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You can’t handle the truth

Our naive and simple minds have proven time and time again to be susceptible to transparent excuses. They shield us from accepting the facts on the ground and allow us to orbit in an imaginary reality instead—one that suits our ambitions and aspirations. Sometimes reality is so unacceptable, it needs to be absorbed and digested, repressed and denied, before we can carry on.

Jamal Khashoggi’s murder last month obliges us to stop and face the bitter reality. His death was so horrendous and flagrant that it awakened many from the illusions of their blinding virtues. In the interest-driven world that we live in, only greed, ego, ignorance, disrespect for human dignity, and disregard for integrity prevails. It is the interests of nations and greed, amplified by leaders’ superegos, that decide our fate.

This disruption to the global order makes clear how immature our political elite are in assessing the regional geopolitical situation and its impact on Lebanon. Their political failure is no different from their economic ignorance and disinterest. Their reliance on the promise of greater nations to ensure the stability of Lebanon does not specify what the definition of stability means and whom this stability serves. If this current status is the definition of stability, we do not want it. It only serves others’ interests, above our sovereignty. It does not permit for any progressive thinking about development and change.

To zoom in further, our naive entrepreneurs are exactly in the same rut. While living in their bubble, mimicking Silicon Valley, they expose their vulnerability to the greed and self-interest and entitlement that surrounds them. There is a worrying status-quo that is settling in—one that lacks accountability and a commitment to best practices.

Unless we open our eyes and deal with reality, we will remain a vulnerable, unsovereign nation, unable to protect entrepreneurial youth.

Wake up. Watch your back.

Yasser Akkaoui
Editor-in-chief
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Bassil dismisses Israeli claims of missiles with press tour

On October 1, caretaker Foreign Minister Gebran Bassil led foreign ambassadors and press on a chaotic tour of alleged missile sites in Beirut in an effort to dispel the notion that any missiles were based there. Bassil’s move came in response to claims made during a United Nations address by Israeli President Benjamin Netanyahu, on September 27, that Hezbollah had built weapons storage facilities containing precision missiles near the airport. “Israel is used to using fabrications … based on inaccurate facts,” Bassil told the ambassadors. The tour focused on Ahed Football Stadium—one of the alleged storage areas—where press and ambassadors were free to roam in search of the alleged missiles and question those at the grounds. Bassil also took the tour to a warehouse he alleged was one of the three missile sites cited by Netanyahu, but this was later found not to be the case.

US narrows in on Hezbollah

After months of speculation, the US doubled down in its pursuit of Hezbollah in October, with the United States’ Department of Justice designating the group a “transnational crime organization” on October 15, closely followed by new US sanctions targeting their financial activities. On October 25, US President Donald Trump ratified these new sanctions, outlined in the Hezbollah International Financing Prevention Amendments Act (HIFPAA) of 2018, saying the step was a commitment to “target, disrupt, and dismantle [Hezbollah’s] operational and financing networks.” The White House noted in a statement that the law sought to more stringently target “foreign entities that support Hezbollah or its agents.” The new sanctions directly target, among other entities, the group’s Foreign Relations Department and its flagship media enterprise, the Al-Manar TV station. Earlier this year, the US encouraged Lebanon to excise Hezbollah from its financial sector, and in May imposed additional sanctions on the group.

Mieh Mieh clashes kill five

Violent clashes between two rival Palestinian factions rocked the Mieh Mieh camp, east of Saida, for several weeks in October, leaving at least five dead and 26 wounded. The Fatah
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Movement and Hezbollah-linked Ansar Allah fought on-off skirmishes over a two week period. Successive ceasefire agreements sought to quell the violence toward the end of the month, with the latest deal—struck on October 28—resulting in uneasy calm, which was tentatively holding at the time of writing. The latest agreement includes the deployment to the camp of a joint-force from the Democratic Front for the Liberation of Palestine, the Popular Front for the Liberation of Palestine, and the Islamic Jihad, to allow them to monitor the ceasefire and to ensure the smooth delivery of food supplies to residents.

Hariri visits scandal-hit Saudi Arabia

Prime Minister-designate Saad Hariri flew to Saudi Arabia October 24 to attend the Future Investment Initiative (FII)—an economics conference held in Riyadh from which several prominent companies and sponsors withdrew following the murder of dissident Saudi writer Jamal Khashoggi, at the Saudi consulate in Istanbul. International outrage at the death and the obstructive, brazen Saudi response marred the FII, but before leaving for Riyadh, Hariri reiterated his support for the country in light of the scandal. Hariri met with Saudi King Salman following his arrival and spoke on a panel at the FII alongside the kingdom’s de facto ruler, Crown Prince Mohammed bin Salman (MBS), in which he spoke about reform efforts in Lebanon and praised MBS’s vision for the kingdom. During the panel, Hariri laughed when made the butt of MBS’s joke about his alleged kidnapping in the kingdom almost a year prior. This came on the back of a recent Reuters report that alleged that Hariri was not only forced to resign by the Saudis, but also held against his will and beaten before an invention from the French saw Hariri flown out of the kingdom, eventually returning to Lebanon where he rescinded his resignation.

