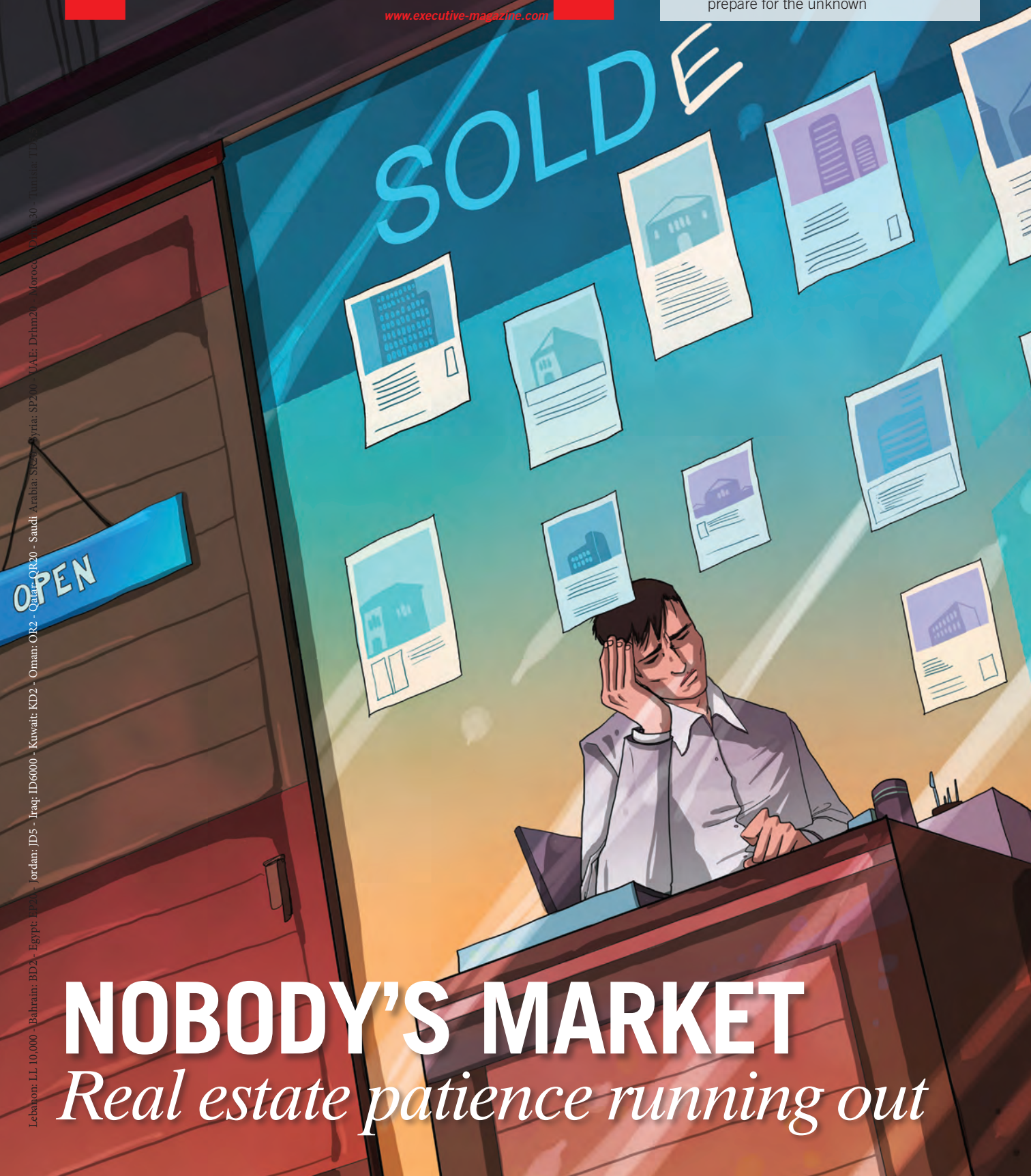


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EDITORIAL

#229

■ Going it alone

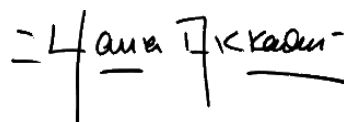
The conventional wisdom of the Lebanese real estate market, and I'm sure the readers of this magazine have heard it a million times, is: "The value of real estate never goes down." Making it the undisputed bulletproof investment or saving tool that we have adopted through generations.

Our real estate industry is accustomed to riding out political and socio-economic crisis, tends to plateau during difficult times before picking up again once geopolitical forces give Lebanon a new role to play. Real estate developers have the habit of licking their wounds and tightening their belts during these plateau periods to weather the storms.

However, the current crisis in real estate that started in spring 2010 has been persistent much longer than any real estate developer can endure. Amplified with their indebtedness and coupled with our government's disrespect to our sovereignty—which continues to fail in minimizing the external, or their internal selfish bickering effect—have pushed real estate developers to take measures and enact manners that have never been witnessed before.

Prices are being slashed and corporates are imploding from within, vaporizing the value of our assets and estates along. In the absence of a progressive fiscal policy, the central bank was left alone to devise ingenious incentives to sustain the demand for real estate and keep the industry afloat.

However, the central bank today, in the midst of yet another political deadlock, is unable to continue supporting the Lebanese economy beyond reasonable expectations. The real estate industry is left to figure out a way to survive on their own. We believe in the entrepreneurs and business acumen of the Lebanese private sector. Patience may spread thin, but we remain confident in their ability to overcome current setbacks.



Yasser Akkaoui
Editor-in-chief

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LAST MONTH

QUOTE OF THE MONTH


“Half of Lebanese state employees must be fired on charges of corruption.”

Judge Marwan Abboud, head of the supreme disciplinary board, the body in charge of investigating and charging corrupt civil servants, in an interview on Al-Manar TV on September 11, 2018.

Aoun delivers speech at United Nations General Assembly

President Michel Aoun gave a speech at the 73rd United Nations General Assembly on September 26, during which he called on the international community to help facilitate the return of Syrian refugees to their country, absent of a political solution to the conflict in Syria, and advocated for reform of the UN Secretary Council. During his trip, the president also met with Jordan's King Abdullah II to discuss initiatives to resume the commercial transport of Lebanese goods via the Jordanian-Syrian Nassib border crossing, and with Egyptian President Abdel Fattah al-Sisi. The latter meeting touched on government formation efforts, and an economic development summit scheduled to be held in Beirut in January 2019. Aoun's trip got off to a rocky start on September 21, when passengers on a commercial Middle East Airlines flight bound for Cairo were forced to disembark at Beirut airport to accommodate the travel of the president and his delegation to New York. As a security measure, the presidential delegation usually books two planes for official travel outside the country. A military prosecutor later announced that there would be an investigation into the mix-up, and whether there had been a breach of the president's security.

Parliament holds post-election legislative session

On September 24 and 25, Parliament held its first legislative sessions following parliamentary elections in May. The meeting saw several key draft laws approved by the legislature, including projects stemming from CEDRE, and over \$300 million in World Bank loans allocated to the health ministry and to finance infrastructure development. A controversial waste management decree was also endorsed, which would give municipalities authority to deal with their solid waste, despite opposition from several MPs and environmental activists, who staged a sit-in during the session. In total, Parliament approved 15 draft laws out of the 29 total bills on their agenda—those passed included anti-corruption legislation and an allocation of \$66 million to support subsidized housing. During the session, Kataeb head Sami Gemayel questioned whether the laws would be implemented without a government. Lebanon has been awaiting the formation of a new cabinet since Prime Minister-designate Saad Hariri was appointed to form a national unity government in May. Negotiations over the cabinet's composition have remained deadlocked for over four months, as rival factions have been unable to agree on the number and allocation of cabinet positions for each party. 

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LEADERS

REAL ESTATE

Help for first-time home buyers

Lebanon in need of a housing policy

There is a perception among Lebanese that the state is unresponsive to the needs of the public—it's easy to understand why people might think that. For much of their thrice-extended mandate, from 2009 until May's parliamentary elections, lawmakers neglected to legislate, the presidency was vacant for two and a half years, and laws that were passed were often not immediately or fully implemented due to long stretches of time under caretaker governments.

Through most of 2018, the country has experienced a real estate crisis affecting low-income households looking to buy starter homes (see overview story page 14). Until the end of 2017, Lebanon was offering subsidized home loans through a central bank financing mechanism that made cheap credit available to the country's commercial banks, on the understanding that savings would be passed on to home loan borrowers. This was the general nature of a multi-sided subsidy program that made up around \$2 billion of housing loans per year (see subsidy story page 20). When this financing mechanism was discontinued, it effectively ended subsidized loans.

Just as EXECUTIVE went to print, Parliament—in a rare instance of rapid responsiveness to a public need—offered a solution: Legislators passed a law establishing a one-year \$66 million fund that would allow qualified borrowers to again access subsidized loans through the Public Corporation for Housing (PCH), a state agency. But this solution is a temporary one; the mechanics of the new law are not yet known, nor is the date on which the disbursement period is scheduled

to begin. We also do not know when the law will take effect because there is no government to implement it. In addition, there is no clarity on how the state will finance this law.

What Lebanon really needs is a permanent solution to finance the subsidy for PCH qualifiers, and this should come as part of a multi-year comprehensive housing policy.

To develop and implement a comprehensive housing policy requires a government. EXECUTIVE does not call for the state provision of housing, because such a policy is oblivious to market mechanisms, limits the freedom of choice of where people can live, and would rely on the government to monitor and regulate these properties to ensure they were maintained and remained safe to live in—not a proposition that many would favor given Lebanon's rampant corruption and frequent gaps in governance.


FINANCING THE SUBSIDIES

For a housing policy to work best, it needs to allow people to live where they want to and to support them in doing so. A policy for Lebanon needs to support urban productivity, because everything in this country depends on its improvement. This would include infrastructure that helps people commute from home to work, or that enables them to work from home in a way that meets the needs of 21st century business operations. Such infrastructure would include fast internet, 24-hour electricity, and decent quality public transportation. Such a housing policy needs to be integrated with urban planning, infrastructure, and the development of industrial zones. A market-based housing policy is needed, because the market is a better conduit for housing than the government, which would likely build public housing whose quality it couldn't maintain.

Financing home loan subsidies should be a part of the housing policy. The state should avoid using indirect taxation or taxes targeting consumers, such as the value-added tax (VAT), to pay for the subsidy. An indirect tax or a consumption tax is not redistributive because it disadvantages lower-income taxpayers, who would then spend more money on consumption.

Giving the banks a tax break, one idea floated to EXECUTIVE by lawmakers and industry stakeholders as a means to pay for the PCH subsidy, is also not a redistributive mechanism. An example of a financing method that would be redistributive is a tax on real estate above a certain value—wealthy landowners should have to pay more in taxes to purchase land and luxury-grade property.

That the subsidy would pay for itself from the collection of taxes and fees by the state up and down the real estate and construction value chain is a notion referred to as deferred financing: the subsidy will be recouped, but must be paid out first. This is a lovely concept—if you already have the money—but Lebanon has been running primary deficits, and to date, the state has piled up \$83 billion in public debt, so deferred financing is not a realistic option.

For a long time EXECUTIVE has been calling for a change in Lebanon's tax system—from indirect to direct taxation—and this year's housing loan crisis is another reminder of the need for direct taxation in order to finance housing subsidies for the benefit of poorer households. Last fall, Alain Bifani, the director general of the finance ministry, told EXECUTIVE that new taxes legislated at the end of 2017 were a first step toward more equitable taxation and the redistribution of wealth: It is now up to Parliament to come up with the second step. 



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THE REAL ESTATE ICE AGE

Survival of the fittest for Lebanese developers

Coming into 2018, Lebanon's real estate market was already sputtering. For several years, real estate developers have complained of worrying market conditions—always hoping that the next year will be better, that the political situation in Lebanon will change, and that buyers will come clamoring back.

The first wave of concerns was voiced by developers of luxury units. Property sales in this uppermost segment began slowing down around 2011, creating a glut of luxury-grade apartments that industry insiders estimated at a value of no less than \$3 billion. The mid-segment of the market came next, with a drop in the sale of \$300,000 to \$500,000 apartments, which mostly cater to Lebanese expats. Sales performance of that portion of the market began dipping in 2015, when the pocketbooks of those working in oil-producing states took a hit with the fall of oil prices. What still remained vibrant was demand for entry-level units that were affordable for young families, thanks in no small part to the subsidy schemes promoted under the annual economic incentive packages of Banque du Liban, Lebanon's central bank. (See subsidy story page 20.)

The cancellation of a central bank-administered financing mechanism at the end of 2017, however, has changed the outlook. While developers are not quite saying the apocalypse is nigh, they are increasingly concerned. The central bank's decision to close the spigot financing home loan subsidies—a near \$2 billion market segment—has brought the market to a standstill. The loss of this financing mechanism creates a further impediment to any remaining demand for Lebanese property. As EXECUTIVE went to print, Parliament did legislate a one-year \$66 million budget to subsidize housing loans. But how much this temporary solu-

tion will help is dependent on future decisions—including efforts by Parliament to establish a more permanent solution, and by the next government to implement a comprehensive housing policy.

The subsidy disruption has called into question the health of the entire real estate sector value chain—including a number of construction businesses, material suppliers, and home furnishing outlets—which industry insiders estimate constitutes up to 25 percent of the economy.

ZERO DEMAND

EXECUTIVE spoke with six developers and real estate asset management firms in September for this report. They described a troubled market and a sector in crisis. Some see a prolonged downturn of the market, while others suggest that real estate will bounce back with local and regional economic revivals. All of them, however, agreed that today's demand for housing is practically zero.

From 2008 to 2011, Lebanese real estate was the business to be in. The market was on full blast: money poured into Lebanon in the form of investments in new development projects and property sales peaked. Property prices multiplied during this period, says Walid Moussa, president of Lebanon's real estate brokers syndicate (REAL) and CEO of Property Brokerage & Management. He tells EXECUTIVE that there were several reasons behind these price hikes. "There was the election of the new president of Lebanon at that time [and] there was the Doha Accords, giving political stability," Moussa says. "Plus we had the international financial crisis and people wanted to get their money out and put it in Lebanon, so a lot of money came from outside into the market. All that resulted in development in the market."



Real Estate

Abdullah Hayek, CEO of construction and real estate services firm Hayek Group, says that the period saw a high in building permits and sales transactions. In his view, however, this high growth was marred by excesses and developments that later would prove to be detrimental to the sector. According to him, the downside of the boom was an invasion of unprofessional developers. “They started building the way they wanted to but not the way they should have,” he says. “Most of them, since they are not professional, bought the wrong land, used inadequate designs and specifications, and incurred higher costs, and therefore wanted to sell at higher rates. That’s why we have a lot of vacant apartments these days. Those apartments were built in that interval.”

Today, the market’s boom times are firmly in the rearview mirror. The downturn began in 2011 as unrest swept across the region, disrupting economies. Gulf citizens—including nationals from Saudi Arabia, the Emirates, and Qatar—no longer traveled to Lebanon and stopped eyeing property in the country for political and security reasons. Lebanese expats stopped buying because of job insecurity, particularly those working in oil-producing countries who preferred to hold onto their cash. From 2011 to the fall of 2017, the real estate market continued to slow down, before a shock accelerated this decline. In November 2017, when then-Prime Minister Saad Hariri announced his resignation, the market started to cool even more rapidly, and this freeze—which remained in force even after Hariri rescinded his resignation—was further exacerbated by the closure of the subsidy well in spring 2018. These two incidents marked the turning point from market downturn to market crisis, developers tell EXECUTIVE.

A CRISIS FOR WHOM?

Is Lebanon’s real estate sector actually in crisis? The answer depends on whom you ask.

Landowners aren’t experiencing a crisis, says Mireille Korab, head of business development at FFA Real Estate and vice president of Lebanon’s developers syndicate, REDAL. Korab tells EXECUTIVE the number one issue concerning the market is a lack of demand. “This is where the crisis comes from: People are scared and don’t know what to do. [Should they] keep cash or put it in real estate?” She says that, for now, landowners are content to sit on their properties and wait for better times to

sell. “If it is a big [piece of] land and the owner is in debt [then you may find a willing seller], but these are peculiar cases,” Korab explains to EXECUTIVE in a mid-September interview. “All in all, land did not lose value in Lebanon because of its scarcity. Definitely there are discounts, but there is no crisis for land [prices].”

Wealthy developers are also far from crisis, says Massaad Fares, CEO of Prime Consult, a real

estate asset management firm. Fares says well-to-do developers will be able to hunker down and carry on once market conditions improve. He also says that the banks, in general, are still in a comfortable position

■ “It’s like the ice age, when there were so many species of animals it was survival of the fittest. This is what is going on in the property market today.”

and not overleveraged. “Lebanese developers are rich, they have the money in general,” Fares says. “We hear that some are not doing so well, but, [for] banks, even if [a developer] is not paying down the principal, they are paying the interest. This is why we don’t have foreclosures, and the banks are not afraid of real estate, because it is valuable. They are not so worried about it—even if they end up foreclosing [on properties], they are not afraid because it is a good asset for them, a good security.”

Wealthy players in the real estate market—landowners, rich developers, banks—are going to be fine, industry stakeholders agree. But those who are not so well off might have to pay a steep price.

Smaller developers may be the first to go under, says Carlos Chad, general manager of Demco Properties, the sales arm of the Lebanese steel conglomerate Demerjian Group. “It’s like the ice age, when there were so many species of animals it was survival of the fittest. This is what is going on in the property market today. When you have a wounded animal in the herd, he won’t make it.”

All of those interviewed by EXECUTIVE agree that it is a buyer’s market and some developers are still selling—to those who can pay cash. But buyers who were on a payment plan and expecting delivery of their apartment may be in trouble if the developer they bought from goes belly up.

