, the US, France, and Germany—in that order. Only 2,106 Lebanese, or 2.5 percent, registered in Brazil, which may come as a surprise, given the country's status as the world's

"second Lebanon."

"Estimates vary slightly, but we reckon there are some 8 million Brazilians of Lebanese descent, about half of whom live in and around São Paulo," says Sabah Khoury, Lebanon's consul in São Paulo. "They live in every corner of the country. [Other] major concentrations are in Rio de Janeiro and Foz de Iguaçu in the south, where we plan to open another consulate."

One need not travel far to spot Lebanese and Arab traces in São Paulo. Situated on Paulista Avenue, the city's most prestigious thoroughfare, the Lebanese consulate sits right across from "Club Homs," a restaurant and event venue established by Syrian immigrants in 1920.

Several skyscrapers along the avenue boast Arabic family names, while eateries on every corner sell *kibbeh* and *sfiha*, which have become staple foods in Brazil. Two of the city's mayors since 1990 were of Lebanese descent, while a third was Syrian, and Hospital Sírio-

Libanês is widely regarded as the city's, if not the nation's, best.

### HISTORIC TIES

According to Khoury, the low number of registered voters in Brazil is arguably due to the complex registration procedure. "People could register online or at the consulate," she says. "However, the Ministry of Interior in Beirut had to approve the application, which could take a month or more, while the registration period closed in November. I think people may have underestimated that."

"On the other hand, although 8 million is a fair estimate, we should put the figure in perspective," she added. "The first Lebanese immigrants arrived in Brazil in the late 19th century following the visit of Brazilian Emperor Pedro II to Lebanon. Their descendants often are only partly Lebanese."

Pedro II had a keen interest in the Orient and visited the region twice in the 1870s. Legend has it that in 1871 he halted his convoy on the way to Baalbek to talk to a group of peasants and encourage them to emigrate to Brazil, where plenty of fertile land and opportunities would await them.

True or not, the first Lebanese immigrants arrived in South America's promised land in 1871. Driven by economic malaise, hunger, or conflict, many more would follow in this first wave of emigration from Lebanon that roughly lasted till the end of the Second World War.

Naturally, many of the early pioneers married other immigrants. As a result, there are numerous Brazilians who have a claim to Lebanese roots, but their link to the country of their great-grandmother or great-grandfather is cultural or nostalgic at best. To count potential voters among Brazil's consid-

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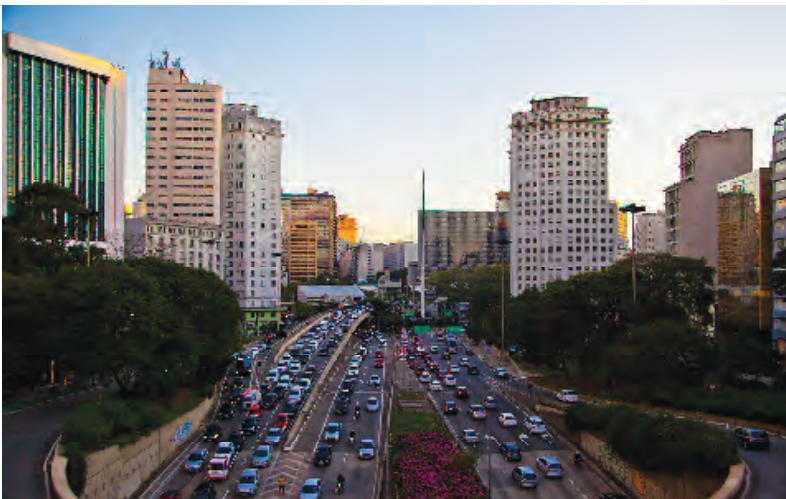


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erable Lebanese contingent, the focus should be on more recent arrivals.

#### DISTANT POLITICS

"I didn't know you could vote through the internet," says 75-year-old Georges Habib. "I assumed I had to go to the consulate and needed all kinds of documents, so I didn't bother."

Habib arrived in Brazil in the mid-1960s. He had done his military service, but did not wish to make a career in the army, which would have been the path ahead had he stayed in Akkar. In Brazil, he worked in textile and electronics, which allowed him to provide his three children with a good education, and today, enjoy his retirement in one of the better parts of São Paulo.

"But, even if I had registered, who was I going to vote for?" he asks. "I don't follow politics in Lebanon. I don't know who is good and who is bad."

And that is coming from a Lebanese emigrant who still maintains strong links with his home country. He and his wife, also Lebanese, regularly visit Lebanon. At home, they speak Arabic, and mainly eat Lebanese food. It is a very different story for their children who occasionally visit Lebanon and only speak broken Arabic. None of Habib's children registered to vote.

"I have no clue who to vote for," says Habib's daughter Tanya. "But also,

I don't have a Lebanese passport. I do feel Lebanese, and I love Lebanon, but why would I get a passport? It's expensive. It's easier to travel with my Brazilian one, and whenever I visit Lebanon, I get a visa upon arrival."

#### BECOMING BRAZILIAN

As in São Paulo, there are plenty of signs of a Lebanese presence in Foz de Iguaçu, a touristic city on the border with Paraguay famous for its massive waterfalls. While the first Lebanese immigrants arrived here over 100 years ago, many thousands arrived in the last three decades. Most are Shiite and left the country due to the civil war and the Israeli occupation of south Lebanon.

Yet, even here, the appetite to register and vote has been virtually nonexistent. Nearly all of the 2,106 Lebanese who registered to vote did so in São Paulo.

"Why vote?" says Ali Farhat, a journalist who has lived in Foz for 18 years. "I have to vote in south Lebanon, even though I grew up in Beirut. Now, I thank Hezbollah for the liberation of my village, but I'm not happy with their role in government. They should fight corruption. As politics in the south is dominated by Hezbollah and Amal, my vote would be a lost one."

Yahya Awali did not register either. "I don't like any of the parties, so why

vote?" he says, "Maybe in the future that new party, Sabaa, can make a difference." The 42-year-old arrived in Foz in the late 1990s and is the living proof that the Brazilian dream is still alive some 140 years after the first Lebanese immigrants arrived. Awali left Lebanon because he could not find a job, "not even at Sukleen." Today, he has a thriving business in mobile phone repairing equipment situated across the border in Paraguay, which allows him to financially support his family back in Lebanon. The low voter registration turnout does not surprise him.

"Brazil is a country built on immigration," he says. "Everyone is welcome here, but everyone must become Brazilian. For example, we have a Lebanese school here in Foz, fully recognized by the Brazilian educational board, where we teach the children some Arabic and the Quran. However, we can only do that a few hours a week as extracurricular subjects. That is the reason why the second generation Lebanese generally only speak broken Arabic, and the third generation not at all."

The gradual weakening of the connection to their ancestral land casts doubts on the viability of attempts to draw the Lebanese diaspora into voting, this year or in future Lebanese elections. On the other hand, placing members of the diaspora in better empowered positions for determining the course of politics in their homeland could work in the diaspora's long-term benefit and be in their own political interest. As Awali notes, he remains strongly connected to Lebanon. He visits regularly, and even dreams of returning for good one day. "I'm building a house near Marjayoun," he says. "And I would like to live there. The problem is I don't want my children to have the same childhood I had. I want them to live a life in peace." ■

*PETER SPEETJENS is a Dutch journalist and analyst. Having lived in Beirut for 20 years, he moved to São Paulo in 2016. Speetjens has contributed to EXECUTIVE for over a decade.*



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## Troubled and troublesome

Identities in the Middle East continue to haunt and raise questions—two books reviewed

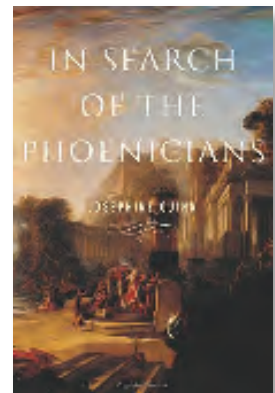
**Every stroll in the Eastern Mediterranean lands means walking in the presence of some historic reference. Transformed into politics and national ideologies, history has long been a tool of identity building.** When looking at identity politics, these days may we squirm over the rise of new, presumably white identity politics in

the United States or how questions of national identity have in recent years been shaping politics in the European sphere, as epitomized in the Brexit vote. In discourses of academic belief systems around the developed world in the 21st century, one might moreover deride identities as constructs of colonial-nationalistic Europe in the

19th century, or oppose identity concepts on contemporary intellectual grounds. But to escape from identity-driven views will likely be harder in Middle Eastern societies than in any European or American ivory tower. With that in mind, *EXECUTIVE* looks at two books with implications for national identities in the Levant.

### NATION-BUILDING

*In Search of the Phoenicians*  
by Josephine Quinn  
Princeton University Press, Princeton and Oxford, 2018  
**Hardcover, 360 pages**



The book “*In Search of the Phoenicians*” by Josephine Quinn opens—not counting her introduction—with a 1946 quote by then freshly minted Member of the Lebanese Parliament, Kamal Jumblatt. The quote bubbles with fervor for the Lebanese “ancient young country” and, as Quinn points out, not only connects the nation of Lebanon with the Phoenicians through history and geography but passionately portrays the Phoenicians as being responsible for the idea of the nation itself. In Jumblatt’s phrasing, optimism for Lebanon is rooted via backward projection in the an-

cient history of the Phoenician coast which saw “the emergence of the first civic state.”

The idea of how a democratic Lebanon in the 21st century might or might not be validated by Phoenician roots—however timely such a discussion might appear in the context of the country’s current quest for a sustainable future and its “economic identity”—is not what drives Quinn, who teaches ancient history at Oxford University in the United Kingdom. Nor is the book really about a search for anything but evidence that the Phoenicians might have been people

whose collective identities never rose above the level of their own towns or even families. “The Phoenicians, I will suggest in this book, constitute just such a case,” Quinn writes in her introduction.

The specifics of Quinn’s book thus is a tale of anti-Phoenicianism, as she dedicates her investigation to the deconstruction of any notion, if anyone harbors such, that the Phoenicians were actually a coherent people or nation in their golden era during the first millennium BC. This academic quest and anti-Phoenician stance is directed not against the Phoenician

people per se or against the construction of national identities but mainly against the use of the Phoenicians as a paradigm in nation-building myths and nationalist ideologies in later antiquity and in modern ages in Europe and the Middle East. Quinn clarifies in a promotional interview for her book on the Princeton Press website that she does not at all deny the existence of the Phoenicians. She says, "The people we call Phoenician certainly existed as individuals, and they often have fascinating stories," before reiterating the notion, also expressed in the book's introduction of how the question of whether these Phoenicians saw themselves as "distinct people" and thus were "a self-conscious collective" intrigued her.