Cabinet talks continue

Lebanon came close to a new Council of Ministers this month, with seemingly one issue remaining unresolved: the demand of some non-Future Movement Sunni MPs that they be represented by one minister in the cabinet. Deadlock has characterized the five-month-long cabinet formation talks, which have dragged out since the May parliamentary elections, and the nomination of Saad Hariri as prime minister-designate. Hariri—whose Future Movement won 17 of the 27 Sunni seats—has rejected the demand, while Hezbollah has insisted it be met. On October 29, Lebanese Forces leader Samir Geagea announced that his party would participate in the new cabinet, indicating that the LF had chosen to accept the four ministerial portfolios offered by Hariri. Pressure is mounting for a cabinet to be formed, with FPM head Gebran Bassil saying that it should have happened before October 31, the two year anniversary of President Michel Aoun’s appointment.

QUOTE OF THE MONTH

“Prime Minister Saad is staying in the kingdom for two days so I hope you don’t spread rumors that he was kidnapped.”

Saudi Crown Prince Mohammad bin Salman, speaking during a panel discussion at an international investment conference in Riyadh, at which Lebanese Prime Minister-designate Saad Hariri was in attendance, on October 24.
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Entrepreneurship

An evolved but incomplete ecosystem

Opportunities for new startups abound

Near the center of Beirut sits the heart of Lebanon’s startup ecosystem, the Beirut Digital District. It is mainly here that Lebanon’s entrepreneurs gather to pitch and develop solutions to problems that are uniquely Lebanese, and others that are less so.

The country’s entrepreneurship ecosystem today faces challenges that are not insurmountable, and there are opportunities that may not be quite the stature of a “unicorn”—the rapid ascent to a valuation of at least $1 billion—but are attractive and exciting nonetheless. Executive has examined the companies jostling for these opportunities in its profiles of this year’s batch of new startups, a survey the magazine conducts annually (see profiles page 28).

On the one hand, we see the ecosystem advancing and evolving in good ways. Interspersed with that is the fact that the entrepreneurship ecosystem is still incomplete. The sector’s most needed financial elements, in this magazine’s view, are more allocations of risk-friendly capital and better exit options, at the early and late stages, respectively, of a startup’s journey.

The ecosystem also needs stronger and more sophisticated regulatory support and improvement of rules, regulations, and arbitration. All stakeholders—from the ecosystem’s initiator, the central bank, to commercial banks and venture capitalists, all the way to entrepreneurs—understand the pattern and readiness to “fail fast,” but learn faster out of failures than anyone else, but this ethos has yet to be fully incorporated into the ecosystem’s cultural DNA. Lebanon’s first significant homegrown proof that entrepreneurship is indeed risky, the Bookwitty collapse (see our investigation of the unraveling, on page 20), demonstrates the importance of improving the acceptance of failure, as much as it shows the perils of ego, and highlights the value of investing in sincere and honest dialog. This should be a priority for all stakeholders.

On the other side of our entrepreneurial landscape, Executive adds its voice to the call for increased commitments from academic institutions. We can see progress when we compare the involvement of universities today with two years ago, but, in the eyes of Executive editors, more could be done. It is crucially important for the future of the Lebanese economy that we develop and exponentially increase the ability of our entrepreneurs to nurture Lebanon’s digital economy transformation, and understand that tech entrepreneurship is the natural core driver for Lebanon’s transitioning into a digital future.

The urgency of transitioning the Lebanese economy into a digital economy has been acknowledged, but there must be renewed vigor and support on the part of the state. While we have seen some progress—for example an e-transactions law that should help expand Lebanon’s online commerce—there is still much to be done.

The next government, yet to be formed when Executive went to print, must renew efforts to upgrade infrastructure necessary for the success of local startups, the ecosystem as a whole, and Lebanon’s transformation to a digital economy. Public stakeholders have indicated support for the digital economy and building infrastructures, but this can really only happen if Lebanon has a government equipped to meet its obligations to the country and national economy, and not the parochial interests of some actor, party or group.

The digital economy, just like the entrepreneurship ecosystem, will surely develop better going forward if the impulse to cohesion is emphasized over and above that of ego and partialities. If, instead, young Lebanese entrepreneurs can bury any such lingering mentalities and turn them into the legacy corporate environment and public sector decision making, then the ecosystem can aspire to be a cultural rocket with the power to propel the national transformation into a digital economy—a transformation much needed for Lebanon, in 2018 and beyond.

There are indications, or stated intentions at least, that a civil registry, health card digitization, and other examples of digital infrastructure rollout are coming. But long overdue initiatives also linger—such as the Beirut Stock Exchange’s electronic trading platform, an overhaul of the Capital Markets Authority’s regulatory capability to oversee capital markets, as well as legal frameworks and judiciary infrastructures to enable the digitization of the economy.

It is also necessary to reassure the private sector, and further connect it with the digital economy. One project that could solidify the relationship is the planned national data center, which is still undergoing technical preparations as a public-private partnership (see Ziad Hayek interview page 50). This center, and other projects, would allow the private sector to expand the mindset that considers the digital economy not an impossible mission, but something that Lebanon has the human capital to work on and achieve.