For some projects under construction, pre-payers will be losers, says Fadi Jreissati, general manager of Sakr Real Estate. Jreissati explains that



some projects still being built are at risk of not being delivered because of poor sales disrupting cash flow to the builder. Lack of liquidity by the builder coupled with an inability to pay back loans borrowed from a bank may push the bank to foreclose on the project, effectively punishing the presale apartment buyers. “I think so far it is under control, but you’ve heard what’s happened with Sayfco and Badawi—probably many [builders] have not declared yet but are in bad shape and are running out of ideas,” Jreissati says. “Banks are pressuring them. Is there a risk on the market? Yes, I would say there is a very high risk now. [Project foreclosure would create] an even bigger crisis because so many clients would have [prepaid] by then up to 50 percent [of the value to purchase an apartment]. So if the bank takes over [an unfinished project], they are inheriting hundreds of problems and creating a social problem—a huge one.”

WEAK ECONOMY, WEAK REAL ESTATE

The market situation the sector faces is just a normal reflection of the deterioration of the overall economy, Hayek tells *EXECUTIVE*. He also says that the discontinuation of the financing mecha-

nism means Lebanon is now subject to a housing loan crisis. The central bank’s decision means no more cheap credit is available for banks to lend out for mortgages, cutting off borrowers’ access to subsidized loans in the process (see subsidy story page 20).

The central bank’s decision terminated the financing mechanism it had used to intervene in the housing market for the better part of two decades.

■ The discontinuation of the financing mechanism means Lebanon is now subject to a housing loan crisis.

According to Mousa, this was done for two reasons: to maintain the currency and to contain inflation. Hayek speculates to *EXECUTIVE* that the diminished economy

since 2011 has reduced consumer buying power, meaning that the banking sector would rather park money in government debt than risk mortgage defaults. “[This is] what worries the banks. They prefer guaranteed low-risk treasury bills, rather than going into housing loans, because they want to avoid any default from now on, if the central bank does not subsidize loans.”

Banks are still offering home loans, but with

Real Estate



cheap credit from the central bank no longer available and subsidized mortgages on hold, borrowers must pay more for their loans over the long run. “Banks have plenty of money, but, if they offer mortgages, the interest rate is around 9 to 10 percent, and this is not attractive for consumers,” Hayek explains.

WHO ARE THE LOSERS?

The central bank’s decision puts a \$2 billion segment of the market in jeopardy. That was the knockout blow for market demand, FFA’s Korab says. The Lebanese state was expected to fill the void and a recently passed law allocating \$66 million to subsidize home loans may manage to do that for the coming year—though, as *EXECUTIVE* went to print, it was unclear exactly how the legislation would work, how many loans could be serviced, and where this money would come from.


Any prolonged delay implementing the state’s solution for this part of the market could spell trouble for developers. Many builders are not able to sell their current stock, meaning they may not be in a position to build what the market wants—smaller and cheaper apartments—when demand recovers. The lack of accessible financing for homebuyers could put the developers in a cash bind, themselves unable to pay back loans to banks, settle bills with

suppliers, or pay employees’ salaries. Plummeting sales could bring problems up and down the real estate value chain. A project under construction

means employment for many specialized workers and requires raw materials. After an apartment is sold, it must then be furnished. This cycle, from construction to delivery to occupancy, creates value up and down the chain and drives revenue to government coffers in

the form of taxes and fees. If the whole cycle stops, companies can go out of business, people stop working, and the government loses revenue.

The sector may now be approaching the end of a boom-bust cycle that was in a boom phase from the mid-2000s until 2011 or 2012. If there is to be a bust, it will be—for developers engulfed by the real estate ice age—the final calamity after a long decline.

All we can do right now is identify clear losers: low-income households looking to buy starter homes. Because first home buyers can no longer access cheap credit to finance the mortgage on their property, for many young people, life—marriage, children, building wealth—is on hold. 

■ The sector may now be approaching the end of a boom-bust cycle that was in a boom phase from the mid-2000s until 2011 or 2012.



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DOMESTIC DREAMS IN JEOPARDY

BDL decision upends plans of prospective first-time homeowners

Just when you thought you could not disappoint *teta* any further, news that your home loan has been put on ice will surely do the trick. For the first time in nearly two decades, Lebanese citizens can no longer rely on the public sector for support in buying a starter home.

For older generations especially, Lebanese society is still a patriarchal one: the man must provide, and if he cannot then he is not an eligible groom. For many young men, life leads inevitably toward that conversation with an elder on the general route of life: finish your education and then find a job so that a home can be purchased to house a wife and children. Those looking for more, asking the question ‘then what?’ are simply told that once these markers have been reached and children are in the picture the only thing left is to ‘live life.’

Following such profound wisdom in 2018 is neither as certain nor easy as these elders make it seem. For many single as well as dual-income households, the path to homeownership, marriage, and family planning is on hold—not because young Lebanese do not wish to marry or raise children, but because purchasing a home in Lebanon has become increasingly expensive, and many have been priced out of the homebuyers market. This is especially true in the capital, Beirut, where the minimum price for a first floor apartment can start at \$2,000 per square meter, pushing people to search for properties in the suburbs and in the mountains overlooking the city. Now, with a public sector scheme designed to help low income, first-time homebuyers currently in limbo, even apartments away from Beirut may be out of reach. Parliament did legislate a one-year \$66 million fix to subsidize housing loans as EXECUTIVE went to print, but how much this temporary solution will help depends on

future decisions, including on a more permanent solution by Parliament and a housing policy from the next government. (See leader page 12.)

A SUBSIDY IS BORN

Public sector support for homeownership loans in Lebanon is currently on hold. At the end of 2017, Banque du Liban (BDL), the country’s central bank, decided it wanted to change course and would no longer offer the financing mechanism that had been key to facilitating low-interest home loans for nearly 20 years.

Since 2000, BDL has been helping subsidize home loans in two ways. First, the central bank allowed commercial banks to borrow against deposits held at BDL for liquidity purposes. Later, when Lebanon’s economy began to slow down, BDL offered stimulus packages geared toward Lebanon’s housing-related economic activity. Through both initiatives, commercial banks gained access to cheap credit with the understanding that savings would be passed on to the consumer in the form of lower borrowing rates.

Several organizations have made use of the financing through multiple schemes: BDL itself offered subsidized loans to developers to finance their projects, and home loans to employees in the public sector and the security forces. Lebanon’s housing bank, Banque de L’Habitat, offered loans with ceilings ranging from \$553,000-\$800,000 to qualifying Lebanese nationals and expats, respectively. The Public Corporation for Housing (PCH) channeled loans through commercial banks to low-income Lebanese households buying their first home. (See explainer on financing and subsidy mechanism on page 25.)

The discontinuation of the financing mechanism is cause for concern, especially due to its im-



Real Estate

pact on the PCH. The PCH offers a housing loan, known locally as the “Iskan loan,” to borrower households earning less than \$4,500 a month. PCH pays the difference between the interest rate offered by the commercial banks and a rate set by the central bank, covering this cost on behalf of the buyer. The loan amount needed is disbursed by the chosen commercial bank, following BDL’s financing rules.

This year, BDL was still willing to help homebuyers as part of its latest stimulus package, with a set budget of \$500 million. This was exhausted during the first quarter of 2018, leaving applications in the pipeline in limbo. To satisfy the applications that had already been approved but were stuck for lack of funding, BDL promised additional money from the 2019 allocation. It is unclear how much money will be needed to make good on the approved loans, nor how much will be left to subsidize loans next year. The shelving of the financing mechanism and the early exhaustion of stimulus money means no more subsidized home loans for the foreseeable future.

The end of BDL’s financing mechanism means less cheap credit is available for banks to deploy for housing loans. Commercial banks could still finance loans from their own capital at the market interest rate, but with the exhaustion of the \$500 million during Q1 2018, plus the amount BDL made available from 2019’s allocation, home loans will become more expensive in the long run and less attractive to the borrower.

WHAT HAPPENED?

“The mission of the PCH is to facilitate Lebanese citizens’ access to housing through the provision of loans at low interest and competitive advantage,” explains Rony Lahoud, director of the housing authority.

Lahoud says that at the end of 2017, the central bank decided to no longer allow commercial banks access to their capital reserves—that money, held under a BDL rule for liquidity purposes, would again be blocked as it was before 2000. Concerning the PCH, BDL’s decision to allocate \$500 million

■ The end of BDL’s financing mechanism means less cheap credit is available for banks to deploy for housing loans.

in lieu of the financing mechanism as a sort of interim solution translated as follows: The interest was set at 3.75 percent, commercial banks would lend from their capital via the PCH, and the central

bank would pay the difference between the set rate and the commercial rate.

As is now known, the \$500 million was not enough to satisfy demand for loans across the subsidization schemes of the different organizations. Lahoud tells *EXECUTIVE* that every year PCH was averaging 5000 loans with the borrowing ceiling at \$180,000 and the average loan disbursed at \$133,000. This amounts to 50 percent of all subsidized loans but around 33 percent of their value. Lahoud says \$2 billion in subsidized loans are disbursed annually, with the PCH facilitating roughly \$700 million each year. (The central bank did not respond to *EXECUTIVE*’s request for clarity on the breakdown of the subsidization schemes of the different organizations).

If the PCH only accounts for just one quarter of annual demand for subsidized loans, how was BDL’s allocation of \$500 million for 2018 exhausted before the end of the first quarter?

There is no available data on who borrows what and how much, though presumably all organizations offering home loans—commercial banks, the housing bank, the PCH, and, ultimately, BDL—do collect such information. Although the reasons behind the rapid depletion of the housing fund cannot be determined, there are several possible contributing factors.

Increased demand for housing loans may have been brought on by public sector workers thanks to salary increases enacted last year, says Massaad



Fares, director of Prime Consult, a real estate asset management firm. Fares says the salary increase may have boosted the number of households that could now afford a housing loan through the different subsidization programs, primarily the PCH. He speculated to EXECUTIVE: “All of a sudden, [newly eligible workers] ran to the PCH to apply for a subsidized loan, and the banks began approving without looking at what funds were available. The allocation was finished but the approved loans were still there, and we still hadn’t finished the year. So the central bank made an exception, putting [forward] \$500 million to give loans to those who were approved. This money was exhausted in two months.”

The absorption of available funds by big-ticket borrowers may be another factor. Lebanese expats and qualifiers residing in country could access subsidized financing to purchase homes at values up to \$800,000 and \$533,000 respectively, via BDL and the housing bank. Big-ticket borrowers, allegedly including the Mikati Group, a holding company founded by MP Najib Mikati—a billionaire and two-time former prime minister—may have eaten up a large chunk of the available funds. For its part, the Mikati Group said earlier this summer that it had accessed nearly \$14 million in housing loans in 2011 and 2013, not from the PCH or the housing bank, but through another scheme offered by BDL that began in 2001, and denied any wrongdoing.

But we do know that since 2011, lenders have made fraudulent use of BDL money meant to subsidize home buying.

In early September, the central bank issued a statement announcing that it had counted 437 violations by undisclosed banks and their unnamed clients, and that it had consequently handed out fines to the tune of over \$5 million, according to a statement quoted in *The Daily Star*.

Alain Aoun, a member of Parliament, told EXECUTIVE in a mid-September interview that market conditions after then-Prime Minister Saad Hariri’s resignation under unusual circumstances in November 2017 were too juicy for unscrupulous lenders and borrowers to pass up. “So some people took the housing loan at 5 percent and parked it in a bank account earning 10 percent interest. This was done through complicity with some bankers

■ “Some people took the housing loan at 5 percent and parked it in a bank account earning 10 percent interest.”



Acres Development: “We look beyond the present to build the future.”

After unveiling its first LeMall in Sin el-Fil in 2009, Saida in 2010, and Dbayeh in 2012, Acres Holding has already begun work to launch two new LeMall branches in Jbeil by 2020 and Tripoli by 2022.

The market’s current performance has not been promising due to obvious factors such as the war in Syria, regional crises, and ongoing local political instabilities. In addition, the recent increase in the salary scale of the public sector drove down consumers’ purchasing power in the private sector. We believe this downward trend may most likely continue for another two years at least; nevertheless, our decision to develop two new malls at this time was founded on our assessment of market indicators and expected improvements in the long run. We believe that by 2020, some much-needed developments may occur that will drive the economy forward and improve consumers’ purchasing power—such as advances in the oil extraction portfolio, the expected governmental reforms that should accompany the CEDRE forum and hopefully, the cessation of hostilities in Syria, which would greatly affect us.

We firmly believe that now is the time to proceed with our expansion strategy and we also believe that, despite the countless challenges ahead, we are prepared and remain optimistic.

Real Estate

and this is where anomalies were detected.” Aoun says that this is part of the reason why the available funds allocated for housing loans were quickly exhausted this year.

The central bank did not respond to EXECUTIVE’s request to discuss this or any other matter relating to subsidized home loans.

WHAT NEXT?

Speaking with EXECUTIVE before the temporary solution was legislated, Lahoud, the director of the PCH, said no more housing loans could be accepted until a solution is found to finance loans and to pay for the interest rate subsidy. He said that in 2018 PCH was able to service 1,800 loans before the BDL funds were exhausted, and that there are currently 500 loans in limbo—applications that were approved but cannot be financed.

Lahoud wants a solution to the issue of financing and if it were up to him, all subsidized loans would follow the criteria of the PCH, which stipulates that: household income should be less than 10 times the minimum wage (\$4,500 per month); the household should not have taken any previous home loan from the public sector; the borrower should be a first time homebuyer; the borrower must have held Lebanese citizenship for more than 10 years; the borrower must be older than 21; and the borrower must not own an apartment within 25 kilometers of their place of work.

In June, EXECUTIVE asked the governor of the central bank, Riad Salameh, whether the state could offer a solution to finance housing loans and pay for the rate difference. Salameh responded: “This will depend on the budget that [the government and Parliament] will adopt. Of course, all these initiatives need to be funded and need to be subsidized. Thus, if the policy of the government is to take over these activities, this will be shown in the next budget, because in the present budget there is no allocation for such subsidies.”

Lahoud said there were multiple legislative proposals that differ slightly but have the same objective: that the state treasury should pay for the difference between the set interest rate and the market rate. “This will need a law and hopefully [one will be legislated] as soon as possible,” Lahoud says.

Aoun, a co-sponsor of one of the proposed laws, said that any legislative fix from Parliament to subsidize mortgages could come as a standalone law. But he says that since there are only three months remaining in 2018, any subsidies legislated immediately under this year’s budget framework should be followed up with similar measures for 2019 and beyond.

Aoun tells EXECUTIVE that the treasury could pay the subsidy, but that it is unclear where exactly new revenue would come from. Salameh reportedly had suggested the reapplication of LL5,000 tax per 20 liters of gasoline, plus an increase to the value-added tax (which was already hiked last year, to 11 percent) to finance a fix for the housing loan crisis. In response, Lebanon’s current caretaker Minister of Finance Ali Hassan Khalil downplayed the possibility of new taxes in the 2019 budget. A second idea suggested by Aoun was to subtract the amount required to subsidize the interest rate from the tax bills of commercial banks. “We can encourage private banks to offer these mortgages by deducting the [amount needed to subsidize the loans].”

On September 25, Parliament passed a \$66 million law to subsidize PCH loans for the coming year. It was not clear how this law would work or

■ “If the policy of the government is to take over these activities, this will be shown in the next budget.”

how many loans the money would service, or what will happen past 2019. Where the money will come from to pay for this law is also not clear. If it is to be part of the

2019 budget, this would require government formation, because cabinet must approve and forward the budget to Parliament for it to be ratified into law. Ratifying the budget must be done at the start of the parliamentary session beginning in October and before any other laws can be considered.

Authorities scrambled to reach this temporary solution, but when the state will come up with a permanent one and how it will work is not known. Demand across the upper segments of Lebanon’s real estate market has already been slow for several years, and the discontinuation of the financing mechanism by BDL and the halting of the PCH subsidy this year meant the lower segments of the market came to a standstill—a dynamic threatening a knockout punch to the entire sector, developers tell EXECUTIVE (see overview story on page 14.)

For individuals, purchasing a home is a major step in the building of wealth, and those without access to competitive financing are now unable to take this step. The route to homeownership for low-income households looking to purchase their first apartment was effectively blocked. This means that many will not be trying to marry you off anytime soon—such a disappointment.

EXPLAINER: PCH, FINANCING AND SUBSIDY MECHANISM

In a mid-September interview at his office in the Adlieh district of Beirut, Rony Lahoud, director of the Public Corporation for HOusing (PCH), tells *EXECUTIVE* that by the end of the 1990s it was clear the Lebanese state needed to do something to support homeownership in the country.

Lebanon's 15 year civil war ended in the early 1990s, leaving much of the country in ruin. The influx of money for reconstruction led to a construction boom, but homebuying during this decade was slow, according to Lahoud. Just as the country was recovering from war, so were its residents. The 1990s witnessed Lebanon's economic revival, as money poured in and buildings rose from the rubble. But affordable housing for many citizens did not materialize, and Lebanese looking to begin a family and build wealth through homeownership were hard-pressed to do so. Enter the PCH, born at the end of that decade. The PCH, known locally as the provider of "Iskan loans," or housing loans, issued its first such loan in September 1999.

"After the war everybody started building houses, but no one could sell between 1990 and 2000. In 2000, commercial banks had excessive liquidity and real estate developers were having financial difficulties due to the slow down of home purchases," Lahoud says. It was during that period that Banque du Liban (BDL), Lebanon's central bank, first stepped in, he says, incentivizing commercial banks to partner with the PCH.

The PCH subsidy

To offer the PCH Iskan loan, banks were allowed to borrow up to 15 percent of their capital reserves deposited at the central bank. The interest rate of the Iskan loan was set by BDL, fluctuating over time between 3 and 5 percent, with the difference of the market interest rate—which has fluctuated up to 10 percent—paid for from property related government revenues, including construction permit fees.

At the end of the 2000s, in addition to drawing on capital reserves, the central bank financed the Iskan loans through stimulus packages that included, among other measures, credit extensions to commercial banks from BDL at a rate as low as 1 percent: a sort of subsidy to the advantage of the banks, with the understanding that savings would be passed on to the consumer (the home loan borrower).