#### ETHNIC IDEOLOGIES

In this, Quinn draws on the modern academic concept that sees ethnicity "not as timeless fact about a region or group, but as an ideology that emerges at certain times." In the book's subsequent body text she explains, through about 100 pages of scholarly writing, that there is no evidence for this self-conscious collective in the form of either artifacts, including coins, architecture, and various monuments, or written sources through known inscriptions on funerary steles or stone markers, or in early literary sources.

The learned explanations in these chapters of Quinn's book are adorned with chapter or section titles—from Phantom Phoenicians to Melqart's Mediterranean—that testify to the author's craving for attractive story telling. At the same time, the book's array of antique evidences for Quinn's thesis of a non-self-conscious Phoenician ethnic group makes for a curiously anemic read, which is somewhat reinforced by a text-heavy layout. Chapter titles come with little graphic flourishes that constitute the book's core design together with

page layouts using a font, Libertine 0, which, albeit attractive for all-purpose use, might strain some eyes due to its very small size.

#### MODERN AFTERLIVES

The book's narration comes full cycle not between the notions of its first chapter and its concluding pages, not from and to Lebanon, nor from the Phoenician settlements in the Eastern Mediterranean to present-day stories of identity in this troubled region. It instead circles, from a reference to Irish plays in its introduction, to citing in its final pages poetry and plays written by authors whose names, being Seamus Heaney and Frank McGuinness, do not exactly signal self-identifications of the Phoenician kind.

However, it is this third part of Quinn's book that the discourse in *In Search of the Phoenicians* is emotionally most engaging. This part is dedicated to what Quinn calls the "modern afterlives of ancient Phoenicia," which means anything more recent than the fourth century BC, and specifically the deployment of Phoenicianism in Europe—mainly in England and Ireland, but with diametrically opposed ideological orientations—in post-Enlightenment times "in the service of autonomy, power, and honor."

For an author whose cradle rocked to Irish or British tunes, it must indeed be captivating to chase the role of Phoenicianism in such contexts of nation-building in Europe. It is the real story in this book. If on the other hand anyone, enticed by the book's initial quoting of Jumbblatt, Charles Corm, and Michel Chiha, ventures to search its pages for Phoenician references that can be utilized in relation to Lebanese quests for political identity in our time, she or he will only be reminded of the, very useful, general

insight that the Phoenician past cannot be an ideological panacea in any modern nation-building attempt.

People who seek mental support indicators in developing a forward-oriented Lebanese identity, however, may benefit from the insight that the scarce evidence preserved in artifacts and sources from Mediterranean antiquity testifies to then living people's open-mindedness in dealing with foreigners, to cultural communication and economic appreciation of foreign cultural goods, and to an ability for building durable networks of trade and relations. People living in the Eastern Mediterranean thousands of years ago also displayed familial and communal qualities.

Viewing this from a local vantage point in Lebanon, no reason appears conceivable why the same cultural and social feats should not

■ *In Search of the Phoenicians* can serve as useful reminder that turning to the lure of a mythical past for finding a path to the future can be fraught with risk.

be achieved by people living today on the shores that were called Phoenician in various observations throughout history. Moreover, from this same vantage point of experiencing Lebanon at the threshold of a major historic junction in its economy, politics, and identity, it is impossible to deny that, with a quote by American thinker George Santayana, "the picture we frame of the past changes continually and grows every day less similar to the original experience which it purports to describe." In this sense, Quinn's *In Search of the Phoenicians* can serve as useful reminder that turning to the lure of a mythical past for finding a path to the future can be fraught with risk.

## Identity

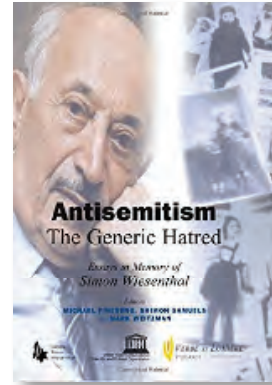
## ANTISEMITISM

The Generic Hatred (*Mo3adaat as samiyya: Jawhar al-karahiyya*)

By Shimon Samuels and Esther Webman (eds)

translated into Arabic by Hani Abu Laila, translation review by Amro al-Barjisi

Editions Le Manuscrit, Paris, 2017 / Paperback, 421 pages



Mo3adaat as samiyya: Jawhar al-karahiyya is the recent, Arabic translation of “Anti-Semitism: The Generic Hatred,” a collection of essays that was initially published in memory of Jewish-Austrian activist Simon Wiesenthal and translated into French, Spanish, and Russian over the past decade. Supported by UNESCO, the book clearly involved a lot of efforts, although from the perspective of this reviewer, some of it may have been misplaced.

By way of background, let me explain that as an Arab Christian who grew up in America, Europe, and the Middle East, I know what it means to be part of a minority. Yet, in those times, being part of the Christian minority in a Middle Eastern country was less dramatic than one might think. Except for episodes of the Lebanese Civil War in the late-20th century that I witnessed, my feelings of persecution, as well as those of many co-religionists around me, were mostly part of the recreational paranoia practiced by some Christians in the Arab World. In that context, musing on “Why they hate us” was not entirely serious.

That was before the ISIS mayhem, which exploded in 2014 and changed the atmosphere for many Christians in the region. Previously mildly anxious, some of them are now deeply afraid, and taking practical steps to emigrate—just as many European and other Jews had done in the 20th century, including to Israel.

In such an atmosphere, one of the good points of the book is to serve as a reminder that anti-Semitism continues to blight regions around the world, impacting new generations of Jews and others. Indeed, this is more relevant than ever: Over 10 years after the book

was first published, anti-Semitism in Europe is on the rise. Reported physical assaults against Jews there include beatings, stabbings, and other violence, which have increased over the past few years. Such attacks are associated with rising far-right political parties following the economic crisis of 2008. Parts of Europe have seen nationalist movements accusing Jews of causing economic crises, taking over local economies, and bribing government officials.

As for recent anti-Semitism in the Arab world, a 2011 survey by the Pew Research Center concluded that, in all Muslim-majority Middle Eastern countries polled, few participants had positive opinions of Jews. The survey found that only 2 percent of Egyptians, 3 percent of Lebanese Muslims, and 2 percent of Jordanians reported having a positive view of Jews. Yet, this may be due to general negative feelings in surveyed countries toward the state of Israel and its actions, and the misconception of Israel with Jews worldwide. The American writer Thomas Pynchon in his great novel “Gravity’s Rainbow” described the mechanism for such processes under the heading “Proverbs for Paranoids,” one of which explains that “paranoids are not paranoids because they’re paranoid,” but because they keep putting themselves “deliberately into paranoid situations.” Bands of Jewish settlers putting themselves in just such situations surrounded by indigenous Palestinian Arabs, or Israeli military forces threatening refugees in Gaza, therefore, really have no right to ask, “Why do they hate us?” By way of response, another proverb for paranoids by Pynchon states: “If they can get you asking the wrong questions, they don’t have to worry about answers.”

Away from Pynchon’s literary flights, the causes of Arab reactions to Israel were elucidated in a 2015 talk on the Israeli-Palestinian conflict by Tony Klug, special advisor on the Middle East to the Oxford Research Group and an international board member of the Palestine-Israel Journal, who himself is a British Jew. Klug describes conflict over Palestine from various perspectives including that of the Palestinian Arabs who feel that the violence is “the product of centuries of virulent European anti-Semitism at home and rampant imperialism abroad, crowned by double or, in this case, treble British-French dealings,” to which I would add current American quadruple-dealing. The Arab reaction to Israel extending to Jews cannot be dismissed as anti-Semitism if Israel—paranoid-style, allied to a menopausal American Empire—loudly and incorrectly touts itself and the US as defenders of the Jewish people.

The book rightly asks us to consider the lessons it holds for non-Jews struggling against hatred and oppression. Fine, but a better point would be to have future generations of Jews and others relearn the importance of confronting virulence like settler Zionism and Israeli militarism—laughably seen as “defenders” of the Jewish people. The only sustainable defense of Israel will be for it to make a just peace with all her neighbors, especially Palestinians. When that happens, anti-Semitism in the region will likely witness a drastic decline. ■

RIAD AL KHOURI is director, Middle East, for political risk consultancy GeoEconomica GmbH



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By Scott Preston

## The untouchable hotel



Urban activists view Eden Bay as a symbol of dysfunction

**While it is widely assumed that Lebanon's real estate business is rife with unethical dealings, only a few detailed examples of wrongdoing actually come to light.** In the case of Eden Bay, a resort situated along Ramlet al-Baida—Beirut's last public beach—evidence of violations and fraud piled up throughout 2017.

The disclosures culminated in the form of a report compiled mid-2017 by the president of the Beirut Order of Engineers and Architects (OEA), Jad Tabet. The report alleges eight violations related to Eden Bay and is informed by building documents released by the Municipality of Beirut. The report's allegations range from the infringement of public property to the forgery of permit application material. As a whole, Tabet's report portrays a development project for which legal obstacles were fudged or ignored entirely to deliver the lucrative seafront hotel. Public pressure from media coverage, a unified civil society movement, and even lawsuits initiated by

NGOs and the environment ministry have not prevented the completion of the hotel.

With the façade completed in recent months and the resort aiming to open this April, Eden Bay's opponents now view the ineffectiveness of these efforts as proof of the public sector's failure to adequately govern the real estate market.

### CRAZY EIGHTS

According to Tabet's report, violations related to the hotel date back to before it was actually conceived.

Initially, the real estate giant that owns Eden Bay, Achour Development, had planned to establish a larger resort in the same location. To manage the project, Achour created a company named Beirut Marina Gate, which set about purchasing two plots of land in the area. In 2011, Beirut Marina Gate signed a contract to buy two parcels—numbered 3689 and 3687 by the Directorate of Land Registration and Cadastre (LRC)—from a company called

Eden Rock Real Estate and Tourism.

But, according to the report, Parcel 3689 was the product of an illegal merger that combined four smaller plots earlier the same year. Two of these component plots were categorized as non-buildable and therefore could not be merged with the others that were eligible for development.

However, in a letter dated June 6, 2012 and seen by EXECUTIVE, Beirut Governor Chebib requested that the LRC remove the non-buildable status classifications from the properties. The LRC complied, merging the plots into Parcel 3689 without the required approval from the judiciary.

Lama Karame, a lawyer with the non-profit Legal Agenda that monitors public policy, says that the unification of the parcels is one of several violations that should have prevented the construction of Eden Bay from moving forward.