Lebanon has so much knowhow in the digital sphere and ITC sector that could be applied to the transformation to a digital economy, but it has not fully realized or applied this expertise at home. There is some political will within the government, from certain actors, but overall this political energy is still lacking. All state entities need to work together to continue nurturing the ecosystem and set the country on a path to digitalization. On this path, there is much to be done.
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THE SHYNESS OF A SYSTEM

Entrepreneurship and the digital economy in Lebanon

When making the rounds through the Beirut Digital District (BDD) to assess how Lebanon’s entrepreneurship system is developing, there is a lot to observe. Over the past five years, there have been several exercises—usually with significant self-promotion and marketing—to map this emerging system in all its components. Invariably, such exercises seemed incomplete by the time they were done, simply because the entrepreneurship realm was changing and expanding faster than it could be mapped.

Driven into existence by the initiative of Banque du Liban’s Circular 331, from the moment of the circular’s publication in August 2013, the ecosystem has grown with each passing year (with EXECUTIVE committed to publishing annual observations on its progress). This year is no exception. Regardless of the months of political wrangling in the halls of the Grand Serail and Parliament, and also regardless of deteriorating conditions in key sectors of the real economy and intense propaganda-mongering about alleged crises in the Lebanese currency, the BDD at the end of the third and beginning of the fourth quarters of 2018 emits energy, optimism, and innovation.

The first vision of this year’s progress in the system was provided by accelerators, who presented their graduating startups in September and October. Flat6Labs and Smart ESA, two programs that stepped onto the Beirut startup support scene less than two years ago, both organized their second demo days. The professional organization of the events made a strong impression, as did the high quality of the programs’ new graduates (for profiles of some of the startups, see page 28).

In talking to the two accelerators, the picture sharpens. Mira Zeidan, project manager in the Smart ESA team, tells EXECUTIVE that the accelerator—which demonstrates the importance of the role that academic institutions can play in the entrepreneurship realm, especially if they have good relationships with the local and international corporate sector—has seen considerable improvements in the quality of participating startups in its short history. “There might be lower numbers of applicants, so less quantity, but definitely higher quality,” Zeidan says. “This is also reflected in the quality of service provided by the support organizations. When you have better people working on realizing startups, you will require better quality support systems. This is a learning curve that we all are on, accelerators and startups, and this learning curve is confirmed by the improvement in quality of startups that we saw in 2018.”

Perceptions of what it means to embark on entrepreneurial journeys are also maturing, as more and more people understand how much it takes, and those not up for this immense effort orient themselves toward different trajectories. “The ecosystem started with people having the image of the startup being something built in a garage by someone who had dropped out of college,” Zeidan says. “There was a lot of mythology in that. A startup means very hard work, and people are realizing this more and more. Entrepreneurship is starting a business and requires hard work, dedication, and commitment.”

Over at Flat6Labs, managing director Fawzi Rahal tells EXECUTIVE his observations on the direction of Lebanese entrepreneurship. He, too, notes that locally one sees “many more refined so-
solutions, much more refined technology and much more refined entrepreneurs, when compared with just a few years ago,” characterizing the ecosystem’s development trajectory as “a game of numbers and a game of time.”

**IMPROVE FINANCING EFFICIENCIES**

Operating an accelerator that also integrates elements of a venture capital (VC) and seed funding operation, Rahal says that the Lebanese ecosystem needs to evolve to include efficiency gains in its financial flows. According to him, regulatory and legislative frameworks are not fully tuned for optimal entrepreneurship support, given that the current taxation regime and fee mandates draw funds from the system right back into the state’s fiscal cycles, even though the funding of startups is strongly based on funds that enjoy subsidization from the public through Circular 331.

When Flat6Labs supports a startup’s path through formal incorporation, it encounters layers of time-and-money-consuming fees, such as an annual $100 fee that is to be paid to the Beirut Stock Exchange. This adds up to a considerable financial burden when a batch of eight or ten new startups goes through the process of properly establishing themselves as joint-stock enterprises—burdens that startups would not have to bear, Rahal says, if they had gone the dangerous route of non-limited liability companies.

This drains away funds that had entered the ecosystem as subsidies for startup companies in the knowledge economy. “This is not a very efficient way of transferring money. With this in mind, I am saying the intentions are there, but the regulations are not,” Rahal says. He notes, however, that there is a silver lining: probable improvements in the ecosystem’s financing efficiencies, as political and
institutional stakeholders, such as the prime minister’s office, the Ministry of Labor, and UNDP, have more actively engaged with the ecosystem’s constituents in order to research how many jobs are being created and how regulations can be optimized.

“From the understanding that money inserted in digital ecosystem is coming back by way of adding to GDP growth, every penny spent on capacity-building [with an entrepreneur, and every time we, as VC, invest the second time [with such an entrepreneur], the odds of a startup succeeding become higher and the capacity in the ecosystem improves,” Rahal says. “This is an impact that you can see [at the BDD] and it is a general direction that BDL is big believer in.” To his way of thinking, the impact of the ecosystem will improve by another great leap, once there are exits that grab real attention.