The BDL financing scheme

BDL regulations require commercial banks to deposit technical reserves at the central bank. As a standard practice, banks are blocked from accessing these reserves for any lending operations. Since 2000, part of this money (which belongs to the commercial banks) was freed up to lend out for real estate loans to developers and homebuyers.

The commercial banks can lend out this money at a certain rate; BDL sets the prime rate and the long-term rate of interest that banks can charge for the loans they get. So if banks get the order from BDL to charge 5 percent for the overnight rate, commercial banks factor that into their margins and profits and lend out at a calculated rate.

BDL controls the interest rate environment, and offered lower rates to commercial banks on the condition that the lower rates reached the borrowers. On the buyer side, meaning those seeking mortgages to purchase a home, interest on the loan was subsidized by the PCH even before the central bank intervened in the housing market through its various subsidy schemes. The PCH in technical terms reduced interest obligation by splitting the loan into two 15-year tranches for the borrower: the first to pay down the principal and the second to pay down the interest. The home buyer would pay the monthly principal payment to the commercial bank over 15 years while PCH paid the interest to the bank. Over the second half of the loan period the buyer repaid the PCH for the interest payments made to the bank on the buyers behalf. The PCH was not sensitive to the interest subsidy that commercial banks were given by BDL, but was affected by the overall financial situation. If the primary cost of loans by the banks increases then the cost for the PCH to pay interest to the banks on behalf of buyers also rises, and this might affect the number of loans PCH can afford to subsidize moving forward.

So the question is: Would that impact the capacity of the PCH on the demand side or would it be a supply restraint? With BDL discontinuing its financing mechanism and while the state pondered a solution, the answer was a resounding yes to both.



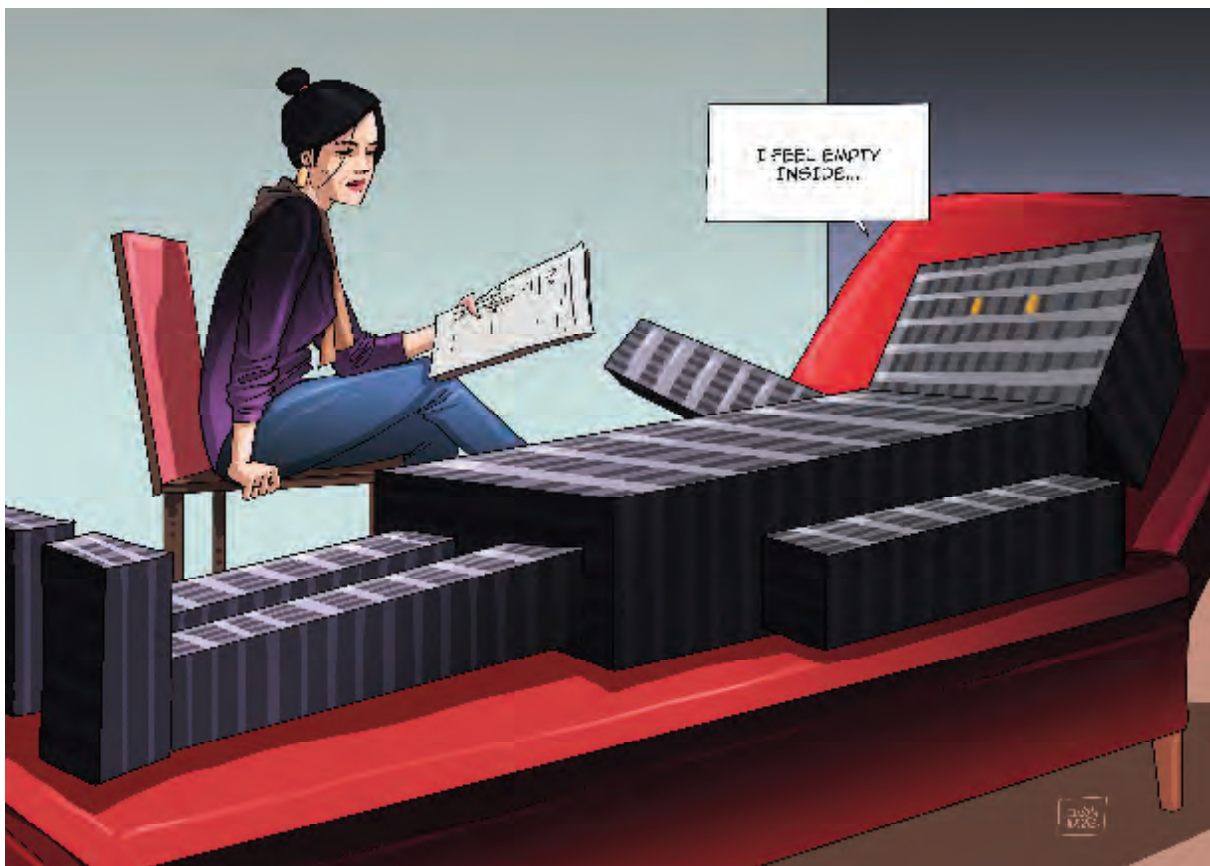
BEST FOOT FOWARD

The scramble to sell as real estate nears crisis point

Times are very tough for Lebanon's real estate sector. After years of poor demand in the upper and middle segments of the housing property market, demand for entry level units plunged in 2018 with the news that subsidized home loans were no longer available (although Parliament did legislate a one-year \$66 million fix to subsidize housing loans as EXECUTIVE went to print). The market has

come to a standstill this year, leaving developers scrambling to sell units any way they can—more keen than ever to offer deals.

There have been visual cues that the property market is in a depression, more easily seen in the middle and upper class neighborhoods of Beirut. Walk around the city at night and you'll see story after story of unlit, seemingly empty, apartments.



During the day, the for-sale and for-rent signs tell the same story: There are a lot of vacant apartments in Lebanon's capital.

The indicators reflect a slowdown in sales, and a decline in market sentiment. Real estate transactions have been declining in quantity since 2015, and the total value of transactions fell off pace from a year ago, according to data from the Ministry of Finance's General Directorate of Land Registry. The year-on-year comparison through July shows transactions down almost 10 percent, with their value declining by nearly 23 percent. Demand for real estate was down 26 percent in the first quarter of this year compared to the preceding quarter, and down 24 percent compared to Q1 2017, results of the Byblos Bank Real Estate Demand Index show. The index improved during Q2 2017 thanks to the news that the government and central bank were devising a solution to thaw frozen applications for subsidized home loans, which had stalled due to lack of funding. Parliament's legislative fix passed at the end of September should temporarily boost demand and sales, but presumably for only the starter home portion. (See subsidy story page 20.)

VALUE OPTIONS

Demand for and sales of middle and upper segment apartments might rebound when Lebanon's economy recovers from its seven-year malaise. Such a recovery would be predicated on several substantial "ifs": if the next government is formed, if CEDRE pledges make landfall, if conflicts in the region subside, and if the regional economy starts pumping again.

Despite the local real estate sector's current status as a buyer's market, with developers advertising steep discounts and attractive payment options, investors are putting their money elsewhere. Banks are offering very attractive interest rates on deposits—at least 10 percent for larger amounts—that make tying up cash in long-term investments like real estate less enticing.

But Lebanon's real estate sales professionals are not giving up so easily. They are presenting value options to entice borrowers to reach for their wallets. One such option is the lease-to-own contract. Such a contract works in the following way: when signing the initial rental contract, the tenant and owner include a clause specifying the price for which the renter can buy the apartment

from the owner; after a certain period of time (typically three years) paying rent, the tenant can decide to purchase the house at the price initially agreed upon. A portion of the rent paid during that three year period can be applied to the prin-

■ "It may be difficult now to have the same level of transactions as previously, so don't let your properties be vacant—rent them."

cipal of the apartment's value, or as a downpayment for the unit if a loan is needed to cover the remaining cost of the apartment. "I advise buyers to ask for it, and I strongly advise

sellers to offer it," says Walid Moussa, president of Lebanon's real estate brokers syndicate (REAL) and CEO of Property Brokerage & Management. "It may be difficult now to have the same level of transactions as previously, so don't let your properties be vacant—rent them."

FLEXIBILITY

Some sales firms are offering flexible terms and credit facilities to help buyers afford homes, and to try and get stock off the books. Sakr Real Estate, for example, is offering financing for a period of 10 years at 0 percent interest, though buyers will have to put down 25 percent in order to qualify. "Our clients do not need to go to banks any more," Fadi Jreissati, the company's general manager, tells EXECUTIVE.

Yet others are switching up marketing and sales tactics, bringing targeted offers to the doorsteps of potential buyers. "It's become direct sales," says Mireille Korab, head of business development at FFA Real Estate and vice president of Lebanon's developers syndicate, REDAL. "You do not wait, you go out there and talk to the people directly. It is the people you know, your sphere of influence, and how innovative you can be in reaching out. You have to look at your project and imagine who would be interested to buy into this project, and why would they be interested in buying into your project and not another project."

Whether these ideas can help breathe life back into the market is yet to be proven, and any real progress may rely more on external market factors than deals and marketing alone can solve. What is a positive quality in a depressed market? A good salesperson, who knows how and when to put a good face on a tough situation. ■

GOOD MANAGEMENT MAKES GOOD NEIGHBORS

Outsourcing business maintenance

It is all fun and games until one tenant in the building goes rogue and decides not to pay allotted monthly fees, another wants to butt heads over details, and a third does not show anyone their purchase receipts. Chances are you have been there, or heard the horror stories.

In Lebanon, many problems among neighbors emerge because a functional system has not been put in place. CEO of MMG Holdings Youssef Abillama explains that there are relevant laws, but these require co-owners to be organized and form committees. This means electing people to specific roles, agreeing on a pre-set budget, and attending meetings—all of which can be time consuming.

This is exactly why many buildings, especially the larger ones or those occupied by wealthier owners, hand over such duties to facilities management companies. Is this peace of mind worth the price, and is it for everyone?

Facilities management is a multi-disciplinary domain that ensures the functionality, comfort, safety and efficiency of built environments, including residential and office buildings, as well as institutions, such as hospitals, hotels, restaurants, and more. Services vary depending on a given building's needs, but usually involve a range of preventive and corrective support, such as cleaning and maintenance, operations, landscaping, pest control, and security.

While for smaller buildings with few tenants there may not be added value in hiring a company to manage their common areas, the increase in Beirut's larger buildings, skyscrapers, and complexes has seen a complementary rise in demand for their management. While many development companies provide these services themselves, other providers are independent entities exclusively dedicated to post-construction maintenance.



Real estate development company Mouawad Investment Group originally started servicing their own buildings through an in-house department, but when second generation Paul Mouawad joined his father's business and saw a growing need, he set up a separate company, LifeQuo, to manage Mouawad properties, as well as other non-Mouawad projects in Lebanon.

Mouawad says there are many misconceptions about the business, recounting how he is frequently asked: "What do you do, exactly? A building just runs itself." He says the services LifeQuo offers are "a must" and that the market is growing, as evidenced by the launch of more companies. "Big projects need to be monitored through a building management system, followed up on daily, and maintained [properly]," he says.

FACILITIES MANAGEMENT 101

Mouawad summarizes LifeQuo's work into three parts: engineering, servicing, and management. Ultimately, these companies deal with buildings, so it is important for them to have engineers and other professionals on board who understand the structures in order to be able to maintain them properly and fix any problems that arise. Besides this knowledge, facilities management is a service industry that must take clients into consideration, exhibiting good communication skills, etiquette, and protocol. As with any management company, efficiency and transparency are top priorities, especially when it comes to budgets.

In fact, one of the most sensitive aspects of facilities management is budgeting. Managers must accurately calculate building costs, such as consumption of electricity and water, and other things that need to be regularly refilled or replaced. The job also includes the maintenance of metering systems, to make sure they always work accurately. Since metering systems show numbers in terms of consumption and not dollars, managers need to be able to make the conversion between these values—a relationship that fluctuates. Such monitoring helps companies understand patterns of excess consumption that could then be prevented in the future. MMG Holding's Abillama explains that for the projects they manage, "We try to optimize and do cost savings by having audits and implementing the recommendations that come through our audits." This is done with the help of MMG's sister company EEG, an energy service provider that performs electricity audits for large institutions around the world—including big names in the hospitality and industry sectors—and helps optimize electrical consumption.

Mouawad and Abillama agree that the Lebanese are often reactive and do not have a strong preventive mentality, tending to fix problems when something is broken rather than planning for it. Mouawad explains that monthly or annual fees should not only cover continuous expenses but should also foresee the wear and tear that is inevitable in any construction—planning for long-term maintenance issues. "For instance, let's say the epoxy [flooring] of the parking lot is going to depreciate after around five years. We don't come after five years and tell the tenants, 'Listen, the parking is damaged and we need to fix it.' No, we collect a small amount every year, based on our

calculations ... so that after five years the amount is already collected."

Transparency is vital and the amounts paid by clients need to be justified. MMG has around 80 clients in its three countries of operation: Lebanon, Qatar, and Syria. With 14 projects in LifeQuo's portfolio today, the company prefers not to expand too quickly, but rather aims to establish trust and make sure they are delivering quality service to their clients. Another way they aim to gain client trust is by becoming ISO certified, and they have been awarded two certifications to date. While the frequent

reporting is time consuming, it is a form of quality control that ensures everything runs smoothly, and is more professional, MOuawad says. "At the end of the day, delivering perfect services is our main focus," he says. "We're

not looking for growth just by numbers or projects; we're looking to grow our reputation."

■ The Lebanese are often reactive and do not have a strong preventive mentality, tending to fix problems when something is broken rather than planning for it.

INSIDE PRIVATE SPACES

Another problem many Lebanese face is a lack of trust in interactions with their plumbers, electricians, handymen, and other laborers. Mouawad believes the notoriously murky domain needs more transparency, explaining, "This industry is full of lies and it's not transparent at all. You don't know what you're paying for, you don't know when [the service personnel] are coming or if they will be on time. You don't know if they are fixing things or not." He mentions anecdotes of plumbers who promise to come "bukra" and never show, while problems linger and worsen, becoming burdens on the owner's time, energy, and wallet.

Seeing the opportunity to do better, many companies, including LifeQuo and another of MMG's sister companies, Sprucely, have begun offering facilities management services for the private areas of buildings—inside individual apartments and offices, rather than just in common spaces. For any company that wants to stand out, offering reliability and quality are a top priority, and that means having a strong team of laborers who abide by those principles.

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■ These days everything is going online and facilities management is no exception, as companies begin to develop websites and apps.

LifeQuo has hired a dedicated team to provide these services and does not outsource work to anyone they have not trained. This sounds straightforward, but it is no easy feat. “It’s very tough to have the proper team running our vision [of quality] because we are talking about a Lebanese mentality that has been going on for decades,” Mouawad says. “When you are recruiting, you cannot change the mentality of a man who has been operating like this for 20 years. This is our toughest challenge—to have our teams speak the language we want them to speak, to teach them transparency.”

Both Abillama and Mouawad say educating their teams on soft skills is vital. Some of the training their staff receives covers cleanliness, privacy, personal hygiene, and respectful communication. “It’s attention to detail,” Abillama says, adding, “We teach them these [skills], and we pick and choose [the right people] in order for them to give clients these services.” Mouawad notes that LifeQuo’s main focus is discipline and communication skills.

MANAGEMENT OF THE FUTURE

These days everything is going online and facilities management is no exception, as companies begin to develop websites and apps to make clients’ lives easier than ever.

Sprucely, a web-based subscription service, launched in Lebanon earlier in 2018, after previously debuting in Qatar. It is so far available only in the city of Beirut. Abillama explains that by subscribing to

one of several packages—starting upwards of \$500 annually, not including fees for parts that may need to be replaced—clients are offered a variety of facilities management services such as plumbing, electricity, and painting. In Qatar, pet care is also available. Once clients choose the bundle of their choice, MMG sends professionals to assess the space and create a preventative maintenance plan.

For LifeQuo, Mouawad says, “We wanted to go a step further and integrate technology. That way you ensure the quality of the service.” In 2016, the company launched an app for clients living in the buildings they manage, and hopes in the future to make the app a public product (for people living and working in buildings not managed by the company)—perhaps as soon as in the next year. The app allows users to request services within their homes or offices, such as plumbing, electricity, or repairs. Once a request has been submitted, clients receive an estimate of how much time the serviceman will require at the premises, and they are able to rate the service, document the problem with photos, and pay via credit card.

Whether these kinds of new services help homeowners and other proprietors sleep better at night perhaps depends on the size of their wallets. What is certain is that the rise in the availability of such services is an indicator that the maintenance and real estate management industry is making a strong effort to grow out of the old “bukra” business model that was unreliable, expensive, and inefficient, and make a move in the right direction. ■

WHEN ART MEETS ART

Château Kefraya's newest Bretèche design

Wine and art are intrinsically interlinked and indeed share several commonalities. The act of admiring a beautiful painting or listening to a lovely musical composition is often enhanced by simultaneously sipping on a glass of full bodied wine. Many poems and artwork were created about wine, and both entities appeal to consumers' fine senses and their appreciation of the refined and pure.

Chateau Kefraya has long instinctively understood this connection between wine and art. The Chateau's founder, the late Michel de Bustros, was himself a patron and passionate admirer of the arts, and has therefore entrenched this distinguished spirit into his winery. Over the years, Chateau Kefraya has become a master of drawing that connection out and manifesting it through several varied forays into the world of art.

The winery's first collaboration with Lebanese artists began with the 1991 vintage of their infamous Chateau. For 20 years thereafter, Chateau Kefraya would, each year, select a painting by a famous female artist—gesturing toward women's empowerment and support, long before it was fashionable to do so—to be displayed on the bottle's label. Artists included Martha Hraoui and Mona Bassil Sehnawi.

The 2010 Chateau vintage was the last one to have a label with a famous painting on it, however Chateau Kefraya's collaboration with and support of Lebanese artists was far from over. Instead, this association was further developed and taken in a different direction to communicate a younger and trendier vibe.