### CREATING SPACE

Despite the apparent illegal ori-

■ Mona el-Hallak, an architect and activist, believes that the company tried to pass off levels now marketed as luxury beachfront chalets as underground parking space



gins of Parcel 3689, it was sold in 2011 along with Parcel 3687 to be used for Achour's resort, which was also named Eden Rock. Cynthia BouAoun, an architect that has contributed to the coastal protection campaigns of the heritage advocacy NGO Nahnoo, says that Achour then pooled Parcels 3687 and 3689 in a move that grouped them but did not formally merge them in the records of the LRC. This, she says, was done in order to meet the 20,000 square meter minimum developable threshold that was required to build the Eden Rock resort in the zone.

For reasons that have not been publicly disclosed, Achour later dropped its plans for Eden Rock, having only completed the necessary Environmental Impact Assessment (EIA) for the project, according to the report. The developer incorporated a new company, Eden Bay sal, to oversee the establishment of a smaller resort. Karame says that Parcels 3689 and 3687 were ungrouped by the LRC and the former was transferred to the new Eden Bay project; however, she explains that the Municipality of Beirut was not in-

formed of this change, so when Parcel 3689 was transferred to Eden Bay, the project was entitled to a larger building than what would have been allowed if the decision had been based on the size of Parcel 3689 alone.

An unusual decision by the Directorate General of Urban Planning (DGUP) also facilitated the creation of a resort that would have been too large by normal standards. Mona Fawaz, a professor of urban planning at the American University of Beirut who helped research Tabet's report, explains that development projects close to the shoreline are by convention set back from the sea by at least 20 meters in most places along the Lebanese coast. But in 1964, Fawaz says Beirut's zoning regulations were changed, and the setback from the public maritime domain was no longer specified. Since the change, however, the DGUP has generally applied the old 20-meter standard.

Fawaz says that in the case of Eden Bay, the DGUP in 2015 suddenly dropped this standard and instead deferred to the building law, which states

that the setback for most public property is only two meters.

Even with the diminished setback, Tabet's report alleges that Achour went on to increase its building size beyond what is allowed by local zoning regulations. The report highlights a substantial discrepancy between the ground elevation claimed by Eden Bay and the elevation from state sources. Mona el-Hallak, an architect and activist, believes that the company tried to pass off levels now marketed as luxury beachfront chalets as underground parking space, which would legally be omitted from the project's tally of buildable area.

Tabet writes that the topographic map that was submitted for the resort's construction permit defines the ground height at 7.7 meters above sea level. However, geographical images from the Directorate of Geographic Affairs of the Lebanese Armed Forces mark an elevation of 1.4 meters.

The report acknowledges that the Eden Bay development was originally meant to be built into a hill, which means one side of these floors would

## Eden Bay



have been partially below ground. However, Hallak says the earth has since been cleared away, exposing the two lower stories meant for parking, leading Tabet to conclude in his report that Eden Bay had planned the alterations from the start.

Tabet calculates that the addition of these two levels and the apparent illegal unifying of properties in Ramlet al-Baida doubled the project's built area from 5,251 to 10,439 square meters. That would mean that Eden Bay exceeded the maximum building size by about twice what was allowed for Parcel 3698.

But even without the aforementioned violations, Tabet argues that the location should never have been cleared for development in the first place, as the country's national urban master plan, decreed in 2009, specifically declares that Ramlet al-Baida should be protected from real estate construction works.

## TO THE COURTS

In spite of these issues, a construction permit was issued by the Beirut Municipality for the Eden Bay resort in September 2016. Yet, Tabet's report states that Eden Bay failed to commission a new EIA to accompany the permit.

In a 2015 interview with EXECUTIVE, Achour's lawyer, Bahij Mjahed, claimed that the EIA from Eden Rock would cover the construction of the Eden Bay project. However, Ralph Haddad, an attorney at Bou Chaaya Law Firm who specializes in real estate litigation, and is unconnected to the project or related lawsuits, contradicts this view. Looking over Tabet's report, he says that a new EIA would have been required, and that regardless the old EIA had expired before construction began. For this reason, the environment ministry filed a lawsuit against Eden Bay on May 5, based in part on information provided by Nahnoo.

On November 28, 2016, the Green Line Association, an environmental-advocacy organization, initiated another lawsuit that contested the building permit held by Eden Bay, which the group suspected was intruding on public property. Green Line Association, represented by Legal Agenda, is also challenging the Municipality of Beirut and the Lebanese Government over the project.

On February 8, 2017, the State Council ordered a construction freeze

on the resort in response to the Green Line Association's lawsuit, until the legality of the development could be determined. According to Karame, Eden Bay continued building nonetheless, even when a second stop order was issued by the council on March 6, 2017.

She says that Eden Bay cited multiple technicalities to avoid complying with the council's decision. For example, Karame says that Achour argued the building permit that Green Line Association was contesting no longer affected it as the company had filed for a modification permit that amended their original. Although modifications are not technically considered separate construction permits, the Council issued another order to halt the building on March 6, 2017. This too had little effect, says Karame.

Legal Agenda then asked Jad Maalouf, a judge of urgent matters, to oblige the construction company to halt its activities under threat of a \$100,000 fine for each day that work continued. By March 18, the order was in place, and Karame says Achour stopped construction soon after.

Meanwhile, the council required the Municipality of Beirut to hand

■ Critics say Eden Bay exceeded the maximum building size by about twice what was allowed for Parcel 3698.

over Eden Bay's building permit and related application material. The information garnered from this disclosure largely contributed to exposing the violations alleged in Tabet's report, which he compiled at the request of President Michel Aoun and Minister of State for Combating Corruption Nicolas Tueni.

## AGAINST THE CURRENT

But less than a month later, on April 11, the State Council reversed its earlier decision and allowed construction

to go forward. Karame says the State Council did not explain the decision.

The Green Line Association's lawsuit is still awaiting a final ruling from the State Council. Karame explains that Legal Agenda submitted Tabet's report to the court, but one of the council members decided to appoint their own experts to investigate the hotel. She says that so far, the appointees have been unable to conduct site visits because Achour's attorney claims that the company was not notified and the state maintains that it has not yet selected a lawyer to attend these visits.

Media reports on Eden Bay have also been restricted based on orders from a judge of urgent matters who barred two TV stations from disparaging the company.

All sides of the Eden Bay controversy have been reluctant to provide interviews for this article. Only the lawyer from Achour agreed to speak, on the condition he was not recorded. The municipality was unresponsive and an official at the DGUP was unavailable. For his part, Tabet told EXECUTIVE he had no further comment at this time.

## WHO HOLDS THE REINS?

EXECUTIVE asked Mjahed to respond to the charges presented in the report. He stated that the only authorities that can evaluate whether the company's actions were legitimate are the Beirut municipality—which approved the necessary permits—and the judiciary, which ultimately allowed construction to proceed. Mjahed dismissed the accusations of violations as a “fantasy,” saying that it is impossible that all the relevant Lebanese agencies are allied in a “conspiracy” with Eden Bay.

Meanwhile, Eden Bay draws closer to opening. One Achour employee, during a request to be interviewed, put the opening as soon as early April. At the time of this writing, Achour had not announced whether an inhabitation permit, which cer-

## SEWAGE ON RAMLET AL-BAIDA

Achour Development, which owns Eden Bay, has intervened to expedite work on a wastewater pumping station for Ramlet al-Baida. Currently, a sewer dumps a portion of the city's sewage onto the public beach in the Ramlet al-Baida area next to Eden Bay. To operate the resort-side pumping station, a second feeder station will have to be brought online in the Sultan Ibrahim area of the city's southern suburbs. In 2015, Achour's lawyer, Bahij Mjahed, told EXECUTIVE that the company's CEO helped to facilitate a tender for the pumping station on the beach. Both contracts were awarded to a company named South for Construction.

According to Riad al-Assaad, owner of South for Construction, the stations have been completed, but “we just need the political go-ahead to start pumping.” An official at the Council for Development and Reconstruction (CDR)—the government institution that launched the tender—explains that operation is being inhibited by public opposition in Beirut's southern suburbs, where the sewage would be transported. Speaking on condition of anonymity because he was not authorized to speak to the press, he says that the municipal union of the southern suburbs has refused to allow the Beirut and Mt. Lebanon Water Authority to switch on the pumps until construction for an emergency overflow line is tendered. In the event of a rupture, the pipe from the Eden Bay area, which has a capacity of 710 liters per second, could discharge into the union's municipalities.

At the moment, the CDR is preparing the required documents and initiating an environmental impact assessment for the emergency overflow line. At the current rate of progress, the official believes that the tender could still be about three months away.

When the pumping stations are eventually activated, there will still be three other sewers that “drain waste and gasoline oil directly onto the shore,” according to a booklet on Ramlet al-Baida by the NGO Nahnoo. A 2010 study conducted by the UNDP found that levels of bacteria in the area are 550 times higher than the maximum safety guidelines set by the World Health Organization. Furthermore, the National Center for Marine Sciences (CNRS) tests water quality for harmful fecal coliform bacteria in 25 to 30 locations along Lebanon's shore on a routine basis. In 2016, the CNRS ranked the water at Ramlet al-Baida as among the most polluted in the country. For the foreseeable future, it's likely that the beach will remain polluted, endangering Eden Bay's high-ticket guests and lay-beachgoers alike.

tifies a building's completion and enables its occupation, had been issued. The delivery of the permit, if granted, may represent both the finalization of the hotel and yet another regulatory violation, says BouAoun. “When you [apply for] the inhabitation permit, [the municipality has] to verify that what you realized conforms to what you got a permit for. [Eden Bay] didn't abide by its permit,

so of course, the inhabitation permit is not legal,” she says.

Haddad, the unaffiliated attorney, says the violations outlined in Tabet's report are clear, and that they are common throughout the market. With construction of the first major real estate project on Beirut's last public beach nearly complete, the question is not only how many Eden Bays are out there, but how many more there will be. ■

## Beyond start-ups



Teaching entrepreneurship to promote civic engagement

**Lebanon has followed other countries in the region and abroad in promoting entrepreneurship to achieve economic growth and to generate future job opportunities.**

Entrepreneurship is considered a valid tool to help lead the country into a knowledge economy, where the role of information and technological change are the main drivers.