EXIT WITH STYLE

“Money is something that everybody will get the message of, from entrepreneurs to governments,” he says. “This will be seen the minute when we have our first [very large] exit. If a startup like [music platform] Anghami were to be acquired for a billion USD, you would suddenly have people that have a billion in cash, and if such an amount landed in Lebanon, it would get attention from people who would ask how we can get more of these companies. This kind of money is no joke, even with a prime minister or a governor of a central bank, and will make them ask how to assure that the least portion of this money is leaked via fees or other outflows, and how we can create a system that generate more such amounts.”

Positive entrepreneurial energy in the BDD in autumn of 2018 is in no way only concentrated in the accelerators that staged their demo days in September and October. Sami Abou Saab, the chief executive of accelerator Speed@BDD, was with a delegation of 13 Lebanese startups in Dubai in October, and told Executive upon his return that the entrepreneurs from Beirut were able to shine on the international stage.

“It is a very small ecosystem in Lebanon and we really care for the whole Lebanese startup ecosystem to be highlighted on the international scene,” Abou Saab says, noting that the decision to attend the Future Stars competition at Gitex was based on the positive experience of Lebanese startups at the event a year earlier. The success of teams from Beirut on the Gitex stage, surrounded by enormous competition (140 startups in 2017 and over 230 this year), was, for Abou Saab, another validation of Lebanon’s entrepreneurial capacity. “We have strong local talent and have seen the value of our talent being highlighted and able to shine on those stages,” he says.

Just one notch below the acceleration of amazing new startups, the graduation of coding seminars at SE Factory last month added another paving stone to Lebanon’s road toward the transition to a digital economy that must extend far beyond just the biotope of tech startups.

Fadi Bizri, one of the co-founders of SE Factory and a partner in venture capital firm B&Y Partners, tells Executive that over the coding program’s existence of more than two years, interest from banks and companies in the wider economy has increased, and been reflected in the hiring of graduates by all sorts of enterprises, from startups and software houses to some large companies. Bizri says that some explanations that local corporate players used to give for their reticent approach to digitization are no longer convincing. “We think that Lebanon is an ideal place to skill digital talents, and not only local companies agree with that but also foreign companies. I do not buy into the argument anymore that there is not enough internet availability in Lebanon.”

The many positive developments in the tech entrepreneurship realm are not diluted by the observations—shared by many stakeholders in the ecosystem with whom Executive spoke—that much development is yet to be achieved, and that the enthusiasm for this new system, which on occasion boiled over into vapid and sometimes counterproductive hype during the past five years, is most effective in moderation. As Nicolas Rouhana, general manager of IM Capital, puts it, there are issues that make the use of the term “ecosystem” for the entrepreneurship space in Lebanon somewhat questionable.

“We think Lebanon is an ideal place to skill digital talents, and not only local companies agree with that but also foreign companies.”
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Entrepreneurship

complete legal and regulatory framework, mechanisms for channeling funds into early stage startups, and research and development. “Universities need to have bigger roles [and we need] more innovation labs. What we are somehow doing well in is the middle stretch of the startup road,” he says.

Digital Transformation

Other essentials that are not yet fully developed in the context of Lebanese entrepreneurship are governance and communication, specifically constructive communication in case of problems that arise in any entrepreneurship environment. There is plenty of room in the local entrepreneurship culture for the construction of much better ways to settle financial disputes that are inevitable in these risk-rich realms. This year provided a lesson in that regard, as the failure of one enterprise with a—by local standards—large investment of BDL-backed VC money is still unfolding (see report on the Bookwitty case on page 20).

One big concern that relates to the need for improving risk culture in Lebanon is which paths the stakeholders in the national economy, and, critically among them, the traditional corporate stakeholders and family groups, will choose in transitioning into the inescapable digital economy. Not a single person inside and outside of the entrepreneurship realm uttered any misgivings that this transition is coming and needs to be supported from many angles (see interview about the data center, and its importance in digital infrastructure, on page 50).

From the perspective of BDD insiders, there is much potential for tech entrepreneurs and successful startups to contribute in important ways to the country’s digital future. IM Capital’s Rouhana notes that the Lebanese corporate sector and legacy business community is lagging severely in moving toward the digital world, and emphasizes the urgency of cultural change. The extant corporate culture, he says, is becoming a major hurdle. Companies need to change their mindset and be put in a position to see that the choice to commit to digital transformation will determine whether they remain relevant.

As Flat6Lab’s Rahal sees it, there are many ways for the economy to advance into the digital era, but such a move cannot be orchestrated solely by entrepreneurs left to their own devices. “There is potential and there are intentions to utilize the BDD entrepreneurship ecosystem as a lever for speeding up digital transformation, and the only institution I can name that is wholly behind this is BDL,” Rahal says, adding: “It would be fake news if I said the youth can take this nation forward into the digital transformation of the economy if you just give them the space to do so. A lot more has to happen, on a regulatory, infrastructure, and cultural basis. However, that does not devalue the fact that you have to start somewhere. And that [ability to begin this digital transformation] is where I see the power of the entrepreneurs.”

For the perspective of a successful business group contemplating the digital future, EXECUTIVE spoke with Hisham Itani, chairman and chief executive of RGH group. RGH is invested in using digital capacities in areas that a few decades ago were ruled by traditional methods and mindsets. “Digital transformation in Lebanon is manifested through several entities, such as BDD and other incubators and accelerators,” Itani says. “For the last ten years, it has been growing steadily through the private sector as well, and more precisely technology-based companies in the country. RGH is one of the companies that invests in technology startups and entrepreneurs, and we are constantly on the lookout for opportunities that drive the digital transformation in Lebanon.”