Starting 2011, it became the turn of Les Breteches to be adorned with outstanding artwork, and instead of selecting already produced paintings, Chateau Kefraya invited Lebanese artists to create art especially for the bottle. Artwork was no longer restricted to the label only, as collaborating artists were given a carte blanche to design the entire bottle. Some of the artists who have worked on Les Breteches bottle designs include Ivan Debs and Mazen Kerbaj.

This year, and for the special edition of Les Breteches 2016, Chateau Kefraya chose to celebrate the 75th anniversary of Lebanon's independence by working with Zeina Assi, a renowned Lebanese painter based in London, to showcase Lebanon from a different perspective.

Assi has entitled her creation "Fakker Lebne" (Think Lebanese) and says it "portrays the particular chaotic cityscape, and the typical local custom of ornamenting on walls and street skies with flags, signaling festivities. The work's landscape intricacy mirrors the Lebanese society's intertwined cultures and united 'joie de vivre' ... around a glass of good wine!"

Because of their successful merging of art and wine, these bottles have fast become collectibles by lovers of the finer elements in life; they are sold out a few weeks after they hit the shelves, especially since they are produced in limited quantities. Assi's bottle will certainly not be an exception. The Les Breteches 2016 will be revealed at Vinifest—the annual wine festival held at Beirut Hippodrome from October 3 to 6—so make sure to grab your bottle then.



Special Edition
"THINK LEBANESE" by artist Zena Assi

NEW MIDDLEMEN AND MODELS



Property management of short-term rentals in Lebanon

Anyone who has rented a room on Airbnb knows the process is simple—you can get a great deal on a cool rental in a city you're visiting with just a few clicks. Users may think the process on the other end is just as straightforward: someone has an empty apartment or room, they list it on a website, and a person who wants to stay there gets

in touch and pays them for it. But there are many individuals who work small-scale to make a few extra dollars, the increased popularity of online travel agents (OTAs)—like Airbnb, as well as Booking.com, Expedia.com, etc.—has also allowed a new business to emerge: property management for short-term and vacation rentals. Though the market is growing, it's a tricky business riddled with organizational and mathematical challenges. For these budding companies and unofficial groups, renting out properties is a full-time job.

HOW IT WORKS

Many Lebanese own multiple homes that spend long stretches unoccupied—perhaps the owners reside outside of Lebanon but want to keep a piece of home, visiting only a few weeks a year, or they travel frequently for work, leaving the apartment empty on weekdays. Whatever the situation, homeowners may want to make money from an unused property, renting it out on various OTA platforms. Many don't have the time, patience, or knowhow to do it themselves, and instead choose property managers to run the business for them, for a fee.

This business is still quite new in Lebanon, but a handful of property managers already exist. One of the largest, Propke (the company behind the website Byout Beirut), launched in July 2017 with just seven properties and today has almost 50. Co-founders Hady Abdelnour and Rouf Dawalibi say they've expanded solely via word of mouth. "We provide A-Z services for homeowners that don't have the time to host themselves," explains Dawalibi, adding, "We give the owners an opportunity to make a yield." Another group EXECUTIVE spoke to is still in the process of becoming an official company and preferred to speak anonymously. Trust and transparency between owners and managers are important. Propke sends owners monthly statements. In their experience,

homeowners usually choose to be hands-off, but can see communications with clients on the OTA platforms, if they wish.

Another way the business can work is if property managers themselves start to acquire apartments. Since buying many properties at once would require a lot of capital upfront (while buying and managing too few properties would not make business sense), a more feasible option is long-term leases of properties that are then sublet as short-term rentals. Logistically, it is also sound to acquire properties in one area or even one building, as this minimizes travel times for the maintenance crew and also makes it easier to keep track of upkeep issues.

WHO'S STAYING WHERE

Lebanon is seeing more and more listings on OTAs every year, according to those in the business. Looking at Airbnb this month, there are hundreds of rentals to choose from, ranging from a \$9600 per night nine-bedroom "palace" in Faqra, to a \$10 per night Hermel apartment advertised using a photo of dead birds (the city is a popular hunting destination). Cool-looking, luxurious, or unusual spaces can usually get a higher asking price, which is why many of the properties managed by professionals are decorated in creative ways.

Location is also vital, as these services can ensure that guests stay in coveted areas for cheaper than it would cost them at a hotel. One of Propke's most popular homes is a tiny but highly functional seven square meter capsule apartment in central Ashrafieh that goes for \$40 per night. Most of the properties are clustered in Beirut, especially in the Mar Mikhael and Hamra areas. By all accounts, properties for rent outside of popular areas tend to generate less revenue, and homeowners are better off renting to long-term tenants. In fact, Dawalibi reveals that renting on Airbnb doesn't necessarily bring in a significantly higher profit than renting long term, but it gives owners flexibility, which means that if they want to use their homes once in a while, they can.

Though there are various types of clients, OTAs mostly target budget travelers. "Our [most common] segment is 25 to 35 year old budget travelers usually traveling as couples," Dawalibi says. They spend an average of four nights and spend an average of about \$100 a night. Eighty percent of them are not Lebanese." Repeat clients, especially Lebanese, are valuable too, as they often fill up nights that would otherwise be empty, like week-

days during low seasons. They often come back directly to the managers, bypassing the OTAs. Some even attempt to use *wasta*. "The Lebanese have an overwhelming need to undercut the middleman," Dawalibi says. "Sometimes they try to undercut us and talk to the owner, but it's us who get the emails. They think they can get a better deal."

Why choose a rental over a hotel room? "An Airbnb has a different value proposition than a hotel. You're effectively paying less," says Dawalibi. There's disagreement on whether such rentals have affected the hotel business in Lebanon. One argument suggests that tourists in rentals would have stayed at a hotel, had they not had another option. But Abdelnour and Dawalibi say their clientele are different, and many of them wouldn't have come to Lebanon at all if affordable accommodation wasn't available. Moreover, they're not interested in what hotels have to offer. "The advent of Airbnb ... has attracted budget travelers that weren't coming to Lebanon before," Dawalibi says, explaining that the Lebanese hospitality industry began its growth in the 90s, catering mostly to Gulf tourists who wanted to stay in five-star hotels. "That product

■ Properties for rent outside of popular areas tend to generate less revenue, and homeowners are better off renting to long-term tenants.

was built for a certain segment and today that segment doesn't come to Lebanon anymore," he says. Another push has come from the increase in direct flights to and from European desti-

nations, which makes Lebanon more accessible for a long weekend. "Those types of Europeans stay in Airbnbs, not traditional [hotels]," he says.

The market is growing as people increasingly know and trust OTAs. Worldwide, governments are cracking down on the industry and imposing regulations, mostly for safety reasons, but this hasn't happened yet in Lebanon. The players are all wary that regulations will come sooner or later. "It's inevitable," Dawalibi says. "It has happened everywhere, but the government is slow to act in Lebanon. We're expecting [regulations]."

BACK-END OF THE BUSINESS

Budget travelers are sensitive to the loss of even a few dollars, but while dropping prices may secure more rentals, it may not end up being worthwhile, so property managers need to calculate carefully. The OTAs themselves take commissions from property managers and sometimes clients (from

Real Estate



3-20 percent of a booking's value, depending on the platform and their system).

This is why many property managers are using a range of tools, some of which help with the mathematics of how to price rooms. Since properties are also usually listed on multiple platforms, other tools are used to avoid double booking. These calculations can be done manually, but softwares offering yield and channel management are vital once the business scales up.

Lebanese startup Outswitch, which has been operating since 2016, already offers channel and yield management services to companies outside Lebanon, and is currently in talks with local property managers. CEO John Boukaram explains that managing the pricing and booking of tens or even hundreds of properties across multiple websites for the next two years is a logistical nightmare. The wasted time and effort spent on such work can instead go into on-the-ground execution, where humans are really needed, leaving the maths to algorithms, which are more reliable anyway. "It's about automating what you can to make sure you as a manager aren't wasting your time," he says. "There are things you can't see that software can see. It's a lot of math, and you can never expand as a business if you're not using tools to save yourself time to focus on [other] things that matter—the daily operations."

Outswitch adjusts prices according to demand, so if there are no bookings, it automatically lowers prices, Boukaram says, although managers can set a

minimum threshold. He explains that there can be a loss of revenue due to manual work. "Sometimes you see two different rates on two websites [for the same property], and the guest will go with cheaper one. The property competed with itself—you lost yourself money." This problem often occurs when managers make updates manually and don't use proper tools to make sure prices are synced.

PROBLEMS AND LEBANON PROBLEMS

The logistics behind the business is even more complex than the math. Additional features on Outswitch let managers streamline teams and keep track of check-ins and check-outs. "Just because someone booked doesn't mean they checked in and just because the check out time is now doesn't mean they actually checked out. When you have 200 flats it makes a difference," Boukaram says.

As with any service industry, the ultimate duty of the managers is to provide a happy experience for guests. Today, clients using OTAs are likely to leave reviews, which puts the companies' reputations on the line. Since property rentals are aiming to reduce costs as much as possible, OTAs' services need to mimic that of hotels, but at the lowest cost possible.


Any industry, in any country, has challenges,

but in Lebanon many industries have additional challenges. In a service industry, people expect quality. In Lebanon, certain things—like power cuts, water shortages,

■ Clients using OTAs are likely to leave reviews, which puts the companies' reputations on the line.

and slow internet—are out of the hands of property managers and owners. Those in the industry tell stories of power cuts that leave Europeans baffled (why can they use certain appliances and not others?) and Netflix binges that result in internet consumption that will cost the managers a fortune. Explaining the country's specific situation in advance helps, but sometimes guests coming from a different kind of life just don't get it—and sometimes these uncontrollable elements make it into online reviews.

Despite the challenges, demand and supply seem to be growing for vacation rentals. With a stimulating lack of regulations, homeowners and managers are jumping at the opportunity and riding the wave for as long as they can, helping attract a new breed of tourist to Lebanon in the process. ■



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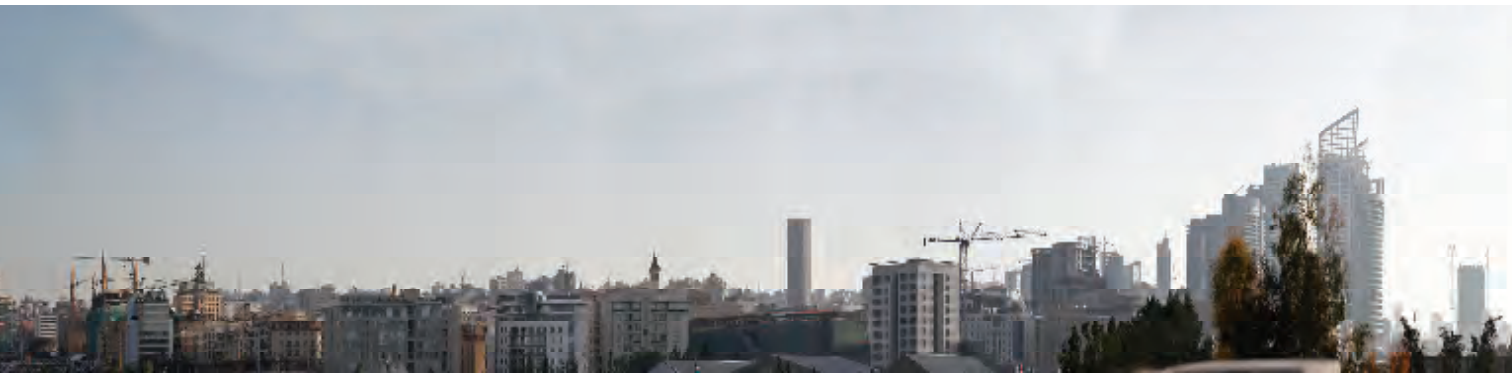
Pegged urbanization and the (in)stability of Lebanese capitalism

Ten years ago, the massive failure of subprime mortgage holders and lenders in the United States dealt a devastating blow to the world economy.

The worst international financial, economic, and social crisis since the Great Depression had its origin in one of the most potent features of the financial turn of capitalism: the ever-intensifying finance-property link. In most countries worldwide, the use of property financing as an “arterial route in the circulation of finance,” as economic geographer Philipp O’Neill puts it, has increasingly intertwined the fates of the financial and real estate sectors, for better and for worse.

In Lebanon, the intensification of the finance-property interplay is too often ignored, despite its central position in the workings of local capitalism. For instance, the current debates on the soundness of subsidized home loan programs—and on the decision earlier this year to temporarily shut them down—rarely question the root reasons for which Banque du Liban (BDL), Lebanon’s central bank, i.e., the gatekeeper of Lebanese capitalism, has invested so much time and money in encouraging and subsidizing bank-sponsored homeownership. A detailed investigation of central bank involve-

ment by the author reveals housing solutions to be a secondary concern, if that. Rather, property financing has first and foremost been leveraged over the past 20 years to bolster GDP growth and to secure a precarious financial and monetary stability. This reality comes to the fore when the countercyclical timing of central bank monetary and regulatory interventions in the property sector is examined: a majority have taken place during periods of financial, economic, and property stagnation. This was the case, for example, in the late 1990s when BDL orchestrated the establishment of the state-owned Public Corporation for Housing, which assumed a pivotal intermediary role in the development and standardization of private-led housing finance, and again in the 2010s when it deployed successive housing-focused stimulus plans and debt-restructuring schemes for property firms. The object, here and elsewhere, has been the invigoration of property demand and asset prices, to which were added in recent years the avoidance of mortgage holder and development firm failure. But why, and through which mechanisms, is property so critical to the country’s macroeconomic performance and financial and monetary stability?



THE PROPERTY PEG: A KEY TRAIT OF CRISIS-PRONE LEBANESE CAPITALISM

Two major features, among others, characterize Lebanon's rentier and finance-driven growth regime: a currency peg between the Lebanese lira and the US dollar to secure monetary stability, and the high remuneration of sovereign debt and bank deposits to ensure the country's financial attractiveness. A third, added in the past two decades or so, is a property peg. The property market, through real estate and housing finance, has acquired an important strategic position and mediating role in the country's political economy. It functions as a stabilizer that pins together the imperative, at the country level, of capitalist expansion and regulation, and, at the city level, the eminently capitalist process of urban development. By regulation I mean the action of public authorities and elite business actors whose aim is to correct the vulnerabilities, tensions, and contradictions of the local economy, financial system, and monetary order and to reduce, or postpone, the risk of a systemic crisis. This regulation-urbanization nexus, which is the central mechanism of the model I have termed 'pegged urbanization,' is common to a number of financializing economies of the Global South dependent on incoming money transfers. It is also a prevailing feature of the very liquid political economies of Japan, Hong Kong, and the United Arab Emirates. In this cross-level feedback loop, urbanization is both a consequence and an instrument of regulation, enhancing GDP growth and protecting financial and monetary stability.

In Lebanon, regulation initiatives importantly shape the nature, location, and materiality of real estate and construction activity, and the trajectory of property asset prices. The 2002 Paris II international donor conference decision to lower the remuneration of sov-

ereign securities, and consequently of bank deposits, is, in many ways, a telling illustration of the property peg. This public policy initiative, intended to loosen debt pressure and restore confidence in the domestic financial system, unexpectedly reinforced the attractiveness of local property assets for wealthy capital holders. In doing so, and alongside other policy deci-

sions that diminished risk, increased asset liquidity, and maximized the absolute and relative financial performance of property, Paris II helped to trigger the 2000s upmarket property boom in municipal Beirut. The resulting asset price growth subsequently pervaded other market

■ The plethora of residential high-rises invading the city have thus been constructed primarily to accommodate capital, not people, as anyone can see at night, when most units soaring above are unlit.

segments, extending the construction frenzy to most areas of greater Beirut. In a similar way, reducing the remuneration of traditional financial products played an important role in the proliferation of condominium towers in prime city locations. On the supply side, such capital-intensive projects provided high-yield, relatively liquid, placement vehicles in the short to medium term. On the demand side, they offered appealing investment opportunities for stocking and fructification of value, and diversification of capital portfolios in the longer term. The plethora of residential high-rises invading the city have thus been constructed primarily to accommodate capital, not people, as anyone can see at night, when most units soaring above are unlit.

At the same time, city-making, through property financing and property asset prices, has also pur-

Real Estate

posely been used as a pivotal instrument of regulation to avoid crises and to reproduce, in the short term, the local outward-oriented growth pattern. The rapid expansion of housing finance in particular was intended primarily to provide new vehicles of capitalization, to allow banks to absorb yield-seeking surplus liquidity in times of financial and economic boom, such as the second half of the 2000s. According to the International Monetary Fund, as of 2015, real estate and construction lending in Lebanon totalled at least 40 percent of private debt. Housing finance also helped to reinforce the size and influence of a growing equity-owning middle class whose interest in the stability of the financial system is expected to generate more economically, socially, and politically conservative behaviors. To put it bluntly, research has shown worldwide that the need to avoid failure and foreclosure motivates indebted homeowners to support the status quo, a tendency that clearly upholds and benefits the ruling political-economic elite. As importantly, in the context of the post-2010 financial and economic stress, the fast-paced deployment of mortgage-based homeownership has also sought to sustain consumption-based growth and to shield the local banking industry from a range of financial risks. By increasing the volume of private debt on the banks' loan books, property-related credit and costly property assets acting as high quality collaterals that secure private debt growth do indeed help to alleviate, or at least contain, sovereign risk. Moreover, by supporting property asset prices, housing finance also helps, at least temporarily, to mitigate property risk.

A CRITICAL THREAT TO THE FINANCIAL SYSTEM?