In this context, education can help to foster entrepreneurial behavior, but there is a recurrent debate in blog posts, at panels, and during conferences about the utility of teaching entrepreneurship. Critics say that entrepreneurship education is ineffective because it lacks action orientation, and it cannot teach the essential lessons that entrepreneurs learn simply by failing in the real world. Some

even claim that entrepreneurship classes are dispensable, pointing to the likes of Steve Jobs and Jeff Bezos, who never took any formal entrepreneurship education before starting their businesses. Peter Thiel, a PayPal co-founder and Facebook investor, even offers \$100,000 grants to students ages 20 and below who are willing to completely drop out of school to pursue their entrepreneurial ambitions through learning by doing.

### BEYOND THE PRACTICAL

Such comments relate mainly to the *technê* part of entrepreneurship. According to the Greek philosopher Aristotle, *technê* denotes technical know-how—in this case, the knowledge of how to manage a business. Most people associate entrepreneur-

ship with the creation of venture-backed high growth firms, like the companies that make up Silicon Valley. Entrepreneurship classes are therefore focused on acquiring business skills. Syllabi include such topics as business plan writing, how to prepare financial projections, entrepreneurial communication (how to deliver compelling pitches to investors), risk mitigation strategies for startups, entrepreneurial marketing, and other practical skills. A common way to measure educational effectiveness is through the number of new startups and entrepreneurs a program generates. This may be an imperfect measure, however, as it has led to universities, business schools, and incubator and accelerator programs resembling each other more and more, as they focus on pushing

A bride in a white dress is seen from behind, playing a wooden piano. The piano is a dark wood upright model. On top of the piano, there is a small bouquet of white flowers. The background is a light-colored wall with a shadow of a flowering branch (possibly bougainvillea) cast on it. The floor is made of large, dark grey tiles.

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students toward starting new ventures and entering entrepreneurship competitions—often prematurely. Currently, the strongest emphasis in entrepreneurship education is placed on techné, or on learning how to manage a company. Yet, entrepreneurship (and innovation) are not about managing what is there already; entrepreneurship is a problem-solving process that is based on a different mindset than management.

#### ENTREPRENEURIAL THINKING

This mindset proactively seeks out new opportunities and solutions and questions conventional assumptions on how to do things. Entrepreneurially-minded people seize opportunities and act upon them. They are willing to take risks, and focus on adaptive execution, which involves collaboration with others—often even competitors. The entrepreneurial mindset revolves around identifying problems and solving them.

In Lebanon, entrepreneurial learning has implications that go beyond churning out business startups. Samir Kassir once coined the term “Arab malaise” to describe “the very widespread and deeply seated feeling that Arabs have no future, no way of improving their condition.” In the Middle East and North Africa, Kassir argued, there was a prevailing feeling of powerlessness: the powerlessness of being a lowly pawn on the geopoliti-

cal chessboard, the powerlessness of underdevelopment, the powerlessness of living under authoritarian politics. Widespread corruption, weak state institutions, and, in many countries, excessive state control have long dominated societies and drained their people’s energy and initiatives.

In his book “Startup Rising,” Christopher Schroeder studies the entrepreneurial possibilities and challenges of the Middle East and North Africa and he comes to the conclusion that entrepreneurship represents a bottom-up movement that allows people to get involved and engaged in societal problem-solving—a grassroots approach that counteracts the prevailing and ineffective top-down government strategy. Entrepreneurship education that teaches a problem-solving mindset could play an important role in developing civic engagement since it introduces young people to a different way of thinking than the prevailing Arab malaise, encouraging a mindset that is relevant far beyond simply starting a business.

Teaching an entrepreneurial mindset, then, is a form of citizen empowerment. For this to be a viable possibility, however, we have to treat entrepreneurship teaching more holistically than we do now, with objec-

tives larger than the creation of new firms. We also have to engage all levels of society in the development of an entrepreneurial mindset, but especially the youngest generation. Teaching entrepreneurship should encourage questioning the status quo and thinking large and wide beyond societal constraints. From entrepreneurship, students can learn to develop and defend their opinions, and they can receive the tools to engage with and change the world.

A good example of this is the initiative run by the Asher Center for Innovation and Entrepreneurship at the Holy Spirit University of Kaslik, where student-entrepreneurs connect with and coach high school students from College Central Jounieh. The students help their younger peers identify community problems, for which they then develop viable solutions for change. School students are exposed to entrepreneurial thinking, cultivate leadership skills, and learn to take ownership of community prob-

■ Entrepreneurship education that teaches a problem-solving mindset could play an important role in developing civic engagement.

lems—a prerequisite for engaged and proactive citizens.

Entrepreneurial thinking is as important for business development as it is important for an engaged civil society. Not every student aspires to have their own business. But the lessons we can learn from entrepreneurship help develop people who are self-directed and proactive, and who have the mindset to engage in purposeful projects that matter for society. ■

*Bettina Bastian is assistant professor of management and entrepreneurship at the American University of Beirut.*

# NEW INTERIOR



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## Say (goat) cheese

Lebanese dairy producers diversify into new opportunities

**Goat dairy production has a long history in our part of the world.** Archaeological evidence suggests that goats were the first dairy animals to be domesticated, sometime between 9,000 and 8,000 BC in what is today Iraq and Iran. Goat milk was also mentioned in the Bible, with the prophet Abraham owning herds of goats, and the Book of Proverbs speaking of the animal's ability to produce milk.

The dairy market later shifted to cows, and is today globally and locally dominated by the larger mammal. The relatively recent trend toward healthy, clean foods and the rise of food allergies, however, has brought

goat milk back under the spotlight. The global market for goat cheese products is growing slowly but steadily, and Lebanon's dairy producers have been quick to take part.

### A BRIEF HISTORY

Nomadic goats are traditionally bred in Lebanon's mountainous areas. Villagers use their milk to produce cheese and *kishek* (a dry cheese) for the national market and occasionally, international distribution.

Mazen Khoury, the production manager at Dairy Khoury, one of the leading dairy producers in Lebanon, says his family business has been producing goat yogurt, *labneh* (strained

yogurt), and *baladi* (local) cheese (a type of white, round cheese also referred to as green cheese) since the 1970s. However, according to Khoury, nomadic goats—the only goat variety found in Lebanon at the time—produce milk only seasonally, so Dairy Khoury's production was limited to the period starting in February and ending in August at the latest.

As such, a steady and consistent business revolving around goat dairy products was not feasible in Lebanon until 2005, when Jihad Daher, the technical manager of and partner in *Goût Blanc*, used personal funds and a loan from Kafalat to import 60 dairy goats from France with the pur-



pose of providing a consistent supply of high-quality goat milk to the country's dairy producers.

#### **A GOAT BY ANY OTHER NAME**

The goats imported by Daher were Saanen, a Swiss breed, and Alpine, a breed that originated in the French Alps. Saanen goats are stronger and less vulnerable to disease than Alpine goats, according to Walid Bou Habib, a partner at Goût Blanc, but both breeds have a significantly higher yield than the local goat variety. "The local breed is strong and can resist diseases, but their yield is low, at 0.5 kiloliters per day per goat, whereas with the Saanen you get an average of 3 kiloliters per day. This is related to the goats' inherent genetic potential, and there is nothing you can do to increase a goat's maximum yield. Because of this small yield, no Lebanese dairy [farm] would invest in a local breed to get goat milk," explains Bou Habib.

Khoury speaks of the advantages of Saanen goats over the local variety,

saying that their yield is more consistent, therefore allowing for a year-round production of dairy products. Khoury also explains that Saanen goats are bred to be farm goats and can be milked using automated milking systems, whereas local goats are typically milked by hand in the fields. He says automated milking is more hygienic, and it produces milk that can be immediately processed and refrigerated.

#### **FOLLOWING THE TREND**

Bou Habib says goat cheese is fast becoming a global trend: "Internationally, people are shifting from cow dairy products to goat dairy because of the idea that goat milk is healthier and does not contain lactose, which makes it easier to digest."

Khoury explains that because the food industry in Lebanon has evolved a lot over the past decade and a half in terms of food safety, quality of products, and consumers' taste and awareness of global food trends, Dairy

Khoury has had to keep up with these developments to grow further.

As such, Dairy Khoury introduced a dedicated line of goat cheese products, Chevette De Khoury, in 2016. "We chose to start this dedicated line because goat dairy is now the global trend, since it is perceived as healthier than cow milk, as it has fewer allergens and is lower in cholesterol," says Khoury, explaining that their line includes goat yogurt, soft labneh, hard labneh, as well as baladi, halloumi, and double cream cheeses.

Dairy Khoury set up their 75,000 square meter goat farm in Meshmesh, in the mountains north of Jbeil, which is an hour and a half's drive away from their production center in Ain el-Sendyene, Metn. Khoury explains that the company chose this location because of its extreme remoteness (thereby ensuring a pollutant free and cleaner environment) and abundance of agricultural land, as goats are extremely sensitive to their surroundings.



## Goat dairy



*Goût Blanc packages its goat cheese*

The pioneer of a branded and dedicated goat dairy production in Lebanon was Goût Blanc, who began its venture in 2013. While previously Daher had sold his imported goats' milk to local dairies, he had not considered starting his own dairy production company until he met Bou Habib through Alfa Laval—a Swedish company that markets itself as the global leader in heat transfer, separation, and fluid handling—where Bou Habib used to work and from whom Daher had bought his automatic milking line.

The duo introduced new partners to the company—Camille Atallah, a

lawyer, and holding company Sarkis Group—and imported more goats from France, bringing the total of imported goats to 300, which then went on to breed others. To house them, they built a second farm adjacent to the first one Daher had already built in Anaya, north of Jbeil, an area Daher also chose because of its remoteness and pristine environment. They built the production facility and the nursery for newborn goats in the same area as well. All this investment was aimed at having a large-scale goat production business, and Bou Habib says that a total of \$1 million has been invested in Goût Blanc to date. A further \$1.5 million will be invested to expand the farm, as well as for distribution and transportation—Bou Habib says this amount will come from personal funds and a subsidized loan from the central bank. Until now, Goût Blanc is only breaking even with its goat dairy products.

#### SUPPLY AND DEMAND

Lebanese have indeed warmed up to goat dairy products, as even a casual observer cannot help but notice the abundance of restaurant menu items listing goat cheese as an ingredient or the supermarket shelves that are increasingly stacked with goat dairy products.

In fact, demand for locally produced goat cheeses and yogurts has generally been increasing faster than the available supply. Goût Blanc has a total of 1,400 goats and is in the process of constructing a third farm with a capacity of 1,800 goats which will be ready in mid-2018 and will bring their total number of goats to 3,200. Currently, the company processes a maximum of two tons of milk per day, but Bou Habib says this is not enough to meet demand. “The market demand is ahead of us—we should have started

construction of the third farm two years ago to meet the growing demand that we are facing now. People think our distribution is bad because they don't find us consistently in our points of sale. But what is happening is that our products disappear fast from the shelf because we have a limited supply,” he explains, adding that by early 2019 they expect to have enough supply to meet local demand.