Itani agrees with the stakeholders in the BDD entrepreneurship system that tackling the legal and regulatory framework is a matter of urgency, to prepare the ecosystem for digital transformation. “We are pushing for this with the government along with other stakeholders. [The country] is going in this direction, and applications are now being deployed very fast. We are looking at important projects that the new government is poised to implement … including the digitization of Lebanon’s civil registry, which contains files that date back to 1932,” he says. “With this achievement, Lebanon is taking a leap into the future. It is the cornerstone for any regulatory reform in the digital transformation.”

Itani goes on to conclude: “We have to think outside the box to create examples and set standards that others will follow, and this in return will create a better ecosystem. The story is not about competing [with other Lebanese players in the same sector or specialty]. Once you create the entrepreneurship ecosystem, you create a nation-level tech hub, and this is my dream.”
With more than 15 years of international experience in General Management, Marketing and Sales, Vassilis enjoys a broad geographical exposure spanning Asia, the European Union, North Africa and the Middle East.

An INSEAD Global EMBA graduate, he worked for personal care multinational L’Oreal, as well as in a family business, prior to joining PMI back in 2003.

Tell us about the story of PMI’s ‘migration’ towards a more consumer-centric company

PMI built its reputation as a leading cigarette company, with the world’s most iconic brands in the category. But we were conscious of the fact that PMI began to explore viability and product development of smoke-free alternatives in the early 2000s. And that, in recent years, we have hired over 430 R&D experts, among whom 300 world-class scientists, and have invested over USD 4.5 billion to ensure adult smokers have better options. In fact, our vision is that these products, which are likely to present less risk of harm than continuing to smoke but are still satisfying to smokers, will one day replace cigarettes completely.

The World Health Organization estimates there are a billion people who currently smoke cigarettes and, by 2025, that number is projected to be roughly the same. That’s one out of seven people on the planet. These people are not just some hallow statistic – they are our family and our friends. The best thing they can do is to quit but, despite the health warning labels and known health risks, the increased taxes and continuous conversations, many still do not wish to quit. We believe that those people who do not wish to quit still deserve access to better alternatives.

And this is where we can make a big impact: we have found a way to give adult smokers what they want but with an average of 90 percent reduction in the harmful chemicals that are found in the cigarette smoke. This goes beyond the product itself; it is about the whole consumer experience so that adult smokers fully switch.

How do you integrate ‘design thinking’ into your core business?

This is a spot-on question. The design process starts with empathy in order to understand the pain points and needs of consumers, exploring what might make their life better. Let’s be blunt. It’s better to never start or to quit all forms of tobacco and nicotine use altogether. Smoking is harmful, this is a fact that is commonly known. But people often don’t know the ‘why’ and ‘how’ of this harm. Experts agree that nicotine, while addictive and not risk free, is not the primary cause of most smoking-related illnesses. It is the burning process that creates smoke which contains harmful toxicants.

Through years of testing and learning, we may now heat tobacco to release a satisfying aerosol without burning. This tobacco aerosol, which has dramatically lower levels of harmful toxins than cigarette smoke, still delivers nicotine while providing the taste and ritual that smokers demand. While heating tobacco is one possibility in developing alternatives to cigarette smoking, another approach is to produce a nicotine-containing aerosol without the use of tobacco. Design thinking also involves the appetite to experiment and change. And with our fourth product launch within the last few years, we’re getting faster at delivering these improvements. It’s a simple equation. The faster we go, the more smokers switch and the bigger the positive impact we have on smokers and society.

Furthermore, IQOS will continue to improve. With our fourth and latest product iteration, IQOS 3, which has just been launched in selected countries around the world, we are not just delivering improvements to the product’s design and functionality, but also to the way we engage with adult consumers. There are few products that revolutionize their sector and change holistically the consumer experience. We believe IQOS is one of those products.

What is the status of Smoke-Free Products across launch markets?

PMI’s diverse smoke-free portfolio includes heated tobacco and nicotine-containing vapor products. Our flagship heated tobacco product, IQOS, is now commercialized in 43 countries.

So far, 5.9 million adult smokers around the world have already stopped smoking and switched from cigarettes to one of our alternative products. This number is growing, with approximately 10,000 smokers switching every day.

The IQOS tobacco heating system has a very high rate of switching, with more than 70% of people who buy IQOS, using it exclusively or predominantly.

Do you think smoke-free products have a future in Egypt & Levant countries? Who are your main stakeholders when it comes to facilitating market entry?

Yes I do. The estimated number of adult smokers in Egypt & Levant is 20 million, and it is our goal to be able to offer better alternatives to those who would not otherwise wish to quit. The majority of them are aware of the harmful effects of smoking, nevertheless, many of them do not wish to kick-off the habit. This is where a range of science-based tobacco and nicotine alternatives come into play.