The regulation dimension of property activity—and more generally the ever-growing finance-property link—is subject to controversy, however, since it carries a number of risks. Economic decisions of agents in the property sector (e.g., households, development firms, etc.) can contribute to regulation, but they can also constitute a negative feedback capable of propelling the domestic economy and financial system into crisis. Unlike the period of late 1990s property sluggishness, during which the banking industry's exposure was limited, the fast-paced deployment of bank debt in real estate and construction activity in the past 20 years has placed Lebanese banks in a fragile position. The credit system is now a critical channel for the transmission and amplification of booms and busts between the real estate and banking sectors. Simply put, the extensive use of credit has accentuated the vulnerability of the property market by exposing it to credit risk as much as

it exposes the financial sector to a sudden drop in property asset values. Any sharp increase in the delinquency rate of housing and construction loans is, in effect, able to trigger a rapid downward adjustment of property prices. Just as importantly, any plunge in property asset values is likely to jeopardize credit system stability. As such, the various scenarios of crisis contagion, which could involve both the demand and supply sides of the property sector, should be considered a serious possibility in a context where asset prices—despite a progressive decline—remain artificially overvalued, real estate demand is persistently stagnant, and the prospects for the growth of construction and real estate activity are bleak. In the face of the country's accentuated financial and political vulnerability, any exogenous and endogenous shock, of an economic or extra-economic nature (e.g., an economic recession, a protracted drop in remittances, diplomatic tensions among/with Gulf countries, an episode of civil violence), could very well deal a fatal blow to this house of cards.

The property-based regulation of Lebanese capitalism ultimately raises a number of policy questions. Over the past 20 years, the maximization of real estate activity and exchange value, a key feature of 'pegged urbanization,' has, from the perspective of the Lebanese people, negatively and irremediably affected property use value. The Lebanese have been the first to bear the cost of this financialization of urban development, both individually, with the housing market's ever-increasing unaffordability, and collectively, with the increased

wealth and income disparity between equity-owning groups and others. This can only worsen in the event of a property-generated financial crisis, during which private debt default and eviction could throw tens of thousand of people into turmoil throughout the country. The

■ The maximization of real estate activity and exchange value, a key feature of 'pegged urbanization,' has, from the perspective of the Lebanese people, negatively and irremediably affected property use value.

experience of the millions of bankrupted Americans who became homeless or who suffered very poor living conditions in the aftermath of the subprime crisis reminds us that such a scenario goes beyond theory. ■

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Paula Yacoubian talks development



Enacting change on the local level

Six months into her role as a member of Parliament, Paula Yacoubian has been busy doing what she can in a difficult situation, given that a new government has not yet been formed. While admitting that she alone cannot resolve the major issues facing Lebanon today—such as water shortages and power cuts—Yacoubian details how she is working toward fixing the smaller challenges facing residents of Beirut and its proximal suburbs.

E How did you become involved in the Saint Simon area of Jnah? Why that area?

It was the fishermen in the area who first thought of contacting me, represented by Idriss Atriss, the head of the fishermen association, because they saw how I supported the fishermen of Bourj Hammoud and Dora during their protest against sea pollution.

At that time, they had been suffering from a total lack of running water for around a month, and since the majority of residents there are fishermen living in poverty, they cannot afford to buy water, as most people in Lebanon do. So I went there to protest with those residents and show my support.

In Saint Simon, I saw the miserable situation the children there were living in. I saw what was once the most beautiful strip of beach in the world covered with open sewers flowing onto the sand and

making their way to our underground water reservoirs and to the sea.

So we connected the small open sewers to the main sewage line; the sewage is still flowing into the sea untreated, but this solution is better than nothing since these sewers were running onto the sand amongst the children and people living there. We also set up a football field for the children to play on and painted some of the houses with the help of the residents.

E What is the objective behind these activities?

All this cost me was a phone call to my friend Wafa Saab from Tinol paints and around \$500; the balls were donated by Muwafaa Harb. So it cost me [next to] nothing and it changed the lives of these people. The children used to play on a shore full of trash and sewage—it was heartbreaking.

If every parliamentarian—or anyone with a little bit of money—just cleaned up the area around themselves, we would have a clean Lebanon, but we have grown accustomed to this miserable situation.

Still, there are many individuals who are working to improve the country. If we assume that there is no government and stop relying on them (establishment politicians) for anything and instead work together as Lebanese, we can achieve a lot.

For example, today I believe we don't have a municipal council in Beirut; we have a municipal council that is the enemy of the city. So what I am doing is working as if there is no government or ministries. I look for good individuals and collaborate with them. But I wish people would realize how bad the situation in Lebanon is and understand that they have a responsibility to fix it. Today we cannot not be engaged citizens—we cannot sit in our bedrooms and get frustrated with the situation without engaging in protests or debates and taking action.

E You are now a member of Parliament. How does this position help you address and work toward resolving the challenges you mention?

Parliament has given me wider opportunities to address these issues. You are interviewing me be-



cause I am a parliamentarian—you wouldn't have done so if I were [still just] a fellow journalist. It gave me the opportunity to propose laws; I have proposed nine to date. It gave me the opportunity to communicate directly and daily with fellow parliamentarians to ask for their support in various issues and some of them are indeed supporting me.

It also gave us [the anti-establishment] the hope that, if citizens are appreciating our work today, we will gain their trust and pave the path for non-sectarian and non-party voting in the next elections. Today the Lebanese know that their *zaims* are crooks and they know the situation in the country is very bad but they have been convinced that “the other” is the obstacle that is stopping them from fixing the country.

E *What are the nine laws you have co-signed or sponsored?*

Amongst them is the law for subsidized housing for first time house buyers. It is a one-article law and is a quick solution to reactivate the ability to provide housing loans for those who want to buy small homes.

I also proposed a law that was developed by [NGO] Legal Agenda regarding the transparency and independence of our judiciary system.

■ “Lebanon positions itself as a touristic destination so how can we accept that parts of our capital are so neglected?”

I also signed the [draft] law legalizing medicinal marijuana with other parliamentarians, as I am with anything that brings in money to the farmers and to the government, and I believe if we legalize medicinal marijuana it will go a long way in regulating cannabis plantation in Lebanon. We are not legalizing it for people to smoke it [recreationally], but for medical reasons, meaning what is extracted from this plant with the CBD molecule, which has many medical benefits.

E *Are you working on other projects similar to Saint Simon?*

Saint Simon was a sort of small trial to see the impact, cost, and mechanics of such projects especially since I didn't have experience in this field before. So now I am working on a similar project in Beirut's northern entrance, the Medawar area. It is a very ambitious project to make it a beautiful entrance instead of the [state of] ugliness it is in today. We will be beautifying building walls, working on any water damage in the homes, and developing public spaces and a football field.

Lebanon positions itself as a touristic destination so how can we accept that parts of our capital are so neglected and have so many areas that resemble ghettos? The least one can do is to improve some people's homes and surroundings. I am unable to help with the electricity or waste problem since it is controlled by the big mafias of the establishment, so I do what I can.



A solution in the clouds

Is CEDRE a last chance or mirage?

Half a year has passed since CEDRE, the economic conference for development through reforms with the private sector, the latest in a long line of international conferences aimed at propping up an unstable Lebanon. It seems like a good moment to ask what past initiatives and recent developments can tell us about CEDRE's political context and chances of success.

The outcome of CEDRE that received the most attention in Lebanon was the financial promise of support and development funding to the tune of \$11 billion. The funds allocated at CEDRE are of two types: soft loans that provide around \$10.2 billion and grants amounting to around \$800 million. The World Bank is the main contributor, committing to provide a package of soft and concessionary loans for a total of \$4 billion.

As CEDRE was timed to be held just one month before Lebanon's parliamentary elections, government formation and fiscal reforms were outlined as prerequisites for the implementation of the agreements reached at the conference. Not only has the government formation process been dragging out, but it also appears that any expectation of an imminent regional and international solution settling Lebanese domestic challenges would be misplaced. Under such domestic circumstances, do the CEDRE proposals have any chance to succeed, given the regional dynamics and the conflicting interests of the different stakeholders? Can Lebanon's economy go on despite the worrying economic indicators? Is there a potential causal relationship



World leaders and Lebanese politicians meet at Paris to raise infrastructure funds for Lebanon at CEDRE

between the possible collapse of the Lebanese economy and a renewed refugee influx to Europe? These are questions that international and local observers cannot afford to ignore.

BETWEEN INTERNAL REFORMS AND GEOPOLITICS

Then-Prime Minister Saad Hariri presented CEDRE as a serious engagement by the international community that would prompt Lebanon to start implementing reforms and building a modern state, as a step toward increased stability, growth, and employment. Hariri's vision was based on four pillars: increasing the level of public and private investment; ensuring economic and financial stability through fiscal adjustment; undertaking essential sectoral and cross-sectoral reforms, including fighting corruption and the modernization of the public sector and public finance management; and developing a strategy for

the reinforcement and diversification of Lebanon's productive sectors and the realization of its export potential.

However, events since CEDRE make it advisable to not only re-examine the determinations and resolutions reached at the conference, but also to take a careful look at some of the realities that are present in Lebanon today—beginning with previous attempts to alleviate problems and achieve reforms in the country.

Since its independence, Lebanon has witnessed several crises that either resulted in a domestic conflict or were resolved by the negotiation of a new political settlement. In both cases, the solutions were inspired and administered by regional and international actors.

Recent Lebanese history teaches us that Lebanon has long been a seedbed for problems hatched elsewhere; it is a country where regional crises have directly impacted its economy and se-

curity. The reconstruction period following the adoption of the new constitution in 1990 was the result of the 1989 Taif Agreement. Several international conferences soon emerged to foster the Arab-Israeli peace process, which was a central factor in regional tensions. After the Madrid treaty in 1991, the Oslo treaty in 1993, and the Arabah treaty between Jordan and Israel in 1994, it was time for the peace process to reach Lebanon and Syria. However, in the maze of the Middle East's search for stability, Syria's strong man and the main powerbroker in Lebanon, Hafez al-Assad, had a different agenda.

Between 1990 and 1992, Lebanon's economic situation worsened fast. The LL/USD exchange ratio reached 2,800:1 during the summer of 1992, and inflation rose beyond 100 percent, creating social protests that threatened to result in a new round of internal conflicts. Most of the big players in the LL depreciation process of that period belonged to what many call a "Lebanese Club" of politicians, communitarian leaders and top bankers, in addition to some key Syrian political and security actors.

Post-Taif, a Syrian-Saudi agreement was forged on "constructed stability" for Lebanon. The deal granted Saudi Arabia control over economic progress while Syria presided over the political agenda, effectively sidestepping Lebanese sovereignty. It was in this geopolitical and economic environment that Rafic Hariri, close friend of Saudi Arabia, was appointed as Lebanese prime minister, on October 31, 1992.

Hariri was a dynamic businessman. His plan for the Lebanese economy was to attract investments and inflows of fresh capital from abroad. This made currency stability and the Lebanese lira's parity to the dollar a necessity, in order to ensure investors secured high yields. Moreover, Hariri's plan for stability envisaged achieving social peace in volatile times by increasing public spending to create job opportunities, in addition to generating capital investments

for the purpose of reconstruction. His main focuses rested economically on increased public expenditures, and politically on the integration of confessional militias, as well as warlords, into the system.

POLITICAL SETBACKS

However, the Israeli occupation of southern Lebanon, which drove more locals into the Syria- and Iran-backed "Resistance," meant that a potential peace process between Israel, on the one hand, and Syria and Lebanon, on the other, was a distant prospect. The eventual disruption and dissolution of the Oslo process and renewed violence in south Lebanon thwarted Hariri's initial vision for Lebanon's political stability and economic progress.

Despite notable successes in the reconstruction of Beirut and the rebuilding of the Lebanese economy as a consequence of the lira's progressive alignment with the dollar immediately after the Hariri era had begun in 1993—and the eventual full peg of approximately LL1,500 to \$1—economic problems prevailed and reached new heights in 2000.

In a once again difficult economic situation, Hariri achieved electoral success in 2000 and returned as prime minister. This time, he found a new approach for imposing his economic and political agenda through the promotion of international conferences for Lebanon. At Paris I, in 2001, and Paris II, in 2003, Hariri pushed for reforms of the Lebanese administration and economy. However, due to Syrian refusal, with the collaboration of some major Lebanese political and economic players, the impact of the international conferences fell short of expectations. In order to support Hariri's plan, and their wider geopolitical aims on the other, the international community demanded Syrian withdrawal from Lebanon in UN Resolution 1559 in

2004. Shortly after, however, the elder Hariri was assassinated.

Opposition to the Syrian presence in Lebanon climbed to new heights after the Hariri assassination. Following Syrian withdrawal in compliance with UN Resolution 1559, the international community voiced its support for Lebanon at the Paris III Conference in 2007, but stabilization efforts failed due to political deadlock between the March 8 and 14 camps, and also due to the socio-economic system whereby household consumption and public budgets were continually allowed to exist on what can essentially be seen as a basis of revolving borrowing or even a snowball finance scheme.

■ Lebanese history teaches us that Lebanon has long been a seedbed for problems hatched elsewhere.

The international and regional political entanglement that hampered previous attempts to implement reforms and capitalize on foreign economic support to counter domestic problems must be kept in mind when considering CEDRE's chance of success. Fast forward to the present time, where Lebanese and international economists are increasingly warning that the country is experiencing a financial crisis that, despite reassurances by politicians and central bankers, could threaten the national exchange rate and the banking sector if appropriate and specific actions are not implemented. The growing need of Banque du Liban (BDL), Lebanon's central bank, for fresh US dollars, and the growing fiscal deficit and government debt, is heavily pressuring the Lebanese economy.

THE LEBANESE BUSINESS AND POLITICAL MODEL

Since October 1992, the Lebanese business model can be summarized as

Comment



Lebanon hopes international funds will pay for new infrastructure to spur development and relieve congestion

follows: Depositors place their money in the bank, which deposits most of those funds at BDL, receiving high returns. Banks also acquire treasury bills from the government, which, in turn, spends money on wages, salaries, and debt servicing to those very same banks. Due to BDL's and the government's need for a constant influx of money, the central bank raises interest rates to attract fresh US dollars. Consequently, banks ensure financial and social stability by covering public-sector salaries and by providing high returns on investment to its shareholders. In sum, this creates a system of dependency between the central bank, commercial banks, and the Lebanese government, in which the commercial banks and public servants benefit at the expense of the wider public. In this case, both the central bank and the government are in deficit. More than 90 percent of Lebanon's debt is held by domestic banks. This model helps Lebanon maintain the USD/LL parity but leads to an economy of clientelism under a "rentier model," where the central bank gets fresh capital from the commercial banks in return for high interest rates. The Lebanese business model is reflected in cumulative government expenditures. From 1993-2016, the interest paid on debt amounted to \$70 billion, a full 33 percent total government spending,


at the expense of other vital spending priorities such as infrastructure development. Meanwhile, domestic banks hold over 90 percent of Lebanese debt, with this debt representing about 60 percent of banks' total assets.

The economic equation is tied in with the political one. In 2017, Michel Aoun, an ally of Syria and Hezbollah, was elected president after a two-year vacancy in the position. His mandate has thus far resulted in two major domestic decisions. First, a new electoral law, which secured for the March 8 camp a clear majority in Parliament. Second, increased public spending through raised salaries for public servants, which applied more pressure to the country's economy and sharply increased the state budget deficit.

Hariri's resignation from the premiership, announced last November from Saudi Arabia and since rescinded, was considered by many to be an action taken by the Saudis against the Lebanese economy. The Lebanese public understood this "resignation" as a Saudi withdrawal from the Lebanese market. This action led to a lack of confidence and trust between local actors. The inter-bank interest rate reached unprecedentedly high levels and treasury bills with 10-year maturity dropped to record lows, resulting in a sharp decrease of confidence in the Lebanese market, with capital inflow failing to increase.

EUROPE AND FEARS OF A SECOND REFUGEE WAVE

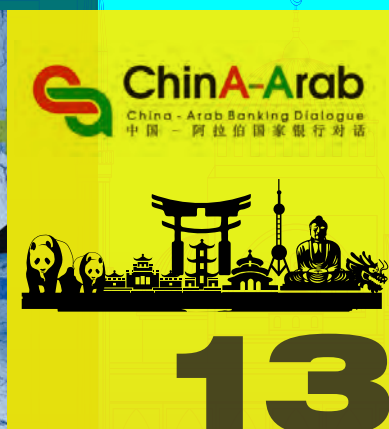
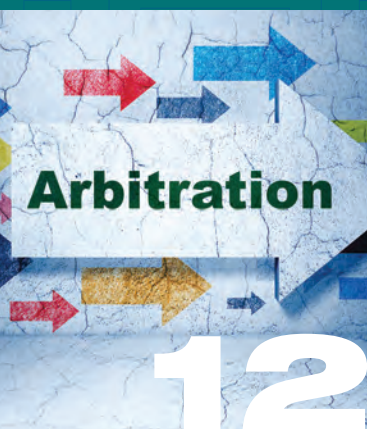
The willingness of the international community to assist Lebanon rests on many political and strategic considerations. Internationally, and during a politically volatile time for Europe, partly due to the refugee influx, Lebanon's strategic location in the Eastern Mediterranean positions it as a last bastion before mainland Europe. Europe is witnessing the rise of right-wing parties, largely triggered by the large-scale arrival of refugees in recent years. Lebanon is currently hosting more than 1 million Syrians and anywhere between 175,000 to 450,000 Palestinian refugees. In this sense, CEDRE can be seen as an attempt by European countries to contain the ongoing refugee crisis by bringing some stability to Lebanon.

After delving into historic international efforts to revive Lebanon, and taking a closer look at CEDRE, it remains to be seen whether the most recent international donors' conference will prove successful. Previous international conferences failed due to outside stakeholders' interventions, mainly from the Syrian regime, and intransigence by major players in Lebanon. In this regard, it is also necessary to take account of Europe's anti-migration stance as well as Iran's increased stake in Lebanese politics. In the end, reforms needed to unlock CEDRE financing and put Lebanon back on the path toward renewed economic growth and monetary stability will require compromises from political and economic Lebanese stakeholders, and a willingness to break from past behavior. This will be the biggest factor in determining whether CEDRE will eventually be viewed as the catalyst for a more dynamic Lebanese economic model, or as another missed opportunity to bring economic progress and desperately needed stability to the country. 

KHALIL TOUBIA is political consultant based in Beirut.

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By Laury Haytayan

Too good to be true



How far can Lebanon go with transparency measures in its oil and gas sector?