Khoury also believes that the market demand for goat dairy is higher than the supply, and that there is therefore room for more players to enter the market without leading to saturation. Dairy Khoury has more than 3,500 goats that produce 3 tons of milk per day and has created a division in its factory solely for processing its milk—as such, Khoury says the company is able to keep up with the demand for its goat dairy products.

#### OLD DOG, NEW TRICKS

Although goat dairy products are hot items in Lebanon, not all of them are created equal, and it seems traditional tastes are hard to change.

Goût Blanc's original idea, says Bou Habib, was to produce only French goat cheese. However, he and Daher quickly realized that the Lebanese market for that type of cheese alone was too small and would not justify the big investment they had in mind for their project. “A small segment of the market in Lebanon

■ Demand for locally produced goat cheeses and yogurts has generally been increasing faster than the available supply.

consumes French goat cheese, and they do so mainly in winter time around holiday gatherings, while they eat halloumi, labneh, and laban on a daily basis. So we decided to introduce these products as well

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## Goat dairy



*Khoury Dairy launched Chevette De Khoury in 2016*

■ The main limit to the growth of the goat dairy products in Lebanon is that the feed is imported.

to sustain and grow our business,” explains Bou Habib.

Goût Blanc has 10 products which include soft and hard labneh, labneh with oil, yogurt, two types of French goat cheese, halloumi, and double cream cheese. Of these products, labneh alone constitutes 46 percent of the company’s turnover, while 15 percent is from yogurt, and only 10 percent is from the French goat cheese. “As a general taste in Lebanon, we prefer the sourness of the labneh and laban to the creaminess of French cheeses,” muses Bou Habib. Similarly, Khoury says Dairy Khoury’s most sold goat dairy products are labneh and yogurt “which are part of our traditional cuisine.”

#### GREENER PASTURES

Given the global goat cheese trend, both Goût Blanc and Dairy Khoury see a rosy future for their dairy products. Although Dairy Khoury says cow milk products will always be their best sellers—it currently constitutes 90 percent of their business—they plan to expand their goat line further by introducing French goat cheese in 2018, along with other goat milk products, to satisfy both local and export demand. (Its goat cheese products are currently exported to Qatar, Dubai, and Kuwait.)

Bou Habib says Goût Blanc also has expansion in mind, although its aim is to first meet local demand before it considers exporting. “Our goal is to have a total herd of 5,000 goats

and use that to build a very strong brand in Lebanon before [exporting]. Once we feel the market in Lebanon is saturated, we would consider investing abroad, or increasing our production to export it. But there is a lot of potential in Lebanon itself. Hopefully, if we follow the global trend, the goat milk market should be around 10 to 15 percent of the total dairy market in Lebanon—to get to that figure, we would have to have 10,000 goats, not just 5,000,” he explains.

The main limit to the growth of the goat dairy products in Lebanon is that the feed is imported, which drives up production costs, and therefore price. Khoury says that the feed produced locally—mainly corn yeast and straw—can only satisfy 30 percent of a goat’s nutritional needs. And even then, it is cheaper to import all their feed.

Because of this, Lebanon cannot hope to be competitive with global leaders in goat cheese production unless the country specializes in niche products, explains Bou Habib. “The big problem in Lebanon is that we don’t have enough fields or agricultural spaces. It’s not normal to import feed and essentially transform it into milk, in Europe for example you have the milk where you have the feed. We therefore cannot be competitive in the international market unless we are competitive in special products where we can give added value,” he says, citing goat labneh as one of these products.

Even so, dairy producers say that certain governmental actions, such as protection of local dairy products from foreign competition and supporting dairy producer’s energy and export costs, would go a long way in strengthening their businesses both locally and abroad. If goat dairy products do someday constitute even 15 percent of the total dairy market in Lebanon, it would open up fresh opportunities for those looking into investing in Lebanon’s dairy market and for existing producers to diversify their pastures. ■

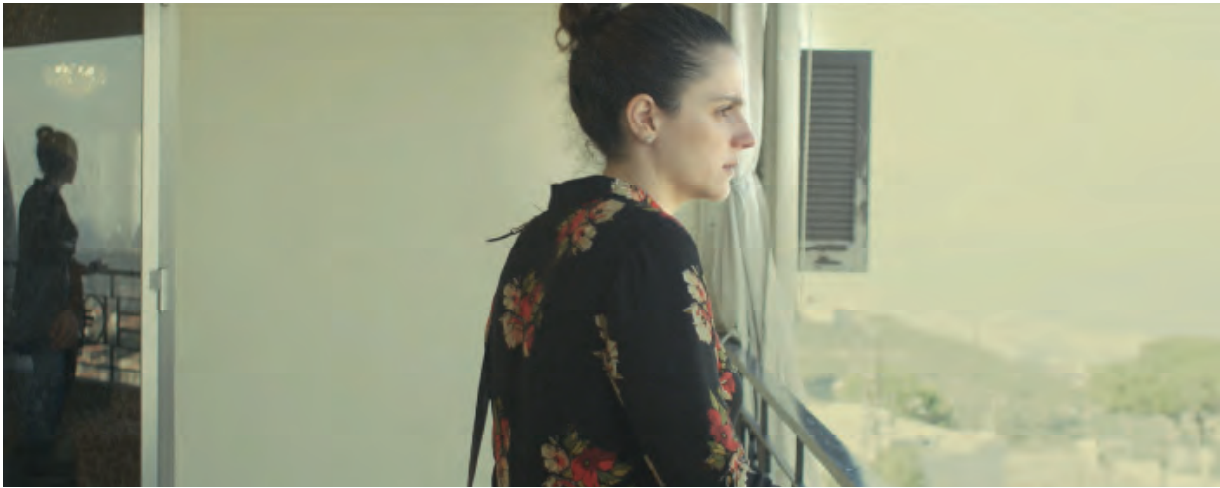
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## FEAST, FAMILY, AND NATION

LUCIEN BOURJEILY'S DEBUT FEATURE FILM "HEAVEN WITHOUT PEOPLE"

Words by **Olga Habre**



Anyone Lebanese, or who has visited Lebanon, will tell you we have strong family bonds and long family lunches. While the lunches are hardly disputable, in today's society how strong are the family bonds, really? Renowned theater director and political activist Lucien Bourjeily explores the subject of the Lebanese family and its wider context in his debut feature film "Heaven Without People." (In Arabic the film has a different title, "*Ghada el-Eid*," which translates to "Festive Lunch.")

Premiering at the Dubai International Film Festival in December 2017, it won the prestigious Special Jury Prize Muhr Feature Award and is currently making its way around the global festival circuit. It had its US premiere at the Cinequest Film Festival in March, where it won the Cinequest Global Vision Jury Award, and later played at the Miami International Film Festival. The movie is set to screen at several other events, including the River Run International Film Festival in North Carolina, and at festivals in Egypt, Morocco, and



Germany. It had a run in Lebanese cinemas throughout March and is playing in Dubai theaters in April. Despite its indie status, the relatable characters and situations, for the Lebanese especially, but also for international audiences, mean the film isn't just for cinephiles.

The engaging story is set in one house over one afternoon at Easter lunch. A large Lebanese family is reunited for the first time in two years, starting the feast with pleasantries and light-hearted banter. Between mouthfuls of *tabbouleh*, egg-tapping traditions, and power cuts, the family members reveal their differing views through funny and serious conversations on religion, politics, corruption, emigration, and financial struggles. Personal tensions begin to rise, and a mysterious incident plunges the group

into an intense blame game that uncovers one can of worms after another.

Family dynamics are very similar across cultures, and even though the movie explores lots of specifics about Lebanon, it also has universally relatable elements, such as a matriarch feeding her family, and a frustrated mother scolding a rebellious son. The film also touches on much more serious subjects like sectarianism, misogyny, and racism. Bourjeily explains that because many family members aren't as honest as they should be with each other—in the film and in general—little things snowball into big issues instead of getting resolved.

In a way, the story is almost an allegory of Lebanon. There is a lot of symbolism, as the issues of hypocrisy and facades can be expanded to a national

*"Art enables us to find ourselves and lose ourselves at the same time." — Thomas Merton*



*Director Lucien Bourjeily accepts an award in Dubai.*

level too. "Family is the first establishment in any society. And in Lebanon, if you start to understand their dynamics and what happens at the table, what's spoken and what's not spoken, you start to understand the ills of the whole country," says Bourjeily.

The movie's immersive camerawork and mostly long, one-shot scenes take viewers into the very private family situation. "The film literally takes viewers into the most intimate of family moments, not just the table, where they are the most frank and uninhibited, but beyond that, to the most intimate place on Earth: The bathroom of your own home," says Bourjeily. To him, it's about understanding family dynamics and larger, country-wide dynamics, in order to get to know ourselves, avoid denial, and diagnose our problems better, which can hopefully lead to solutions. The director says he isn't trying to put obvious messages or propaganda in the story, but is asking the audience questions: "What is the real malaise of this country? Why are families like this? Why is there this dysfunction when we say in Lebanon that 'family is the most important thing?'"

In Lebanese theaters the film was actually censored, with 10 seconds removed from a difficult-to-film 14-minute scene at the end of the movie, somewhat ruining its artistic appeal. The director says what was cut was a political/sectarian statement, but adds, "It's an absurd reason because there's much more being said in the film."

It took two years to make the indie movie, which is impressive given that, besides directing, Bourjeily also wrote the script, and produced and edited the film. But he is certain this was the only way to do it, or it wouldn't have been made at all, arguing that if the project had a big budget, it would also have had interference from producers, and he didn't want that for

this story, so it risked not being made at all. "Between not making it or putting on different hats, I chose to put on hats," he says.

The title is completely different in the two languages because Bourjeily says the Arabic one didn't translate well into English. The English title plays on the Arabic saying, "Heaven without people is unbearable," and references a Wadih el-Safi folk song that appears in the movie, which refers to Lebanon as a piece of heaven. The director questions if this land is still heaven, and what role the people who live here are playing. He asks, "If someone goes to Lebanon now, would they consider it a piece of heaven? Let's just be realistic. Can it be heaven again, or is it unredeemable? What can we do to save it?"