Let me use the example of Lebanon. When I go out, I see numerous adult users of IQOS who have already stopped smoking. Although the product has not been launched in the market yet, incoming travelers still manage to bring it to the country. The Lebanese are known to rapidly embrace change and innovation that bring a positive change to their daily lives. I am also confident that, by leveraging the learnings gained from other IQOS launch countries, we will accelerate the conversion of adult smokers to these better alternatives.

What type of support would you need to facilitate market entry of smoke-free products?

On our end, we are committed to offering a portfolio of products that will replace cigarettes while being transparent on our research and findings. But we can’t do it alone. Unfortunately, today there are many barriers in the way of making men and women who smoke aware of the choices they have. In most countries around the world, it is almost impossible for those people to make informed decisions about alternatives to cigarettes. They have the right to know, and we have a duty towards them.

People who smoke are looking for better alternatives, and governments have a unique opportunity to help facilitate informed choices and accelerate the move away from cigarettes. To this end, we believe regulatory frameworks and fiscal policies need to be risk-proportionate, in order to incentivize adult smokers towards embracing the great potential of smoke-free products, and consequently abandoning smoking once and for all.
An interview with Bookwitty chief executive Cyril Hadji-Thomas

To understand as much as possible about the inside perspective and mindset related to the first high-profile failure of a Lebanese start-up, Executive sat down with Cyril Hadji-Thomas, the stakeholder at the heart of Bookwitty.

We heard many things when investigating this case. Among them, allegations that a large number of subsidiaries had been set up in the group in order to facilitate operations in different geographies, with the intended or unintended effect that this complex structure left you as the only person who could control and oversee all these units and their audit departments.

There was a [chief financial officer], a financial manager for North America, a court comptroller, and five or six accountants. I did not manage all that. I was not even talking to the auditors. The CFO was talking to the auditors.

Are you a person who needs to feel that he is the only one in control or are you better able to function as a chief executive in a team?

I like to build teams. I am not a solo player; I like to assemble talents and rely on them. Now, when things go wrong, you always ask yourself: Should I have delegated that much, or not? Or you ask yourself: Did I have the right people around me? That's always the question, and everyone has a theory about that. But everyone knows that I am a team player. I love managing. And I'm also—it is difficult for me to talk about myself—a good soldier. This means if I am not the boss, I am not the boss. I've been collaborating with Leap for the past six months, and they ask me questions every few days, and I answer them. I am also collaborating with the new CFO. He's actually asking me to do things, and I am doing them. I am a good soldier, [meaning] I do what needs to be done.

Do you still get personal revenues out of the work you do with the cleanup, and your collaboration with the investigation into the books?

No.

So are you living on your own reserves?

Yes. I started funding the company by paying the salaries and all that. I finished all my reserves at the beginning of the year and have not paid myself.

Since beginning of 2018?

I stopped paying myself in 2017, and then I paid one month of [my own] salary in April [2018] and that's been it.

Have salaries been paid to employees?

They were paid up to May, but specifically in Lebanon, we [at that time] owed them the salaries for February and March. We paid April and May in full and then were supposed to start paying them month by month what they were owed, but had to stop.

You said that many of the engineers found new and even higher paying jobs. Does this include the Lebanese engineers who were on your staff?

I am talking of the Lebanese engineers.

So they ended up not being on the losing end of this mess?

No, they obviously lost, but at least they found new jobs and not bad ones. I am trying to keep in touch as much as I can.

What is, for you, the most painful aspect of the whole thing?

That was my life. That [Keeward] group, it was my life. I put in everything that I had. I had a perfect alignment of what I really liked. I love literature. I love technology. What we were doing was for me exactly what the market needed, and what writers and publishers needed from the market. And we were doing great things on the technology side, which is very exciting for me. If you count what I have done just before Keeward, it has been 15 years of my life that went down the drain. It's a horrible situation. I know that I will eventually start again,
If you are an entrepreneur, you know that failure is a possibility, but you don’t think it’s a high probability.

The CFO that we hired, he’s a great one. I think I’ll hire him before anything.

How about allegations that you had a great, convincing narrative and were very knowledgeable in your business, but had a blind spot on the possibility of failure—and that a point of collapse would be inevitable unless you continued to fundraise and get more capital?

First, if you are an entrepreneur, you know that failure is a possibility, but you don’t think it’s a high probability. Second, Keeward was a 12-year old company, and you don’t think that a company that is growing and doing $14 to $15 million in revenue annually, and that is regarded by everyone as a good company, will be failing. But [to say this] once again, we said at every meeting with [investment bank MedSecurities], with Leap, or with MEVP, that we need the money, [which we are looking to raise] by end of 2016, or we will be in big trouble. And no one cared except for [Leap managing partner] Henri Asseily. He fought like hell. This is what people say against him, now—that he shouldn’t have. It’s easy to say. Everyone has been dragging their feet. Actually, you know what I regret? I regret having agreed on merging before I had the money. We should have raised the money, secured everything, and then merged. The merger in itself was very difficult to handle. [Imagine a situation] where you do not have the money, are growing like hell, and you are expanding your business internationally, and everything [is happening] at the same time. This is a bit chaotic. When you add to that a conflict with shareholders, it’s over.

Did you draw any personal lessons for yourself, in order to say, that is what I will do differently next time?