Last year, Lebanon signed two contracts to explore potential oil and gas resources in its offshore waters. It took the authorities nearly four years to close the country's first offshore licensing round, with the two contracts awarded to a consortium of companies—France's Total, Italy's ENI, and Russia's Novatek—for two blocks, one in Lebanon's northern waters and the other in the south. Drilling is expected to begin late next year, and the government has already announced its intentions to launch a second offshore licensing round this December. It is encouraging that Lebanon is moving forward

toward drilling, but the country needs legislation and regulation to ensure strong transparency and accountability in this sector.

A STEP TOWARD TRANSPARENCY

The near four-year delay in the first licensing round was caused by political deadlock that led to total paralysis in institutions. The government was unable to take decisions, Parliament twice extended its own mandate and was unable to elect a president for two and a half years. Lebanon does not fair well in international rankings, with a high score for perceived corruption from

Transparency International, and ranks low for ease of doing business and trust in politicians according to the World Bank and the World Economic Forum respectively. With these indicators, it would be easy to assume that the oil and gas sector in the country would get caught in the same cycle of corruption, yet there have been positive steps.

Despite the poor transparency indicators, Lebanon did manage to attract three international oil and gas companies. The government, in a show of good faith, published the two signed exploration contracts, for Block 4 and Block 9, despite be-

ing under no obligation to do so. Legislation organizing offshore oil and gas exploration, the Offshore Petroleum Resources Law (OPRL), does not include provisions requiring publication of the contracts, and the law does not mandate disclosure of information to the public. The disclosure was therefore a voluntary act by the Ministry of Energy and Water (MoEW), allowing the public to monitor the implementation of the commitments of the companies and of the government—and to hold them to account if contractual obligations are not met.

A LACK OF TRUST

The publication of the contracts was a very encouraging measure, but contract disclosures and the public dissemination of information should be norm and mandated by law. And, sooner than expected, at the end of September, Parliament did ratify an oil and gas transparency law that ensure disclosure and prevent conflicts of interest. Despite this, people are still worried; many have lost faith in the leadership of the country, believing that the oil and gas sector will be another means by which the political class will siphon Lebanon's wealth. We need to safeguard the transparency gains in the oil and gas sector and ensure that these gains will have a positive spillover effect on other sectors in the country.

How can we do this? The leaders of the country need to work hard to gain the trust of their citizens, so that citizens can believe that when Parliament ratifies a law, the government will then enact the needed regulation to ensure the law is followed. In addition to the transparency law, there are two crucial regulations that must be approved by the next cabinet: a decree concerning beneficial ownership and another on subcontracting. The subcontracting decree seeks to ensure fair and competitive

bids for services and goods that will be needed throughout the exploration phase and, hopefully, for the production and sale of oil and gas. The beneficial ownership decree is designed to help prevent politicians and state officials—or their relatives or close associates, acting on behalf of these officials—from dominating the sector and controlling the allocation of work contracts. Control by politicians or officials over subcontracts in the services and goods sector would be catastrophic for the country, as dangerous as the mismanagement of the revenues. One of the main problems Lebanon has is that politicians and their friends typically control the economy and secure the biggest deals for themselves. If they do the same in this sector, it will deprive businesses that are not close to the political elite of the right to fair competition, and keep the country's wealth concentrated in the same hands.

We need to make sure that the companies are publishing data on their progress. They should be transparent and disclose information on their exploration plan milestones and timelines to the public, so that there is clear understanding of what the companies will do and when.

ACCESS TO INFORMATION

In addition, we need to make sure that the Lebanese Petroleum Administration (LPA), Lebanon's oil and gas regulator, continues setting in place transparent systems and mechanisms. Recently, the LPA sent a delegation to Ghana to share their experiences in open and competitive licensing with their Ghanaian counterparts. Sharing best practices with counterparts is a positive indicator of the LPA's management of the sector thus far. Information shar-

ing is a strong suit of the LPA via its web presence, especially when compared with other ministry of energy and water "sister" sites such as the Lebanon oil installations website. The LPA's website is the place to go to gather information about the sector, but there is room for improvement—for instance, by increasing the accessibility of disclosed information through different formats;

■ Companies should be transparent and disclose information on their exploration plan milestones and timelines.

producing easily searchable and user-friendly documents, or formatting information in visual forms so that the general public can understand the complexities inherent to oil and gas issues.

Recently, the Natural Resource Governance Institute (NRGI) released a new study on the best practices in licensing, titled "Open Contracting for Oil, Gas and Mineral Rights: Shining a Light on Good Practice." This report is based on research identifying 16 global good practices that governments have used to improve transparency across the processes by which they award and manage oil, gas, and mining rights. Lebanon was mentioned in this report as a country with some best practices in licensing, but there is more that can be done. The recommendations put forward in the report can help the Lebanese authorities to improve transparency, and we encourage authorities to adopt them.

The oil and gas sector, if managed effectively, could go some way toward restoring the reputation of Lebanon's political elites. ■

LAURY HAYTAYAN is MENA director at the Natural Resource Governance Institute

By Thomas Schellen

Finding much to look forward to when contemplating the digital jungle

A short conversation about how to prepare for the unknown

Farid Chehab is known for his innovative mind, having developed fresh advertising concepts throughout his career as a director of international ad agency Leo Burnett. Today, as honorary chairman and advisor to the board of Leo Burnett Beirut, Chehab appears to be more curious than ever about new concepts. EXECUTIVE sat down with him to discuss his third book, which is forthcoming.

E *Bridge to the 21st Century is your third book in six or seven years. Your first book entailed very specific national proposals on how to better manage Lebanon's water wealth for the people and the economy; the second contained more personal reflections on happiness and creativity. Where does the upcoming third book take your oeuvre and what is the story behind the writing of it?*

This book is very dear to my heart because I spent a lot of time on it. It all began with the Harvard Arab Weekend in 2015. I was invited to Harvard to give a speech on how to prepare our region for [greater connectivity with] the world. I had some ideas in this regard. I shared them in this presentation, which was very well received, but in doing my presentation I realized that when I was talking about [taking] the Arab world to the West, the wider issue is that our world is facing a new world, which is the digital world. So I used the four pillars from my presentation that I think are essential [when being confronted with a very powerful new reality], and wrote about these four essential pillars.

E *In the note that you sent me about*

Bridge to the 21st Century, the four pillars were listed as resilience, ideas, values, and tolerance. All these are concepts that we associate with important human mental achievements, but what makes them special in the context of preparing ourselves, our kids, and our grandkids for the digital age?

The digital age is an age of mental effort. It is totally new. However, we have been living in an age of consumerism, which means that people are not ready. They are no longer used to making a mental effort because things come easily to them. But because the premier métier, or first task, in preparing for the digital age is [related to the mind], the first pillar [in becoming ready for the digital age] should be resilience. Because if you don't build resilience, you don't develop your mental agility and mental power.

E *Can you describe what you mean by resilience? The term has been used in many different ways, from describing someone's ability to bend but not break under existential crises to characterizing the state of the Lebanese banking system over the past 10 years.*

Resilience means a lot of things, and it starts with education. If you tell parents today, "Your children will not be equipped for the 21st century," they will often respond that children will get used to [the digital age] and point out, "My kid is playing very well on their smartphone." This is silly, because the more the child plays, the less they will develop mental energy. Playing is not the same as developing mental energy. For this, you have to develop the screen that you can play on, not play on a screen. In this, there



is a paradigm shift in education and we have to move away from the misunderstanding of education.

E *Why are your other pillars important? What does creativity have in common with values, and what connects values and tolerance?*

I compare the new age, the digital age, to an unexplored jungle, because everything is unknown. Besides being resilient, what do you do to survive in an unknown jungle that is full of dangers? You need to come up with ideas, be inventive. You will die if you are not inventive, because someone else who is more inventive will [make you] fade away. If you want to survive economically, you need to be inventive—look at all the successful digital gurus and geek entrepreneurs: they invent all the time; ideas drive them. This is also coming back to education. If you want the kids to be inventive, you need to prepare them to be inventive. Under the old education models, you have [repetitive cycles of] teach and absorb. But the brain [does not work best] in absorption mode; it should be in the mode of invention.

The next pillar, values, is all about capitalism, the flow of the economy, and the environment. We are now in the Anthropocene and have started changing our world, but not with an attitude that would be compatible with nature. We need to start taking care of this, which means solar versus fossil [fuels] and the fusion of hydrogen. Entire industries have to change to new values. Today's values have to be "to do good" and use less energy.

Also, there will be the problem of job destruction. How do you solve the problem that by 2030, 800 million jobs will have vanished, as [businessman and investor] Jack Ma predicts? All of that means that you need to listen, understand, and connect—so you need to have tolerance. Intolerance is the end of the world.

E *As you are talking about such problems now, do you see us as moving toward the end of the world, a day of doom?*

No, I am very optimistic. I believe that the human political problem will have to be solved because of the existing pressure to solve the problems related to Mother Earth. Necessity will oblige us to solve these problems. But the biggest problem and test of tolerance is [not the environment and] not human rivalry. It is the coming new tyrant, which is the digital age. It is artificial intelligence. How will you, Mr. Human, you organic being, cope with artificial intelligence? How tolerant are you going to be toward it?

E *How would it be from your perspective if your artificial intelligence unit started worshipping you as its creator? How would you deal with that challenge?*

This is beautiful. Such questions are what the last chapters of my book are all about. I say that at the end of the day we are the story of intelligence. What are you? What are we? It is the story of growing intelligence. We were not very intelligent when we

were lizards, we became more intelligent when we were monkeys, and again more intelligent when we became Cro-Magnon and today Homo sapiens. What I say is that intelligence made us Homo sapiens and I say that intelligence discovered that as Homo sapiens, we will need backup and we invented artificial intelligence. So [AI] is not our enemy, it is a continuation of [our existence], and I say it very bluntly: We need to get used to it. We need to absorb [the new reality] and accept the fact that we, human beings, are not going to keep on existing as flesh and blood. We will be a mixture of organic and numeric, and I believe—this is at the end

of the book—that the new man is not going to be the same as you and me. Humankind will become different, perhaps as different [from Homo sapiens] as we are from monkeys. The new man after the 21st century will be totally different.

E *Historian Yuval Harari talks at the end of his book Homo Deus about such questions, such as dataism and trans-humanism—new religions that he expects to arise from Silicon Valley and from entities that have artificial intelligence but no conscience. He speaks of a dichotomy between machine intelligence without conscience, and humans who have a conscience and are defined by it. What is your position?*

I swallowed Harari's book as well as 30 other books. I have a chapter called "Intelligence versus conscience." I believe that the [term to use] is not artificial intelligence. It is intelligence that drives us, not artificial intelligence. I believe that conscience is a byproduct of intelligence. We are not born conscious,

we are evolving toward intelligence. Conscience, being a byproduct, is definitely going to change. Conscience of our organic state, this is going to change. What intelligence will drive us to do is keep on developing. And it will be ruthless in selecting the new species.

E *But is not the propensity to make decisions based on emotions, rather than on rational decision making, the most serious drawback of humankind?*

I am not sure, because what

■ "How will you, Mr. Human, you organic being, cope with artificial intelligence? How tolerant are you going to be toward it?"

drives your intelligence is not only being rational. What drives you is dreaming, is creativity. It is art. Art is the beginning of the game. What humans started doing was creating art in everything, because it was driving them. I believe that in the mix of two intelligences, organic and artificial intelligence, and the artistic value of what we are in our complex brain will continue to drive us in pursuing our purpose. It will be our purpose to become a happy intelligence. This, becoming an intelligence with a purpose, is the [next step] of humanity and the [step after that] is going to be outer space. A large part of humanity will be exploring [in space], and that is [a project] for the end of our century. Mars will be explored and inhabited. We will also become the new discoverers.

E *So you're saying that mankind might one day upload human minds into a sustainable and resilient spaceship and travel beyond the solar system to explore stars and systems that are light-years away from earth?*

Q&A

You are [anticipating] the book. Yes, that is what I say. And I say that if we are not part of the development of mankind as in [steps] two or three, we will be collateral damage and fade away, like Cro-Magnon, a species that disappeared. Homo sapiens, as is, will disappear. If you want to pinpoint one part of what is in this book, it is that it is very optimistic in the sense that intelligence, out of the hand of today's humanity, has a big future.

E *Would you then describe **Bridge to the 21st Century** as a book about digital technology, about innovation, about education, about attitude, or a metaphysical speculation from the perspective of today's *Homo sapiens*?*

Definitively attitude. It is a book about attitude. Harari and all of them talk about all the innovation, and I don't want to copy what they say. I say, read them. My ounce of wisdom in this regard is that nobody talks about the attitude [required] for the digital age yet. What is going to be our attitude? We will be responsible.

E *Another question regarding attitude in the 21st century: What do you regard as the starting point of the 21st century, not in relation to some date in a calendar, but in the sense of the shifts and innovations that define it?*

I would say I associate the 21st century practically with the smartphone. Computers started in the 20th century for all of us, but the smartphone placed the computer at the tip of your finger, and nothing connects you with the world today as much as the smartphone.

E *So, this means the 21st century has been emerging over the last 15 years?*

Yes, absolutely. The smartphone is opening a vast field, in which the iPhone is an example. With the computer you still went and sat at the screen. With the smartphone it is different. The digital age sucks you into it through the smartphone.

E *But you already said in this conversation that it is not enough for kids to be playing on the smartphone in the same way that kids from the 1950s until the 1990s were sitting exclusively in front of TV screens? How do we advance from having consumer minds to having at least prosumer minds, and ideally to be creators and innovators?*

That is your golden question. That is what I said in the beginning about resilience. You first need to have a protocol where all screens, from the very beginning, must educate kids not to go into absorption mode, but into creation mode. Secondly, you need to develop with kids their sense of curiosity. I believe that if you do not have curiosity, you go nowhere. Thirdly, I say that we need to change the pattern of education from alphabets to numbers. Absorbing an alphabet is easy [by imitation of sounds], while numbers immediately are a concept. If you start to educate your kid through concepts you might start developing the child's brain in a much stronger way, which will make the brain more resilient. A new pattern of education should emphasize a mixture of alphabets and numbers. People think mathematics and knowledge of numbers comes after [teaching a child words]. I say, no, it should come even before.


E *So will people with a strong predilection for numbers and mathematics have a special advantage in society under your concept?*

No. Numbers are a prerequisite, but you can still be a great artist if you have an understanding of numbers. I say in one chapter of the book that there is a new renaissance of art in the digital age where we can create art that we never thought we could create. We say that numbers are [the realm of] computers and digital, [whereas] our brains are just organic, but this is not true. Our organic material is based on numbers. When you go inside the brain and its cells and the miasma, there is an electronic system at work.

E *Some think that evolution is not fully describing the process of human development. In the sense of attributing a leading role to human intelligence in the progress of mankind, might you be debunking the myth that all mutation occurs at the DNA level and consequently takes a lot of time? Is there mental evolution—are there changes in behavior and thinking that might lead people to consider that in order to be human, I need to be able to "create" god, and by being able to create god, become like a god?*

Allow me to read for you what is written in my book. These are the last lines of *Bridge to the 21st Century*: "We will have opened the way for a new humanity, one that will escape its self-destruction because it understands that its human envelope is not immutable, but should blend with what intelligence prepares for it. Mankind can now start to mutate imperceptibly across the next century and understand even better the nature and destiny of limitless intelligence. He is probably also discovering more mysteries of the cosmos with an equity so developed that before long, human beings of energy and light will think themselves divine. Born from light, intelligence will have become the god of life."

E *So we are heading toward the Omega god as opposed to the indescribable Alpha god, in the sense of the creator about whom we do not have enough data points. But when we go into literary traditions on the creation myth, don't we need to ask if intelligence could have come about without poetry and the literary component?*

What you are demonstrating here is curiosity. Let me say that the new age is a step in our evolution. Our organic human envelope is bound to shift and change. People will have a lot of resistance to this. This is one of the basic problems of the 21st century, but we are [facing] a major change in our evolution. Whenever we get used to it, we will start becoming superman. If we do not accept it, we will vanish. 



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ART IN THE INSTAGRAM AGE

HOW SOCIAL MEDIA IS BECOMING A GAME CHANGER

Words by **Nayla Kai Saroufim**

The growth of social media has changed the way people experience and share parts of their lives, from instagramming each meal to finding a relationship via an app. Art is no exception. Social media has, without a doubt, widened the arts community. With over 700 million users worldwide, Instagram has developed into the leading photo-based media platform on the web, and for artists navigating this modern world, an Instagram account has replaced the canvas, portfolio, and private gallery—and become a prime tool when pursuing a career in art.

How many Instagram followers you have is becoming the new standard of popularity, and a prerequisite for art curators serving millennial clientels and searching for emerging artists. According to the European Fine Art Foundation (TEFAF)'s 2017 art market report, the internet is the second most fruitful platform for meeting new clients; half of the art dealers reported making contact with 40 percent of their new buyers on the web. This is something myself and fellow artists have noticed happening more and more. My own client base is increasingly growing through social media, and a high percentage of my painting and installation sales are initiated through Instagram.

I have found myself of late spending more time on my phone than ever before, and my Instagram inbox pings far more often than my three email ac-

counts, with inquiries about painting sizes, installation material, and prices. Social media has replaced traditional communication channels and developed into a new platform for artists like me to interact with fans and clients. Instagram specifically has gained fame among artists for its emphasis on visuals and lack of words. "The platform strips away all the pretense and bullshit, and forces artists to make cases for their art with little or no hype," explains art consultant Alan Bamberger in an article for his website, Art Business. The simplicity of Instagram's medium allows art lovers to engage with art and its creators directly.