With Lebanon's parliamentary elections around the corner, there's also a lot of talk about an election in the movie and corruption in voting. Asked if this was put into the film on purpose, the political activist says, "We thought about the fact that it's very relevant today." He adds that he hopes, though he isn't very confident, that the problems documented in the film will one day—in decades, if not a century—stop repeating themselves, which would mean we have learned from our mistakes. Likewise, he hopes the upcoming election will bring about some change. "Maybe new people will have a new perspective, but the old people have done so much damage to the country that anyone new will come in and have a collapsed country to fix," he says, but adds that even a small change would be a good start.

Ultimately, the film reveals a sad reality of Lebanon and makes viewers think about the future of our country, who we have become, how we treat our nation and each other, and why. Bourjeily began with the intention to create a story that makes audiences think, explaining, "I want people to discuss these ideas. My main aim is always to have a thought-provoking piece of art." The director adds he wants people to examine their own family units for this kind of rot, and extend the analysis nationwide. It's time to clean up our house.



# AltCity Bootcamp Celebrates Startup Teams

by Jessica Kalache



On March 22, 2018, AltCity organized the invite-only Black Tie Bootcamp event at Station Beirut in Sin el Fil, gathering a wide array of stakeholders in the Lebanese startup ecosystem, including investors, venture capitalists, press, online media, and more to join in celebrating Bootcamp's accomplishments over the past three years.

At the event, eight of Bootcamp's outstanding startups were showcased on center stage as they pitched their business solutions to critical problems in sectors such as education, health, e-commerce, and more. The audience had the chance to meet the entrepreneurs, learn about their achievements, and discuss partnership and collaborative opportunities.

Esteemed attendees of the private event included H.E. the Minister of Telecommunications Jamal Jarrah, Mr. Ghiath Al-Barazi who leads the entrepreneurship ecosystem engagement efforts of the Office of the Prime Minister Saad Hariri, and Mr. Ghassan Chawraha of Angels Lebanon.

Bootcamp ([www.bootcamp-lb.com](http://www.bootcamp-lb.com)) - a partnership between BDL, Al-Mawarid Bank, and AltCity - is a two-phase, idea-stage startup training program that helps aspiring entrepreneurs go from idea to first customer and/or investor in the shortest time possible.

Since its inception in 2015, Bootcamp has graduated 245 startup teams of students and professionals aged between 15 and 50 that have collectively mobilized over 2,000,000 USD in seed funding, resulting in a combined valuation of over 10,000,000 USD. Bootcamp startups have been accepted into leading accelerators around the world, including Techstars and Slush Global Impact Accelerator, and won first place and top prizes in local competitions, including BDL Accelerate, ArabNet, Creative Business Cup, Hult Prize, and the WeMENA World Bank Competition.



Omar Itani - a Bootcamp graduate whose startup, FabricAID, recently won the Global Social Venture Competition in Lebanon and will represent Lebanon in the Global Finals in April in Milan - attested to his Bootcamp experience: "Your work is appreciated and the impact you are creating is real. Whatever success we have or impact we'll generate would not have been possible without Bootcamp's tremendous support."

Bootcamp's startups join a reputable community and network of entrepreneurs and experts across industries; and get continued access to resources, mentorship, and next stage opportunities in the regional ecosystem and internationally.

Munir Nabti, Co-founder and GM of Bootcamp says, **"We feel fortunate to have worked with hundreds of aspiring Lebanese entrepreneurs of all ages, helping many of them take their first steps ever in a startup, and helping improve the Lebanese economy through their ventures. Entrepreneurs create jobs, improve livelihoods, solve problems, and inspire optimism. I hope we've been able to contribute to that in some way in Lebanon."**

The team behind Bootcamp has been supporting entrepreneurship in Lebanon for over 10 years through a variety of initiatives. Most recently, they launched Elevate Impact Accelerator, the first social impact startup accelerator created in collaboration with UNICEF globally. Soon they will also launch Startup Scouts ([www.startupscouts.org](http://www.startupscouts.org)), a new program in collaboration with the Office of the Prime Minister and various other partners in Lebanon.

# BITS OF BERLIN IN BEIRUT

ARTIST AND BERGHAIN BOUNCER SVEN MARQUARDT EXHIBITS AT D BEIRUT

Words by **Olga Habre**



Looking at Sven Marquardt, you might think he's a troublemaker. The burly 56-year-old is heavily tattooed and pierced, most notably on his face, wears sunglasses indoors and outdoors, doesn't smile very often, and has an iron handshake. But looks can be deceiving and if anything, Marquardt is an advocate for tolerance. Best known as the gatekeeper of Berghain, one of the world's most notorious clubs located in a former power plant in Berlin, the German is foremost an avant garde photographer. Extremely polite, observant, and intuitive, his intuition serves him not only in wandering around cities—he doesn't like to tour the traditional way—but also helps him decide who gets into the club, and guides his photography. Marquardt visited Beirut in March

for an exhibition of his works, held at D Beirut in the industrial Karantina area. He gave Executive Life an exclusive interview, with the help of an interpreter, on D Beirut's windy rooftop.

Organized by the Goethe Institute in Beirut, the photography exhibition "Rudel" and audiovisual installation "Black Box" were also part of a series of events held in partnership with nightlife group C U NXT SAT. Rudel showcased a row of large, impressive black and white portraits of Marquardt's bouncer colleagues, captured in Berlin. The term Rudel (which literally translates to pack, as in a pack of wolves) stands for community and standing strong together, something his team definitely does. Despite his legendary status as the world's most famous bouncer,

Marquardt says of his work at Berghain that “it’s not a one-man-show” and says that the club is all about creating the right mix of people for everyone to enjoy themselves. In the portraits, every character is an individual, shot to reflect their identity. One of the men in the photos wears a tarboush, and curious Lebanese asked why—apparently he is part-Turkish.

The parallel Black Box installation was literally a black box with changing photo projections on each side showcasing a larger selection of Marquardt’s photos, set to dark, melodic techno sounds created by German producer and DJ Marcel Dettmann, who he met in the late 1990s in Berlin’s club scene. Marquardt enjoyed working with an old acquaintance on Black Box, which represents the Berlin club context in terms of visuals and sound, but was created to be taken outside of it. Black Box showcases 50 photos on a loop that runs for about two hours, and following its premiere in Brazil in 2015, the exhibition has traveled to many countries. In Beirut it looked slightly different. Usually positioned inside a small room, here it was inside a massive warehouse space.

Marquardt also gave a talk during his stay in Beirut, shedding light on his art and answering audience questions, many of which were geared toward his strict door policy at Berghain rather than his work. He told me he has had journalists go as far as showing him photos of random people and asking whether they would get in, questions he doesn’t like and doesn’t have an answer to.

Growing up in East Berlin, Marquardt became interested in photography by chance and began his career documenting punk counterculture. After the fall of the Iron Curtain, Marquardt says many East Germans, including him, experienced an identity crisis, and he stopped taking photos at this time, forming a new identity and shifting to a career as a doorman when his DJ brother was organizing underground parties.

Today he only takes photos in black and white on an analog camera, and prefers natural light. He was worried a few years ago that digital photography would kill the older method, but is happy to see a counter movement still embracing analog cameras. Marquardt says his photos are always staged and taken in his hometown, though he revealed during his stay that he is considering taking photos for the first time outside the German capital, possibly in Bel-

grade. The artist also works with brands, shooting campaigns for those looking for his distinctive aesthetic, and has even collaborated with Hugo Boss on a T-shirt collection featuring his images.

Marquardt told me that upon his arrival to the Beirut airport he was given a few startled looks by airport security, but this is common. When I asked about his countless tattoos, he says that his skin is a canvas for the story of his life. I noticed he was wearing sneakers, something he swore he would never do in an older interview I had read online. Laughing, he responds, “never say never” and admits he discovered the sneaker only two years back.

He says he had never thought of coming to Beirut before this invitation was extended, but was curious to explore the city. He observed Lebanon’s architecture, the contrasts of old homes standing next to new towers. Though he knew a bit about Lebanon’s history, he was impressed to learn, while walking along the demarcation line, that Beirut, like Berlin, also had an east and west. During the Lebanese Civil War the capital was infamously cracked in half until 1990. The previous year had marked the unification of Berlin, which was physically divided into east and west for 28 years before the fall of its wall in 1989. Marquardt sees the parallels but is sensitive to the glaring difference, observing, “I also experienced a divided city, although in a different sense but with some similarities. The big difference is that in former East Berlin we were living in peace, which is different to here. I can’t imagine a war situation. It’s only when you get older that you are critical against the conditions.”

The two cities, worlds apart, have parallels that go beyond alliteration, former barriers—of bricks or bullets—as well as famous, though contrasting, party scenes. Though the internet often depicts Beirut’s party scene as wild, it’s quite docile compared to that of Berlin. Beirut still deserves credit for knowing how to have a good time, despite and perhaps because of its ongoing volatility. It’s interesting that both party scenes may have come from a similar need to rebel against, escape, or remedy harsh realities.

Marquardt, who is known for bringing an eclectic mix together inside Berghain, is using his art to bring the same club culture to others. In Beirut, the exhibitions brought the two cities closer together for a distinctive visual and sound experience.



# BUSINESS ESSENTIALS

## Company Bulletin

■ **Bank Audi** took part in a special campaign targeting all its customers while responding to common interest among the whole Lebanese population—both men and women. In collaboration with **Visa**, the bank launched the “Attend 2018 FIFA World Cup™” promotion which extended from February 1 till March 31. The campaign gave Bank Audi Visa cardholders the opportunity to win paid packages to the **2018 FIFA World Cup**.

■ **LGB BANK**, in cooperation with **Visa**, announced a new offer for its cardholders to enter the draw to win a trip to Russia to watch the **2018 FIFA World Cup** this summer. With every \$150 purchase using a Visa card, at all points of sale at the **Beirut Duty Free**, cardholders will automatically enter the draw once.

■ **Byblos Bank** announced the two lucky winners of the “1 Million Card Miles Campaign” in partnership with **Mastercard**, during a ceremony at its headquarters in the presence of Najla Hobeiche, the director of Lebanon’s **National Lottery** as well as bank managers and employees.

■ The **Lebanon Reforestation Initiative**, funded by USAID, celebrated the successful conclusion of a three-day tree planting campaign in recognition of International Women’s Day in Rashaya, Bekaa Governorate.

■ Under the patronage of the Prime Minister Saad Hariri, the first **Urb-Hackathon** in Lebanon and the Middle East was organized on March 1-3 addressing the special theme:

“Data-urbanism: Reducing City Air Pollution from Transport.”

■ The improving employment in private sector companies, and the slowing contractions of the levels of output and new orders mainly boosted the **BLOM PMI**’s performance. However, the Lebanese indicator remained below the neutral mark of 50, indicating economic contraction instead of growth.