The CFO that we hired, he’s a great one. I think I’ll hire him before anything.

Have you been traumatized?

No. I am a big guy. When you called for an interview in July, I was traumatized. I couldn’t talk. I was in shock.

Thank you for giving your side of the story. Is there anything else that you want to say?

I just wish that people wouldn’t talk about things they don’t know. I heard so many completely stupid things. People were saying that Bookwitty is the “unicorn” of Lebanon, a year-and-a-half ago. Now they are saying, ‘this is vaporware.’ But we were not a unicorn, and [our software] is not vaporware. It is a business, and it is tough. I am the CEO of Bookwitty, and of course I hold some responsibility in what happened. I should have seen things coming before. There are obviously many things that I wish I would have done to save the company, but at one point, when you have too many things on your back, there is no way that you can travel any further. You are crushed.
In previous years, attending a startup demo day in Beirut—where hopeful graduates of accelerator programs present their projects and pitch for recognition and financial investments—tended to require a will to smile politely and some tolerance for boredom. But in September and October of this year, demo days and startup competitions with Lebanese entrants—some held in Lebanon and others international—proved to be exciting, prompting genuine smiles all around.

Officials and observers from accelerators and financial entities in the entrepreneurship ecosystem that Executive spoke with eagerly agreed that the startup pipelines this year are exciting. Such protestations from these players were, of course, unsurprising, but nevertheless convincing; they confirm that the passion and competence of startup teams, and the quality and diversity of the projects presented, are increasing.

The simple truth of this story is that the Lebanese entrepreneurship ecosystem’s ideation and innovation support machines are working. They are visibly improving the flow of appealing concepts and teams into the pipeline to becoming digital enterprises. In the process, the accelerators and support systems are, moreover, boosting their own quality.

This virtuous cycle is, this year, also being validated by the Lebanese startups’ performances in international competitions, most notably at the first staging of TechCrunch’s MENA startup “battlefield,” in early October at the Beirut Digital District (won by Lebanese contender Buildlink), and oil multinational Total bringing its corporate startup contest to Beirut this autumn, to the first Seedstars MENA Regional Summit to be held in Beirut, in November, and the 12th round of the MIT Enterprise Forum Arab Startup Competition, the finals of which will be held in December.

The quality and diversity of recent Lebanese entrepreneurship has impressed Executive. Following the editorial tradition of profiling hopeful startups, the magazine this year determined to make a topical selection of startups working in the fields of Fintech, engineering-related tech, and lifestyle apps with a Lebanese angle. We happily acknowledge that many other local startups with agro-industrial, educational, medical, gaming, retail, hospitality, data analytics, blockchain, and financial software development focuses have also recently arrived in the ecosystem, but decided to narrow our selection to the aforementioned three sectors, with an extra look at Lebanese Fintech that was launched in the region.

Having neither the resources nor the time to produce a qualitative ranking of the portrayed startups, Executive editors profiled those that excited them on first contact—from innovative e-commerce marketplaces and lifestyle apps full of promise, to tech apps that radiate the potential to make a difference in important industries, and Fintech startups that aspire to serious social relevance.
BUILDINK SAL

Significantly reducing building times and the labor demand of construction projects is the promise of 3D printing startup Buildink. CEO and co-founder Bilal Farshukh says the idea for the startup was borne out of frustration at seeing delay after delay during the one and a half year construction of his two-story family home. Farshukh tells Executive that the startup’s 3D printer can reduce construction times by up to 75 percent compared to traditional building methods, and is able to cut labor costs by reducing the number of workers needed on the build site.

Farshukh sees Buildink as a construction industry disrupter due to its potential to slash costs and build times. He says the current prototype, a proof of concept cable robot printer—measuring 2x2x2 meters, with an operational size a little smaller than the dimensions—is designed to construct small- and medium-sized projects like outdoor benches, animal shelters, or any design that fits the dimensions. The startup is now in talks to sell its services to a regional multinational construction firm, and is seeking an investment of $400,000 to design and build a larger cable robot printer with an operational range of 10x10x5 meters.

Farshukh says regional construction firms should use Buildink’s 3D printer instead of the competition, because importing the technology and material is expensive. The startup offers printing material locally, and Farshukh says their design is easier to install and remove from build sites.

ANACHRON TECHNOLOGIES

According to Anachron co-founder Wael Khattar, the robo advisory venture solves two problems. “For banks, we open new markets, as we solve the problem of how to reach clients that they were unable to reach profitably in the past,” Khattar says. “To clients, we offer easy, quick, and professional personalized investment advice at low cost.” Working at local banks, the founders of Anachron experienced how these banks’ investment advisors faced challenges in meeting the needs of people who wanted to deploy moderate amounts. Seeing how bank staff’s interactions with non-high net worth individuals regularly caused frustrations to clients and constituted inefficient use of human capital for banks, Khattar and Khattar embarked on developing a hybrid concept, whereby use of the robo advisor will allow the human investment advisor at banks to decrease the time required to serve one client, from 1.5 to 2 hours to five or 10 minutes. Khattar says competitors for Anachron include existing investment advisors, brokerage houses, and new B2C robo advisors in the region. He emphasizes that the startup will not give investment advice, but will rather provide banks with a platform to give investment advice more efficiently. Under Anachron’s proposed revenue formula, its revenue generation will be determined by how many clients the banks acquire. “In our model, banks will take 0.5 to 1 percent of assets under management as fee and Anachron will take 20 to 25 percent of what the bank charges,” Khattar says, describing the scenario as win-win for the startup and its partner banks, since Anachron’s economic goals will be met through revenue-sharing, while the banks will be able to acquire investment clients that they could not otherwise serve.
**CROWD POWERED**

Ever wondered whether you could harness the rays of the sun to power your business or home, but didn’t know where to start? Crowd Powered has your back, offering a web-based platform that helps customers determine whether they have the space for solar panels, and which solution would be affordable for them.