In the art world, as in most industries, social media has become about more than exposure. Artists and buyers are using it as a tool for art sales—an approach made even more valuable in the era of social media influencers. According to Artprice, a French online art price database, the total auction value for art globally reached \$14.9 billion in 2017, an increase of 19.8 percent from 2016. Online art sales, meanwhile, according to insurance company Hiscox's 2018 report, reached an estimated \$4.22 billion in 2017, up 12 percent from the previous year. While online art sales are small scale compared to auctions, finding art through social media and buying it online has a clear generational divide. According to the TEFAF report, more than 40 percent of 18-24 year old consumers in the US



“The best reason to paint is that there is no reason to paint.” — Keith Haring

discovered art through social media and over 50 percent in that age bracket would buy art online. Compare this to the 55-64 age bracket where less than 9 percent discovered art through social media, and just under 23 percent would buy art online. The argument can be made that social media and online buying are trends set to increase as millennials come of age.

My own eureka moment with Instagram came when I installed an artwork for a prominent social media influencer who ended up posting to her feed a picture of her living room that included my installation. I woke up the next morning with hundreds of additional followers and a barrage of messages asking about my work and where it could be bought. This eventually resulted in increased sales. It was this experience that helped me understand the power of social media.


Having a digital interface has allowed me to dedicate more time to the creation process than the marketing process. From 2005 to 2010, I worked to be present at every art fair and exhibition in Lebanon and Dubai to promote my work and gain peer recognition. Today, I tend to exhibit in select galleries in London and Singapore, and use Instagram as the main showcase of my work, and as the primary communication channel with agents and clients. And I am not alone.

To catch-up with the trend, even reputable art websites such as Artsy and Saatchi Art are offering guides on how to market art on social media. Tips range from identifying which hashtags to use and at which times to post, to the captions to write and the people to follow—all aimed at helping artist increase visibility and rise to fame.

One of the most successful examples of using social media as a trampoline to success was the Museum of Ice Cream (MOIC), which opened its doors in 2016 in New York after months of online hype and anticipation. With more than 400,000 followers on Instagram, the museum became the “it” place to see and be seen, with hundreds of selfies posted each day alongside #museumoficecream. After a three-month wait for an \$18 entry ticket, I had the chance to visit the museum’s Los Angeles location with my three children. All of us enjoyed the museum. While defi-

nately not on the scale of the Museum of Modern Art (MoMA), with its 3.8 million Instagram followers and prestigious curation, the MOIC is part of a new generation of exhibition areas and art spaces that specifically target millennials as a desirable new audience. One of the gimmicks of the MOIC is that you are only allowed to spend three minutes in each gallery—enough time to take a quick selfie. And let’s face it, if it weren’t for social media and the buzz generated online, the New York MOIC would only have been visited by local students on field trips and curious locals. Instead—in less than a year—the MOIC has had over 500,000 visitors and has opened locations in Los Angeles, Miami, and San Francisco.

Social media not only assists with the promotion and sale of art, it has also begun to shape it. As Carolina Miranda wrote for the Los Angeles Times in 2016: “The relationship between art and social media is a tricky one. The former is about pushing boundaries; the latter, enforcing them.” She goes on to argue that social media is “quietly shaping the way art is produced and shown.”

Social media often drives artists to worry more about accumulating likes and followers than creating beauty, sharing emotions, and raising voices via their art. While it has made it possible for many artists to have greater access to the world, it has also lowered the threshold to becoming recognized as an artist. Anyone can call themselves an artist on Instagram; no one can bestow the title upon them, or take it away. And while this means greater access to talented people, it also means that less-than-talented individuals are able to thrive and prosper. As the street artist Plastic Jesus pointedly preached in a 2013 slogan stenciled across the city of Los Angeles: Stop making stupid people famous. 

NAYLA KAI SAROUFIM is a Lebanese art director and illustrator. For a decade now, she has been engaging in creative expression through her work, which embodies her attraction to colors and interest in varied forms of expression, especially steel installations. You can see her work at: www.naylasaroufim.com/lations.

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"The best reason to paint is that there is no reason to paint." — **Keith Haring**

SMOKERS' RHAPSODY

NO LONGER FEELING THE BURN:
AN ADDICT'S TAKE ON IQOS

Words by **Yasser Accaoui**



during the third week of July, three things happened: my brother—against the advice of his doctor—began smoking again; my younger son stepped off a plane with an e-cigarette shaped like a USB hanging out his mouth; and my eldest son shared his worst nightmare with me—a dream in which I was disappearing in a cloud of smoke. The subconscious reveals our deepest fears, and my sons are obviously extremely concerned for my health. They're not alone; I was troubled by these three incidents as well. I need to be more conscientious about my addiction, and the effect it is having on my family.

That same week, my brother gifted me an IQOS device, along with a few packs of HEETS.

My brother thought that at age 50, gadgets were not for him, but he knew that I'm always curious to

try new tech. I was also given the opportunity to visit the CUBE in Neuchâtel, Switzerland—the \$200 million R&D facility where the IQOS was developed. Between this new tech and my family's smoking habits or fears are a lot of mixed feelings I decided to share. IQOS is a heated tobacco system designed by Philip Morris International (PMI) and HEETS are the tobacco consumable that is designed to be used with the IQOS.

"Je vous parle d'un temps que les moins de quarante ans ne peuvent pas connaître." To misquote Azanavour.

Michel Piccoli and Romy Schneider smoked through every scene in *Les Choses de la Vie* when it was released in 1970. The script writer wanted to make sure they represented the liberal, romantic,

and sophisticated middle class of the late 60s. Only the kissing scenes got the cigarettes briefly moved from their lips. Lucky Luke, our childhood hero, had a cigarette in his mouth in every illustration we rubbernecked. It was impossible to find one picture in my parents' wedding album that does not have at least one smoker in it. Growing up, a big silver plate decorated the middle of our salon, and in it you could find every brand, size, and flavor of tobacco cigarettes on the market. My high school teacher allowed students to smoke with him in philosophy class. We smoked in planes, cars, restaurants, nightclubs, bedrooms, and bathrooms. Cigarette companies (the Big Four) competed ferociously; their commercials always found healthier, happier, more beautiful, and more famous stars to make the audience drool. The Marlboro Man was our hero, although to this day I am still not sure what he meant by "Come to where the flavor is, come to the Marlboro country." Was it an invitation to come to the USA? Or just insinuating that smoking Marlboros would be as good? As a kid, I just wanted to be a cowboy just like him—the ads seemed to work just as well on children.

I don't remember who I was with or where I was when I started smoking. Was it with Marwan in his orange Mini Cooper? With Cherine next to Mehio, the shopkeeper who had a stand on my high school campus and would sell students a cigarette when we couldn't afford a full pack? Or with Iyad at Mecano, the legendary discotheque at Summerland Hotel? All I remember is that it was the summer of 1984, and I was 15.

The whole Rolling Stones crew, Bowie, Hendrix, Audrey Hepburn, JFK, Churchill, Che, Castro—all smoked. There was a cigarette for every taste, mood, and character—Marlboro reds for the "Joe Camaro," Camels for the "Gino Cappuccino," while the "Artsy Fartsy" smoked Gitanes *sans filtre*. We smoked without a care, trying every new offer on the market in constant pursuit of cool, while listening to Serge Gainsbourg's tunes: "*Dieu est un fumeur de havanes, Je vois ses nuages gris, Je sais qu'il fume même la nuit, comme moi ma chérie.*" We believed Serge.

It wasn't until Sharon Stone's famous police precinct scene in *Basic Instinct* in 1992 that the anti-tobacco witch hunt began. Ever since, we have been bombarded with anti-smoking campaign after anti-smoking campaign. To be a smoker now is to be al-

ienated: We have been fired, sanctioned, and judged by lawmakers, health practitioners, and NGOs, who persistently traumatize us with shocking pictures and bold-print warnings.

For most of us it is too late; we are vulnerable nicotine addicts who fell victim after a decades-long brainwashing. Coolness removed, we still strike the "too-cool-for-school" pose—this time disgraced in the cold outside restaurants, airports, nightclubs, and hotels.

When deprived, we get distracted during meetings, leave our dates and families at dinner tables, go out hunting in the middle of the night in search of an open store, even gaze into ashtrays in hope of finding an unfinished cigarette butt. Anything to get a fix. Yes, a fix. We are no different from any other type of addict. And we accept the humiliation: Imagine the feeling of disgrace when standing in a smoking glass cage at an airport, the tobacco-stained walls and the passersby looking in with disdain while us addicts suck in as much nicotine as possible before the last call, boarding the plane stinking from head to toe. Education is irrelevant: Reason does not work with addicts; we will always find a good reason to smoke just one more cigarette. Health warnings and doctors' advice be damned, some nicotine addicts are even caught smoking on hospital balconies after heart surgery and chemotherapy.

I don't know what was in the brief given to design thinkers at the CUBE—located not far from the International Institute for Management (IMD) in Lausanne, the university where the Nespresso machine was conceptualized, not unlike many other genius entrepreneurial ideas that Switzerland has become known for—but I can imagine it would go something like this:

"Philip Morris International is looking to compete against the wave of nicotine vape products and devices that are popping up every day and flex its corporate muscles through the development of a new tobacco product that will allow it to capitalize on its leading market positioning, good image (among smokers only, of course), logistics, supply chain, etc. The new design needs to look cool, be user-friendly, and should relieve smokers from many of the discomforts of cigarette smoking: smell, aftertaste, stained teeth, stained fingers, stained walls, stained carpets, stained furniture, stained children, and, of course, stained lungs. As for the latter, the new device should admin-

"The best reason to paint is that there is no reason to paint." — **Keith Haring**



ister the same amount of nicotine found in a cigarette but allow us to argue that it reduces harm compared to other products that have leading contributors to heart disease and lung cancer. The consumable, should be made from biodegradable elements, and be manufactured using our existing production facilities." (This reconstruction was drawn solely from my imagination).

Several packs of cigarettes later—assuming that PMI scientists are loyal to the brand—the design team came up with the brilliant IQOS, a concept that is so promising for PMI that it has secured \$4.5 billion in investment so far. Built on a heat-not-burn concept, the HEETS use the existing production lines at the company's facilities. Shaken, shredded, then mixed with other ingredients and flavors, the tobacco is transformed into long sheets before being packed in neat mini cigarettes that are inserted into the IQOS. It takes 20 seconds for the tobacco to reach 350 degrees Celsius—thanks to the rechargeable battery heated blade inside the IQOS device—before releasing vape for the user to inhale. It is quite a long wait when you need an immediate fix, and an even longer wait when the IQOS needs to recharge. This is particularly frustrating when you require two fixes in a row: Journalists like me who work under strict deadlines will understand. Personally, I enjoy the smell that dissipates during the heating process; it reminds me of a smell from my childhood—one that would appear when my father used the cigar lighter before it reached burning point in his non-air conditioned 1969 Mercedes 280 SE.

Since it does not burn the tobacco, no tar is inhaled, and PMI's research argues that this minimizes the effect on the lungs. For my part, I do feel healthier. I run better and for longer. I feel as though my lungs are happier. Even my neighbor, an oncologist, confirmed this to me—with a disclaimer of course since the United States Food and Drug Administration has not yet approved the IQOS.


The taste of the HEETS is not bad and there are

several flavors to choose from, but its smell does linger in the room and can bother others, even if it dissipates quite quickly after use.

To test in social impact further, I discreetly monitored people's reactions at Barcelona airport, while waiting in line to board and in the comfort of airport lounges and restaurants. No one seemed to notice the smell.

I am sure that PMI board members and management are proud of themselves. Ten thousand converts per day or \$366 million from sales of the IQOS per year at \$100 a pop, not to mention they are using the Apple playbook with never-ending upgrades—the IQOS 2.4, 2.4+, 3. The real money is in the sale of HEETS. One carton costs \$50 in Europe, duty free, so one a week or 52 per year comes to \$2600 on HEETS annually per person—unless you have a good friend willing to bring HEETS from Russia, where the price is less than half. Do the math and subtract the extra 35 percent in additional costs to produce HEETS, that's good business. At least their consciences have been sold at a high price.

As an addict, I must say I am satisfied with my two-month experience so far. The IQOS device successfully allows me to replicate my terrible smoking habits, while arguably reducing my self-inflicted harm. Hopefully IQOS can help me keep my promise to my elder son—to one day quit entirely—and maybe if I can overcome my nicotine dependence, then at least when he kicks my ass at basketball I will go down with a bit more style.

As for my younger—at times overly inquisitive—son with his new e-cig contraption: I beg you not to make the same mistakes I made. Sons are supposed to outgrow their fathers, and become stronger, smarter, with slicker dance moves. Do not fall victim to nicotine. Do not become an addict, willing to shell out thousands a year on the latest piece of tech that tries to sell you a smoker's habits with none of the downsides. Smoking is not good for your health, end of story. Anyone who tries to argue otherwise is deceiving and manipulating you, no matter how hard they try and sell it. Smoking, much like your father, used to be cool. 



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Our partner



BUSINESS ESSENTIALS

Company Bulletin

■ The **International Olympic Committee and Allianz** announced that the insurer will join the “Worldwide Olympic Partner” Program in 2021.

■ **Majid Al Futtaim**, the shopping mall, communities, retail, and leisure pioneer across the Middle East, Africa, and Asia, and the **United Nations Children's Fund** have announced their partnership to help send 1 million children to school by 2020.

■ The **EuroMena Funds** joined the global movement **World Cleanup Day** to help make Lebanon a cleaner place. Partnering for the first time with **Live Love Beirut**, Lebanon Cleanup Day took place on September 15, the first of many future corporate events.

■ September 15 was **World Cleanup Day**. More than 3,500 volunteers came together in Lebanon to clean more than 30 locations in the country in the span of five hours. **Junior Chamber International Lebanon** organized the event officially in Lebanon in partnership with **Live Love Beirut, Aleb Keserwan, Burger King**, and dozens of local organizations, and in coordination with the **United Nations Information Center in Lebanon**.

■ Hamid Haqparwar, currently director of sales and marketing at **BMW Group Middle East**, has been appointed as managing director of BMW Group Middle East, effective October 1st.

■ The **Institute of International Finance**, in cooperation with the **Byblos Bank** Economic Research and Analysis Department, published its outlook on the Lebanese economy, indicating that it is suffering from

protracted economic stagnation, as the lack of reforms and delay in the formation of the new cabinet have dampened private consumption and investments.

■ Under the patronage and presence of H.E. Ghassan Hasbani, deputy prime minister and minister of public health, the Department of Cardiology at **Hotel Dieu de France Hospital** organized a first of its kind cardiology conference in Lebanon, titled “Innovation in Cardiology.”

■ The civil marriage between Tarek Mallak and Anastacia El Hajj was part of a local campaign, Civil Love, by **Absolut Lebanon**. Civil Love is a campaign that represents Absolut's vision for a better, more open world.

■ Building on the success of their first annual student competition, **Banque Libano-Française** and the Issam Fares Institute for Public Policy and International Affairs at the **American University of Beirut** partnered with the **IHE Delft Institute for Water Education and Wageningen University and Research** in the Netherlands to launch a second competition, on a regional level, entitled “Climate Change and Water Scarcity, Exploring the Water-Energy-Food Nexus.”

■ **QUEST Education** is an academic center and online school based in Beirut, Lebanon. It was founded for the purpose of providing education and support to high school students in Lebanon as they prepare for local and international colleges.

■ The **Happy Childhood Foundation – Lebanon**, originally the Philippe Hatem Foundation for a Happy Childhood, inaugurated the

new and expanded Laetitia Hatem Rehabilitation Center on September 12 at **Hotel Dieu de France Hospital in Beirut**.

■ In a move that will strengthen the digital payments ecosystem across the Levant, **Mastercard** has signed a seven-year collaboration agreement with the award-winning Lebanon-based **BLOM Bank**. Mastercard will work closely with **BLOM Bank** on the rollout of innovative payments technologies across Lebanon.

■ After the success of City Picnic's “On the Beach” Edition, **Mindwhisk Events**, in collaboration with **Solidere** and **Virgin** radio, organized a new edition of “CITY PICNIC” on September 22 and 23, titled “Goodbye Summer,” at Beirut Waterfront.

■ **Clemenceau Medical Center**, affiliated with **Johns Hopkins Medicine International**, is the first hospital in Lebanon to provide patients suffering from brain cancer with cutting-edge therapy that significantly reduces treatment time and intervention level.

■ The all new **INFINITI QX50** has finally arrived at **RYMCO INFINITI** showrooms across Lebanon. The much-anticipated vehicle further advances INFINITI's market-leading presence in the mid-size premium SUV segment.

■ In order to ensure its strong commitment to providing its customers with the latest products in the market, **LGB BANK** in partnership with **Visa** and in collaboration with **Medco**, and **Phoenicia Energy Company**, announced the launch

of a new offer that will enable Visa card holders issued by LGB BANK to win a 2018 **Land Rover** Discovery.

On the occasion of the 2018 edition of the Asia Fruit Logistica fair, **CMA CGM**, a worldwide shipping group, is proud to announce the launching of CLIMACTIVE, the most advanced technology for the transportation of highly sensitive fruits and vegetables in an actively controlled atmosphere.

FFA Private Bank celebrated its 25th anniversary on September 16 at Ahlam Golf and Mountain Village in Kfardebian. Away from the suits and cocktail dresses, in a casual country lunch in the nature of Kfardebian, Chairman and CEO Jean Riachi announced the passage of 25 years since he founded FFA Private Bank.

T. Gargour & Fils unveiled the new **Mercedes-Benz** A-Class, completely redefining modern luxury in the compact class and revolutionizing interior design.

The new **Ferrari** Monza SP1 and SP2 were unveiled on the occasion of the company's Capital Market's Day at the factory in Maranello.

The new **Lamborghini** Urus was officially launched by **Lamborghini Beirut** at Grand Hills Hotel in Broumana.

Societe Generale de Banque au Liban signed a \$100 million finance package with the **European Bank for Reconstruction and Development** for the purpose of lending to small- and medium-size enterprises, boosting cross-border trade, and helping local businesses access international markets.

After its successful launch in Lebanon in 2014, **Careem** took a huge leap and introduced the new Careem 'MOTO' service to help customers commute inside Beirut amid the growing number of vehicles on the roads and ever-present traffic.