■ The acceleration of electrification was the key theme at the **Nissan** stand during this year’s **Geneva Motor Show**. Taking center stage was the world premiere of the all-electric **ABB FIA Formula E Championship** race car, seen in its concept livery for the first time. The car will make its city circuit debut at the start of the 2018/19 season later this year.

■ The excellent performance of **T. Gargour & Fils** Lebanon in 2017 led to winning three awards: “Best Ever Sales Results 2017,” “Best Corporate Sales Performance 2017,” and “Best Customer Event and Brand Activation,” presented by **Mercedes-Benz Cars Middle East FZE** during its annual regional conference in Dubai.

■ **Riviera Hotel Beirut** appointed Bassam Bou Sleiman as general manager, effective February 15, 2018. In his new role, Bassam will be responsible for the hotel renovation and for the on-going operation of Riviera Hotel & Beach Resort.

■ **Saad & Trad sal**, the exclusive retailer for **Jaguar** vehicles in Lebanon, has announced the arrival of the new Jaguar E-PACE in their showrooms. The new vehicle made its debut at a glittering launch event held at **Forum de Beirut**, attended by Jaguar guests and members of the press.

■ **LGB BANK** sponsored “O Sweet Night,” a musical evening hosted by the Faculty of Arts & Sciences and held at the Assembly Hall in the **American University of Beirut** in the presence of a large crowd celebrities, professors, and students.

■ Over 600 female public and private school students had an opportunity to learn about coding, computer programming, and robotics at a series of workshops aimed at empowering young women across Lebanon to lead in the fields of science, technology, engineering, and mathematics. The workshops, now in their sixth edition, are part of **Girls Got IT**, a joint initiative between five Lebanese NGOs, led by **Lebanese League for Women in Business** in collaboration with the **Ministry of Education and Higher Education**, supported by **UNICEF** and funded by the **Kingdom of the Netherlands**.

■ In line with its strategy that strives to expand within Lebanon and to follow its clients wherever they are, **Banque Libano-Française** opened a new branch in Kaslik.

■ **LGB BANK** sponsored the fifth annual **OpenMinds** Gala dinner,

which took place at Seaside Arena amidst a large crowd of political and social figures. OpenMinds has realized significant achievements in the field of diagnosis and treatment working in partnership with the **AUBMC Special Kids Clinic**.

■ **Byblos Bank** donated \$50,000 to four Lebanese non-governmental organizations during a ceremony held at Byblos Bank headquarters in Ashrafieh. This donation is the result of an initiative carried out for the sixth year in a row, through which Byblos Bank's Commercial Banking Division asks the suppliers of its end-year gifts to donate a share of their profits; the bank then adds an equal share to support four designated NGOs.

■ The second edition of the **Energy Awareness Awards** was launched on March 13 at the **Holy Spirit University of Kaslik**, in the framework of the Lebanese National Energy Conference.

■ The **Issam Fares Institute for Public Policy and International Affairs** at the American University of Beirut (AUB) and **Banque Libano-Française** organized an award ceremony for the winners of the annual climate change competition that targeted AUB graduate students. The theme of the competition for the year 2017–2018 was "Climate Change and Land in the Middle East and North Africa Region."

■ The 2018 version of "**La Folie Rouge**" was held on February 10 and 13 in partnership with **CPR Group** at the prestigious Ociel Dbayeh.

■ In 2017, **CMA CGM** shipping group carried nearly 19 million

containers, a strong increase of 21.1 percent compared to 2016. This increase is driven by the contributions of all the shipping lines operated by the group in addition to American President Line's full-year contribution. The annual revenue for 2017 rose by a very large 32.1 percent and surpassed the \$20 billion mark for the first time, reaching \$21.1 billion.

■ This year, **In Action Events** celebrated Mother's Day in a special way. All mothers were invited to celebrate their day by enjoying good food with an exceptional shopping experience provided by selected designers at Le Gray Hotel-Beirut.

■ With a mission to take their natural skincare global, **Beesline** exhibited from March 15-18 at **Cosmoprof Bologna 2018**, the leading worldwide event for the professional beauty sector.

■ **Promedz**, professional medical supplies and services, organized a dinner for International Epilepsy Day–Purple Day at the Geffinor Rotana-Hamra Hotel in the presence of General Manager Hadi Al-Bsat, a group of specialized doctors, as well as media representatives.

■ **areeba**, has been presented with the Best Advancement in Migration to Contactless award at the second edition of the **Mastercard MENA Leadership Forum**, which took place in Paris, France from March 4–7.

■ **Alfa**, managed by **Orascom TMT**, celebrated Mother's Day during a lunch held at Le Gray Hotel in Downtown Beirut in honor of mothers in the media sector.

■ The **BMW** Concept M8 Gran Coupe illustrates the meaning behind the letter "M" at BMW in impressive style: It stands for "more," more of everything.

■ **REM Beirut** officially opened its doors to the public in a friendly gathering bringing together media, influencers, Lebanese designers, industry experts, and interior architecture fanatics.

■ **Uber**, the leading ridesharing technology that connects drivers and passengers with the push of a button, held a media day in its offices in Downtown Beirut's Digital District.

■ The **Lebanese American University** held a conference entitled "The Place that Remains, recounting the un-built territory" on March 23 and 24, to explore issues relating to Lebanon's fast-dwindling un-built territory. The conference was organized to dovetail with the theme chosen for the Pavilion of Lebanon at the 16th International Architecture Exhibition of **La Biennale di Venezia**.

■ **Renault Middle East** has launched a singing competition across its showrooms to celebrate its proud sponsorship of the region's biggest TV show: **The Voice Arabia**.

■ **Kempinski Summerland's** top talents were recognized with nine awards at **Horeca**, the leading hospitality annual exhibition this year in its 25th edition in Lebanon. The five-star hotel and beach resort won three golds medals in the categories of "The Two Course Lebanese Menu," "The Best Burger," and the "Senior Bed Making Competition." 

# BUSINESS ESSENTIALS

## Events

### CONFERENCES

	ORGANIZERS	CONTACT	WEBSITE
<b>LEBANON</b>			
18-19 Apr	<b>BIFEX 2018</b> Lebanese Franchise Association	+961 1 742 134; info@lfalebanon.com	www.lfalebanon.com
19 Apr	<b>HOW FINANCIAL INNOVATION CAN BOOST ECONOMY</b> Notre Dame University	+691 9 208000; admission-nlc@ndu.edu.lb	www.ndu.edu.lb
22-23 Apr	<b>REGIONAL MEETING OF CIVIL SOCIETY ON SUSTAINABLE DEVELOPMENT IN THE ARAB REGION</b> ESCWA	+961 1 978652; escwa-civ@un.org	www.escwa.org.lb
23-Apr	<b>FUTURE HEALTH</b> Al-Iktissad Wal-Aamal	+961 1 740 173; info@iktissad.com	www.iktissadevents.com
24-25 Apr	<b>THE LEBANON INTERNATIONAL OIL AND GAS SUMMIT</b> Global Event Partners	+44 1 737 784956; athompsett@gep-events.com	www.gep-events.com
24-26 Apr	<b>ARAB FORUM FOR SUSTAINABLE DEVELOPMENT 2018</b> ESCWA	+961 1 978652; escwa-civ@un.org	www.escwa.org.lb
3-4 May	<b>INTERNATIONAL ACADEMIC CONFERENCE ON ECONOMICS AND BUSINESS</b> Lebanese University	+961 3 520 856; iaceb.2018@gmail.com	www.fdmcongress.ul.edu.lb
22-29 Jun	<b>BEIRUT DESIGN WEEK</b> MENA Design Research Center	+961 1 759 399; participant@beirutdesignweek.org	www.beirutdesignweek.org
<b>DUBAI</b>			
2-3 Apr	<b>GLOBAL INFRASTRUCTURE CONGRESS</b> IQPC	+65 672 29388; enquiry@iqpc.com	www.iqpc.com
4-5 Apr	<b>SMART GRID &amp; SMART METERS SUMMIT</b> Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
4-5 Apr	<b>18TH GCC HR TRANSFORMATION CONFERENCE</b> Datamatix Group	+9714 - 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
9 Apr	<b>GCC VAT FORUM FOR CFOS</b> IQPC	+65 672 29388; enquiry@iqpc.com	www.iqpc.com
9-10 Apr	<b>ATD MIDDLE EAST CONFERENCE AND EXHIBITION</b> Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informa-mea.com
10-11 Apr	<b>FOURTH ANNUAL RETROFITTECH DUBAI SUMMIT AND AWARDS</b> ACM	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
15-16 Apr	<b>SEAMLESS MIDDLE EAST 2018</b> Terrapinn Middle East	+971 1 444 02500; enquiry.me@terrapinn.com	www.terrapinn.com
16-17 Apr	<b>COMPENSATION AND BENEFITS FORUM</b> Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informa-mea.com
22-26 Apr	<b>TWENTY-FOURTH GCC SMART GOVERNMENT AND SMART CITIES CONFERENCE</b> Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
29 Apr-3 May	<b>STRATEGY EXECUTION AND INNOVATION FORUM</b> Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informa-mea.com
30 Apr-1 May	<b>ARABNET DIGITAL SUMMIT</b> Arabnet	+961 1 658 444; info@arabnet.me	
2-3 May	<b>HUMAN CAPITAL FORUM MENA</b> Naseba	+971 4 367 1376; prachid@naseba.com	www.naseba.com
2-3 May	<b>SMART COMMERCIAL VEHICLES MIDDLE EAST</b> Epoc Messe Frankfurt	+971 4 338 0102; info@epocmessefrankfurt.com	www.epocmessefrankfurt.com
7-8 May	<b>MIDDLE EAST INVESTMENT SUMMIT</b> Terrapinn Middle East	+971 1 444 02500; enquiry.me@terrapinn.com	www.terrapinn.com
7-8 May	<b>BLOCK CHAIN TECHNOLOGY AND ELECTRONIC CURRENCIES</b> Union of Arab Banks	+961 1 377 800; uab@uabonline.org	www.uabonline.org
9-10 May	<b>ADVANCED AESTHETIC THERAPIST CONFERENCE AND WORKSHOP</b> Epoc Messe Frankfurt	+971 4 338 0102; info@epocmessefrankfurt.com	www.epocmessefrankfurt.com
10 May	<b>GCC GOVERNMENT AND BUSINESS ORGANISATIONS RUBY JUBILEE CONFERENCE</b> Datamatix Group	+9714 - 332 6688; info@datamatixgroup.com	www.datamatixgroup.com