Under the Patronage of Minister of Culture H. E. Ghattas Khoury, **BEIRUT ART WEEK** (September 18-25) was launched, continuing its annual tradition of bringing contemporary art to the heart of Beirut. **BEIRUT ART WEEK** is a unique offsite program of **BEIRUT ART FAIR** (September 20-23) and featured works of art displayed in public spaces and the city's most prestigious shops.

Michael Kors Holdings Limited, a global fashion luxury group, announced that a definitive agreement has been signed to acquire all of the outstanding shares of Italian luxury fashion house **Gianni Versace SpA** for a total enterprise value of approximately \$2.12 billion.

G. Vincenti & Sons is organizing a four-course malt whisky pairing dinner on October 2. The event will be hosted for the first time in the Middle East by the legendary **Highland Park** Senior Brand Ambassador Martin Markvardsen to launch the exclusive Single Cask Series "The Cask & Barrel Private Cask Edition 13 YO."

Chivas teamed up with Rabih Kayrouz, fashion designer and co-founder of **Starch Foundation**, and Kamal Mouzawak, founder of **Tawlet**, to better explore the respective ventures of the two social entrepreneurs who have managed to build a brand that is socially-conscious, much like the Chivas brothers.

Betty Ketchedjian was announced as winner of the **2018 Byblos Bank Award for Photography**, the seventh edition of one of the most sought-after artistic photography prizes in Lebanon, during a ceremony that took place at **BEIRUT ART FAIR**.

Samsung Electronics Co., Ltd. and **Google LLC** announced they are working together to offer an enhanced smartphone messaging experience, accelerating the industry

initiative toward global Rich Communication Services coverage and interoperability.

Regional creative communications powerhouse **Memac Ogilvy** has announced the appointment of Philippe Berthelot as the agency's new managing director for the UAE.

On September 4 **Audemars Piguet** and **Tamer Frères** hosted a golden summer party at Skybar, a tribute to the iconic gold collection of Audemars Piguet.

Bayt.com, the Middle East's largest job site, reported that a new spike in website traffic and job seeker online activity had been reached. Bayt.com is currently receiving 16,000 new members every single day—that's upwards of 6 million registrations per year.

OLX Lebanon has recently concluded its first celebrity campaign on social media, Stars on OLX, featuring four Lebanese celebrities covering four categories on OLX platform: Fadi el-Khatib (Sporting Goods), Hilda Khalifeh (Fashion & Beauty), Nada Abou Farhat (Hobbies, Music, and Art), and Mario Bassil (Electronics & Home Appliances).

For the third year in a row, **SGBL** is happy to partner with **BEIRUT ART FAIR** and bring us REVEALING, a unique platform that brings forward a new generation of up-and-coming artists, giving them the opportunity to showcase their work, shining a light on the art of tomorrow.

As part of the bank's CSR commitments, **SGBL** sponsors a large number of festivals throughout the year in various Lebanese regions, contributing to the strengthening of cultural tourism. This year, the bank sponsored more than 13 international and national festivals including Beiteddine, Cedars, Baalbeck, Ghosta, Faqra, Sidon, and Tyre, among others.

BUSINESS ESSENTIALS

Company Bulletin

■ Held from September 14-16 at Waterfront City Dbayeh, the 2018 **Land Rover** Above and Beyond Tour built on last year's success and offers the frontrunners a chance to win the trip of a lifetime to Namibia.

■ When it comes to buying a new car, more than 60 percent of Middle East consumers say that fuel efficiency is more important than power. That's just one conclusion in a survey of thousands of people in eight countries across the Middle East and Levant, which **Ford Middle East** conducted on Twitter recently—the first consumer-oriented research Ford has conducted via social media.

■ **Alfa**, managed by **Orascom TMT**, and the **Lebanese Basketball Federation** signed an agreement for Alfa to sponsor the national basketball team, which is participating in the qualifying games for the **2019 FIBA Basketball World Cup** in China.

■ Following the global launch of **Huawei's** innovative Kirin 980, HUAWEI AI Cube, Locator, and HUAWEI P20 new colors, international technology media have recognized the new products at **IFA 2018**.

■ Under the auspices of H.E. Minister of Telecommunications Jamal Jarrah, **Alfa**, managed by **Orascom TMT**, launched for the first time in Lebanon the Voice over LTE technology from the Alfa flagship store, located in its headquarters in Dekwaneh.

■ **Volvo Cars** has extended the contract of chief executive and president Håkan Samuelsson by another two years to 2022. The extension provides the company with manage-

ment continuity as it continues to transform itself into a global and diversified mobility service provider.

■ **Samsung Electronics** gathered Lebanon's dealers and operators at Bahay Island at Riviera Hotel & Beach Lounge Beirut on September 6 to introduce them to the latest addition to its premium Note series, the Galaxy Note9, through an informative and interactive training and a fun night full of innovation and surprises.

■ Targeting sports enthusiasts and music lovers looking for stylish products, **Sony Middle East and Africa** has launched the WF-SP700N, the world's first Automatic Noise Canceling splash-proof truly wireless headphones in Lebanon.

■ **Raouché Arjaan by Rotana** held a series of internal motivational activities throughout the summer season, which culminated in an entertaining gathering around the pool on the hotel's 17th floor for the employees and their families, who enjoyed a charming ambience before the back to school season.

■ At this year's IFA in Berlin, **LG Electronics** unveiled a signature kitchen suite designed specifically for the European market, featuring a lineup of ultra-premium built-in kitchen appliances designed to satisfy the discerning demands and needs of the sophisticated European culinary lifestyle.

■ **touch**, managed by **Zain Group**, organized "Robotics for Good," a youth innovation program organized in partnership with **Riyada for Social Innovation SAL**. This program is part of the "Summer of Innova-

tion" 2018 initiative launched by the Presidency of the Council of Ministers.

■ Under the patronage of Lebanese Prime Minister-designate Saad Hariri, and in cooperation with the **United Nations Information Center in Beirut**, the **Change-maker Festival** was organized for the first time in Lebanon on September 8-9, at the new Biel Hall, Sin El Fil. The festival was organized with the support of **Banque du Liban**, **BLOM Bank**, and other private sector companies.

■ **Huawei** recently grabbed headlines when it climbed up to become the second smartphone vendor globally. As reported by **IDC**, Huawei's Q2 2018 global smartphone market share increased to 15.8 percent, solidifying the brand's new ranking.

■ **Red Bull** Car Park Drift is once again back in its city of origin, Beirut, where everything started more than a decade ago. The grand finale took place on September 23 in the parking lot adjacent to Beirut's Martyrs' Square.

■ **Careem** has always had big and meaningful ambitions. Four years ago, the company shared its vision of having 1 million Captains on its platform by the end of 2018, and on September 3, Careem announced that it has achieved that extraordinary goal one quarter early.

■ In a new banking achievement, five new accolades have recently been conferred upon **Bank of Beirut**. The bank was recognized as "Fastest Growing Bank," "Best Retail Bank," "Best Commercial Bank," and "Best Transaction Bank" in Lebanon by **Banker Middle East Awards**. 

NEW INTERIOR



RESTAURANT BAR

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CENTRALE

RESERVATIONS: 03 915 925 / 01 57 58 58



BUSINESS ESSENTIALS

Events

CONFERENCES

	ORGANIZERS	CONTACT	WEBSITE
LEBANON			
4-5 Oct	EFFICIENT BUILDING DESIGN American University of Beirut	+961 1 350 000; masri-i@aub.edu.lb	www.aub.edu.lb
4-5 Oct	AML & CFT COMPLIANCE FORUM IN ARAB BANKS AND FINANCIAL INSTITUTIONS Union of Arab Banks	+961 1 377800; uab@uabonline.org	www.uabonline.org
11 Oct	HAPPINESS AT WORK I Have Learned Academy	+961 3 376 390; info@ihavelearned.me	-
18-19 Oct	EGYPTIAN-LEBANESE BUSINESS FORUM Al Iktissad Wal Aamal	+961 1 740173/4; info@iktissad.com	www.iktissadevents.com
8-9 Nov	ARAB FORUM FOR ENVIRONMENT AND DEVELOPMENT AFED	+961 1 321800; info@afedonline.org	www.afedonline.org
12-16 Nov	MENA BANKING AND FINANCE WEEK Union of Arab Banks	+961 1 377800; uab@uabonline.org	www.uabonline.org
15-16 Nov	ANNUAL ARAB BANKING CONFERENCE Union of Arab Banks	+961 1 377800; uab@uabonline.org	www.uabonline.org
17 Nov	ACCESS MBA Advent Group	+33 143 41 4128; projectmanagers@adventgroup.net	www.advent-group.net
29 Nov	ANTI-CYBERCRIME FORUM Al Iktissad Wal Aamal	+961 1 740173/4; info@iktissad.com	www.iktissadevents.com
DUBAI			
1 Oct	CITYSCAPE GLOBAL CONFERENCE Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informaexhibitions.com
8-9 Oct	GOVERNMENT AND ENTERPRISE ASSET MANAGEMENT CONGRESS Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informa-mea.com
17-18 Oct	GCC MUNICIPALITIES AND SMART CITIES CONFERENCE Datamatix Group	+9714 - 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
31 Oct - 1 Nov	CFO STRATEGIES FORUM MENA 2018 Naseba	+971 4 367 1376; prachid@naseba.com	www.naseba.com
1 Nov	GCC GOVERNMENT AND BUSINESS LEADING CEO CONFERENCE Datamatix Group	+9714 - 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
5-8 Nov	PROCUREMENT EXCELLENCE SUMMIT Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informa-mea.com
11-12 Nov	ANNUAL MEETING OF THE GLOBAL FUTURE COUNCILS www.weforum.org	+41 22 869 1212; contact@weforum.org	www.weforum.org
12-14 Nov	HR SUMMIT AND EXPO Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informa-mea.com
14-15 Nov	GLOBAL WOMEN IN LEADERSHIP ECONOMIC FORUM Naseba	+971 4 367 1376; prachid@naseba.com	www.naseba.com
26-27 Nov	THIRD ANNUAL DUBAI GREEN HOTEL INNOVATION ACM	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
12-13 Dec	GCC FUTURE LEADERS Datamatix Group	+9714 - 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
ABU DHABI			
21-23 Oct	SUPERRETURN MIDDLE EAST Informa	+44 (0) 20 7017 7200; info@icbi.co.uk	www.superreturnme.com
12-13 Nov	3RD ANNUAL FUTURE POLICY TECHNOLOGY UAE ACM	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
JORDAN			
9-10 Oct	ROAD TO BASEL 4 – THE EXPECTED BASIC MODIFICATIONS Union of Arab Banks	+961 1 377800; uab@uabonline.org	www.uabonline.org
SAUDI ARABIA			
22-23 Oct	KSA MANUFACTURING TECH SHOW ACM	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com

	ORGANIZERS	CONTACT	WEBSITE
9-11 Dec	WATER DESALINATION CONFERENCE Exicon intl group	+966 11 460 2332; info@exicon-specialist.com	www.exicon-specialist.com
10-11 Dec	SMART SERVICES ACM	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com

EGYPT

17-18 Oct	MARKETING KINGDOM CAIRO 4 P World	+3892 5 111 350; info@thepworld.com	www.thepworld.com
5-7 Nov	BANKING TECH NORTH AFRICA WEEK IQPC	+030 20913 -274; info@iqpc.de	www.iqpc.ae
18-20 Nov	INTERNATIONAL OPERATIONS AND MAINTENANCE CONFERENCE IN THE ARAB COUNTRIES Exicon intl group	+966 11 460 2332; info@exicon-specialist.com	www.exicon-specialist.com
13-15 Dec	THE ROLE OF DIGITAL FINANCIAL COMMUNICATION AND SOLUTIONS IN ENHANCING FINANCIAL INCLUSION Union of Arab Banks	+961 1 377800; uab@uabonline.org	www.uabonline.org

QATAR

3-4 Dec	QATAR WATER INFRASTRUCTURE ACM	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
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KUWAIT

3-4 Oct	DIGITAL REFINERIES SUMMIT IQPC	+030 20913 -274; info@iqpc.de	www.iqpc.ae
7-9 Oct	ARABNET KUWAIT Arabnet	+961 1 658 444; info@arabnet.me	www.arabnet.me

IRAQ

4-5 Dec	BAGHDAD FINANCIAL & INVESTMENT FORUM Union of Arab Banks	+961 1 377800; uab@uabonline.org	www.uabonline.org
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BAHRAIN

14-Oct	GLOBAL HR TRENDS SUMMIT MANAMA P World	+3892 5 111 350; info@thepworld.com	www.thepworld.com
11-12 Dec	THIRD ETHYLENE MIDDLE EAST TECHNOLOGY CONFERENCE AND EXHIBITION UBM AEM	+971 4427 0739 ; info@mee-events.com	www.ethylene-me.com

EXHIBITIONS

	ORGANIZERS	CONTACT	WEBSITE
LEBANON			
3-6 Oct	VINIFEST Eventions	+961 1 280 085; info@eventionslb.com	www.vinifestlebanon.com
18-20 Oct	WHISKY LIVE BEIRUT Hospitality Services	+961 1 480 081; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb
18-21 Oct	WEDDING FOLIES Promofair	+961 1 561 605; info@promofair.com.lb	www.promofair.com.lb
8-10 Nov	SALON DU CHOCOLAT 5TH EDITION Hospitality Services	+961 1 480 081; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb
14-17 Nov	EDUCATION AND ORIENTATION EXPO Promofair	+961 1 561 605; info@promofair.com.lb	www.promofair.com.lb

DUBAI

2-4 Oct	CITYSCAPE GLOBAL Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informaexhibitions.com
8-10 Oct	THE MINING SHOW Terrapinn Middle East	+971 1 444 02500; enquiry.me@terrapinn.com	www.terrapinn.com
29-31 Oct	SEATRADER MARITIME MIDDLE EAST 2018 Seatrade Communications Ltd	+971 4 324 5344; events@seatrade-middleeast.ae	www.seatrade-middleeast.com
7-8 Nov	ACCOUNTING AND FINANCE SHOW MIDDLE EAST Terrapinn Middle East	+971 1 444 02500; enquiry.me@terrapinn.com	www.terrapinn.com
13-14 Nov	THE AVIATION SHOW MEASA 2018 Terrapinn Middle East	+971 1 444 02500; enquiry.me@terrapinn.com	www.terrapinn.com
14-16 Nov	GETEX Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informaexhibitions.com
4-6 Dec	GULF TRAFFIC Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informaexhibitions.com

BUSINESS ESSENTIALS

Events

	ORGANIZERS	CONTACT	WEBSITE
5-6 Dec	PERE INVESTOR FORUM PERE Conferences	+1 212 633 1075; colm.g@peimedia.com	www.privateequityinternational.com
5-6 Dec	HITEC DUBAI Naseba	+971 4 367 1376; prachid@naseba.com	www.naseba.com
ABU DHABI			
25-27 Oct	MIDDLE EAST GAMES CON Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informaexhibitions.com
31 Oct - 2 Nov	NAJAH ABU DHABI Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informaexhibitions.com
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LAST WORD

By Christophe Martin

Peace for those left behind

Legislative action is required to give answers to the families of the missing

“Just a bone,” she said. “All I need is one bone for me to put his memory at peace.” On the International Day of the Disappeared, at an event organized by the International Committee of the Red Cross (ICRC), a woman from the crowd took the floor and reminded us again why, year after year, we commemorate those who have gone missing: For each family, the day their loved ones went missing is as fresh as yesterday, and they need answers to find peace.

Despite the tragic circumstances that surround this commemoration every year, the country has never been closer to bringing answers to those who lost a son, a mother, or a loved one. A draft law on the missing has been passed in Parliament’s Human Rights and Justice and Administration committees. If this law is approved by the full legislature, it will set up a legal framework establishing a humanitarian, independent mechanism charged with finding answers about those who went missing during the Lebanese Civil War.

The 15-year civil war has distorted the collective memory of a nation. It bears a heavy toll not only on the relatives of those still missing, but on the country as a whole. The transgenerational burden needs to be lightened for Lebanon to move forward. Since 2012, the ICRC has been working on a number of initiatives with purely humanitarian ends, such as collecting ante-disappearance data and biological reference samples of family members. Experts in forensic science and human identification, anthropologists, and archaeologists are being trained in order to form a network of expertise. ICRC



Soumaya, Ahmad's wife, raised their 11 kids on her own. Their youngest son was a little younger than 10 years old when his father went missing. He used to go around and ask people if they knew anyone who would "bring my dad back." Credit: Natalie Naccache


has also been supporting the families in their efforts to revive the memories of their missing relatives and to mobilize themselves back into action.

However, the ICRC can only go so far to address the needs of the families of the missing. It is, rather, the government’s responsibility to make sure that the fate and whereabouts of the missing are known, and their families are informed. That said, after years of work, the tools to provide answers to families are in place. With the passage of the Law on the Missing, a legal framework would be established that would allow for the work to reach its completion: The fates of the missing would be uncovered and with it, Lebanon could turn a new page. We are halfway there.

A few years ago, Um George, the mother of a missing person, passed away without any news about her son, who was last seen in 1983. Before she passed away, Um George told her daughters that she’d look for their brother up there, in the skies. But she also tasked her daughters to look for

him on Earth, and to knock on her grave once they have found him.

If the Law on the Missing passes in Parliament, thousands of families like that of Um George’s will finally be delivered from decades of living in uninterrupted grief. Some claim, however, that by initiating a process to clarify the fate of the missing, Lebanon would reopen a wound better left closed. But the 3,000 family members that we have visited will tell you that the wound is not closed for them. Rather, legislation such as the Law on the Missing has the power to exhumate individual trauma, ascribe it with collective meaning, and ultimately archive the event. And until traumas of the Lebanese Civil War are collectively processed, the present will continue to be shackled to the past.

The International Committee of the Red Cross requests that the Lebanese Parliament passes the Law on the Missing and gives long-awaited answers to families on the fate of their loved ones. 

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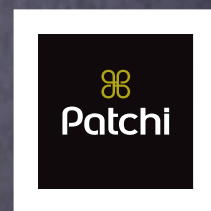


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