## | ORGANIZERS

## | CONTACT

## | WEBSITE

28 Jun	<b>EIGHTH GLOBAL PROPERTY CONSULTANT SUMMIT</b> Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
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**ABU DHABI**

29 Apr-3 May	<b>SOUR OIL &amp; GAS ADVANCED TECHNOLOGY 2018</b> Dome Exhibitions - Abu Dhabi	+971 2 672 1217; domexh@eim.ae	www.domeexhibitions.com
2-3 May	<b>WET INFRASTRUCTURE SUMMIT</b> ACM	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
7-8 May	<b>FUTURE CIVIL DEFENSE</b> ACM	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com

**QATAR**

7-9 May	<b>FUTURE PROJECTS QATAR 2018 CONFERENCE</b> ACM	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
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**SAUDI ARABIA**

8-12 Apr	<b>CHISSP CERTIFIED HEALTHCARE INFORMATION SYSTEMS SECURITY PRACTITIONER</b> Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
30 Apr	<b>SMART TRANSFORMATION SUMMIT</b> Naseba	+971 4 367 1376; prachid@naseba.com	www.naseba.com

**EGYPT**

18-19 Apr	<b>THE ARAB BANKING CONFERENCE: BANKING AND FINTECH: A BRAVE NEW WORLD</b> Union of Arab Banks	+961 1 377 800; uab@uabonline.org	www.uabonline.org
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**OMAN**

29-30 April	<b>OMAN ECONOMIC FORUM</b> Al-Iktissad Wal-Aamal	+961 1 740 173; info@iktissad.com	www.iktissadevents.com
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**KUWAIT**

7-10 May	<b>DRILLTECH MIDDLE EAST</b> IQPC	+65 672 29388; enquiry@iqpc.com	www.iqpc.com
23-24 May	<b>KUWAIT HOUSING AND RESIDENTIAL DEVELOPMENT FORUM</b> IQPC	+65 672 29388; enquiry@iqpc.com	www.iqpc.com

**IRAQ**

11 Apr	<b>IRAQ INVESTMENT AND RECONSTRUCTION OPPORTUNITIES FORUM</b> Al Iktissad Wal-Aamal	+961 1 740173/4; info@iktissad.com	www.iktissadevents.com
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**EXHIBITIONS**

## | ORGANIZERS

## | CONTACT

## | WEBSITE

**LEBANON**

23-25 Apr	<b>BEIRUT INTERNATIONAL PROPERTY FAIR</b> Promoteam	+961 1 339 050; sm@promoteam-ltd.com	www.promoteam-ltd.com
25-28 Apr	<b>SMARTEX</b> M.I.C.E Lebanon	+961 1 384 791; lara@micelbanon.com	www.smartexlebanon.com
26-28 Apr	<b>JAMALOUKICON</b> Promofair	+961 1 561 605; info@promofair.com.lb	www.promofair.com.lb
9-13 May	<b>DESIGNER'S WEEK</b> GATA Events and Promotions	+961 1 322 177; info@gata.pro	www.gata.pro

# BUSINESS ESSENTIALS

## Events

	ORGANIZERS	CONTACT	WEBSITE
9-13 May	<b>BEIRUT BOAT</b> IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
11 May	<b>GLOBAL HR TRENDS SUMMIT BEIRUT 2</b> P World	+3892 5 111 350; info@thepworld.com	www.thepworld.com
30 May - 2 Jun	<b>GARDEN SHOW AND SPRING FESTIVAL</b> Hospitality Services	+961 1 480 081; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb
30 May - 2 Jun	<b>TRAVEL LEBANON</b> Hospitality Services	+961 1 480 081; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb
21-23 Jun	<b>EXPLORE</b> M.I.C.E Lebanon	+961 1 384 791; info@miclebanon.com	www.miclebanon.com
26-29 Jun	<b>PROJECT LEBANON</b> IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com

## DUBAI

12-14 Apr	<b>GULF EDUCATION AND TRAINING EXHIBITION</b> International Conferences and Exhibitions	+971 4 335 5001; info@icedxb.com	www.icedxb.com
21-23 Apr	<b>ARAB OIL AND GAS</b> International Conferences and Exhibitions	+971 4 335 5001; info@icedxb.com	www.icedxb.com
22-23 Apr	<b>ILTM ARABIA</b> REED Expo	+971 2 491 7615; info@reedexpo.ae	www.reedexpo.com
22-25 Apr	<b>ARABIAN TRAVEL MARKET</b> REED Expo	+971 2 491 7615; info@reedexpo.ae	www.reedexpo.com
2-3 May	<b>MIDDLE EAST EVENT AND EXHIBITION SHOW</b> Informa	+971 4 407 2528; info-mea@informa.com	www.informaexhibitions.com
7-9 May	<b>AIRPORT SHOW</b> REED Expo	+971 2 491 7615; info@reedexpo.ae	www.reedexpo.com

## ABU DHABI

3-7 Apr	<b>WATCH AND JEWELLERY SHOW</b> Expo Center Sharjah	+971-6-5770000; eventserve@expo-centre.ae	http://www.expo-centre.ae/en/
17-19 Apr	<b>CITYSCAPE ABU DHABI</b> Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informaexhibitions.com

## BAHRAIN

24-26 Apr	<b>GULF CONSTRUCTION</b> Hilal Conferences and Exhibitions	+973 1 729 9116; cheryl@hilalce.com	www.hilalce.com
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## EGYPT

22-24 Apr	<b>AFRICA FOOD MANUFACTURING</b> Informa	+971 4 407 2528; info-mea@informa.com	www.informaexhibitions.com
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## QATAR

7-10 May	<b>PROJECT QATAR</b> IFP	+961 5 959 111 ; info@ifpexpo.com	www.ifpexpo.com
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## SAUDI ARABIA

24-25 Apr	<b>INTERSEC MIDDLE EAST SECURITY</b> Epoc Messe Frankfurt	+971 4 338 0102; info@epocmessefrankfurt.com	www.epocmessefrankfurt.com
26 Apr	<b>INTERSEC FIRE SAFETY FORUM</b> Epoc Messe Frankfurt	+971 4 338 0102; info@epocmessefrankfurt.com	www.epocmessefrankfurt.com

## OMAN

16-18 Apr	<b>GLOBAL HIGHER EDUCATION EXHIBITION AND CONFERENCE</b> Oman International Trade & Exhibitions	+968 2 4656000; info@oite.com	www.oite.com
24-28 Apr	<b>COMEX - IT, TELECOM AND TECHNOLOGY SHOW</b> Oman International Trade & Exhibitions	+968 246 56000; info@oite.com	www.oite.com



# Walk

Animated by Tony Baroud

15  
Years

with alYounbough  
خطوة بترسم بسمة

JOIN US  
**SUNDAY**  
**APRIL 29<sup>th</sup>**  
**2018**

FOUAD CHEHAB  
STADIUM, JOUNIEH  
**9:30 AM**

# LAST WORD

By Karim Daher

## Taxes 101

A taxpayer's charter for better fiscal citizenship

**As evidenced by recent surveys and public polls, Lebanese are disenchanted with their overall tax system and consider their obligation to pay taxes a burden.** But they are decrying the many defects of their tax system without even understanding it. According to a national survey conducted in 2012 by the Institut des Finances Basil Fuleihan in cooperation with the World Bank, 70 percent of Lebanese people believed that taxes are used directly by politicians to fund their political agendas. This deficiency in the tax consciousness and the knowledge of Lebanese shows the need for a better financial literacy through a suitable educational and public approach.

To some extent, citizens try not to pay taxes—or avoid or deliberately fail to report income—because they do not understand tax law. Moreover, those who cannot understand tax rules may question the fairness of the tax system and feel that others are reaping more benefits. This, in turn, may make them more likely to evade taxes.

### INFORMING THE PUBLIC

Clarifying and simplifying tax rules can help people better understand the tax law; however, simplification alone would not make it easier to enforce the law or to strengthen tax consciousness and fiscal citizenship. Public authorities must disseminate information about the tax system to the public, simplify tax regulations and procedures, promote transparency and accountability in the national budget and accounts, and change popular perceptions regarding the

fairness of taxation.

One way to do this would be to adopt a charter for the taxpayer that summarizes in a clear manner their rights and obligations toward public authorities with a set of principles that strike a fair and equal balance between public service and the role of the tax administration on the one hand and the expectations of the legitimate taxpayers on the other.

The charter would include a very simplistic listing of tax principles and the most prominent rights and obligations of the state and of the taxpayer. It would be relied on and used as a reference by both the legislator and the administrative courts, without discrimination or favoritism, while enacting laws or rendering judgments.

### FOLLOW THE MONEY

There is no better way to encourage citizens to develop an understanding of the social contract around taxation than to make them an obvious part of the tax-paying system. In the book “Learning to Love Form 1040,” Lawrence Zelenak, a tax policy expert at the Duke University School of Law, writes that by making the filing of tax returns and connected payment of taxes painful for individuals, the return-filing process compels taxpayers to confront the extent of their total financial contributions to the government. This ought

to make taxpayers more cognizant of how public officials are raising revenue and spending tax dollars. In short, the pain of paying taxes should propel taxpayers to be more politically and civically engaged and make them better citizens, as well as make politicians much more accountable to the public for their acts and decisions.

■ The pain of paying taxes should propel taxpayers to be more politically and civically engaged and make them better citizens.

With this purpose in mind, the Lebanese Association for Taxpayer's Rights (ALDIC) have drafted this charter and submitted it to the president with the hope that it will be discussed and adopted by the new Parliament. Our charter aims to encompass all tax principles and guidelines and act as the base from which taxpayers and tax collectors interact. With this, it is the hope of ALDIC that the image of taxes and the objectives of taxation will be improved and valued as a prerequisite to restoring confidence in institutions, expanding the taxpayer base, and meeting the objectives of a productive economy and sustainable development. ■

*KARIM DAHER is a lawyer and tax expert, lecturer on fiscal law and public finance at Saint Joseph University in Beirut (USJ), and president of the Lebanese Association for Taxpayers' Rights (ALDIC).*

# QUALITY DESERVES TO BE RECOGNIZED

Libano-Suisse has the pleasure to announce it has been awarded ISO certification by official body SAI Global. This provides yet another milestone in our mission to satisfy our clients through the pursuit of excellence. As one of the few Lebanese insurance companies to have a certified quality management system, we always operate to the highest ethical standards. With our ISO certification clients and partners can be further assured of quality service that has been internationally recognized.



Quality  
ISO 9001



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