CEO and co-founder Georges Khoury says the problem is that Lebanese solar is a fragmented market, in which potential customers have to find the right renewable solution for their available space and budget, shop for a loan, and hire a design office, equipment supplier, and contractor to get solar panels installed on the roof and under the sun. “Nobody [else] can give you a turnkey solution. Crowd Powered offers a one-stop-shop designing, securing financing, and installing renewable energy solutions for businesses and homes,” Khoury tells Executive.

He says the startup could help Lebanese businesses and homes save money on their energy bills by customizing solar solutions to fit each customer’s budget and space, and lessen their reliance on costly generators to fill the gap in supply from the state utility. The next phase, as part of the pitch for a new injection of cash, will be twofold: a push into the large Saudi Arabian market, where owners of solar installations can sell their excess electricity to the public utility; and to develop software that Khoury says will help potential customers conceptualize what adding renewable energy to their power mix will do to the load profile (the amount of electricity on the grid), along with the savings potential and needed capital expenditures.

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**DOX SAL**

Knowing when exactly to change the battery of an electric vehicle is measurable, says Nicolas Jamal, a dox co-founder. Dox was originally conceived as a drone startup, but changed tack after seeing opportunity measuring battery performance of electric vehicles and predicting when batteries should be replaced. The problem, Jamal explains, was that companies had been wasting money by discarding their batteries before the end of their life cycle. The startup has identified the burgeoning electric vehicle market as its target and hopes to offer its proof of concept, using real-time battery data, to an automobile manufacturer by the middle of 2019, and to then close a deal to go into production by the end of that year.

Jamal notes that the dox solution, as plug and play software, is cheaper for automakers to integrate into vehicle computers than the alternative—hardware solutions offered by competitors that require satellite connection to transmit and store data in the cloud. Some automakers are designing inhouse optimization solutions, but Jamal says dox can still capture a slice of the electric vehicle battery market—which is expected to grow in total vehicle market share compared to internal combustion engine vehicles—and could be a player in the battery industry in general.
FabricAid's mission is to sell affordable second-hand clothing (priced between 500LL and 3000LL) to underprivileged communities, solving an impact problem on several levels.

After a chance revelation that the clothes he was donating were going to waste, founder Omar Itani investigated and discovered that NGOs struggle with clothing donations because storing and redistribution costs them time and money. Meanwhile Lebanon’s estimated 250 second hand stores import clothes from abroad. With an estimated 2.5 million refugees, and thousands of Lebanese living in poverty, there is huge demand for affordable clothing. On the other hand approximately 16,000 tons of new clothes are consumed annually by a different tier of residents, who donate large quantities regularly. What Itani found was a lack of infrastructure to transfer unneeded clothes from the latter to fill the needs of the former.

FabricAid sources clothes through two channels: NGOs are paid per kilogram for what they collect, and from a network of donation boxes. Only clothes in good condition are selected. FabricAid keeps track of its inventory with the help of a proprietary algorithm, hashtag-based data system. The items are retailed at pop-up shops at NGOs or refugee camps, a permanent shop near Saidon (a second store is opening soon in Beirut), and also sold to second hand shops at prices cheaper than their imported counterparts. Damaged clothing is upcycled into pillow fillings, crafted by an orphanage, and to be used as part of an upcoming recycled-furniture project. One of the solutions for donations that are too revealing or otherwise inappropriate is another upcycling project with fashion schools.

FabricAid plans to export clothing and franchise outlets in the region, and to one day offer affordable second-hand clothing in communities around the world.

Hjezle—which means “book for me” in Arabic—makes it quicker and easier for users to book last minute beauty appointments at nearby salons, via an online chatbot and soon-to-be-launched mobile app. CEO and cofounder Jana Rouhban realized that she and many other women were too busy to spend time calling several salons looking for beauty appointments, prompting her to research the idea of online beauty bookings. The concept exists outside Lebanon, but Rouhan—who credits Smart ESA with helping her fine-tune the idea—reached out to beauty parlours and clientele to tailor it to the local market. Originally, she had wanted to make Hjezle a regular beauty booking website—not necessarily for last minute appointments—but most Lebanese salons are not yet systematized enough for this to be feasible.

Lebanon does not have a last minute booking platform for any services, and boasts only one other platform for making beauty appointments—though it has not officially launched and is not focused on last minute bookings specifically.

Hjezle connects beauty salons to new clients, charging them a percentage of the value of the bookings made on the platform, while facilitating users’ last minute bookings for free. Rouhban says other countries in the region could benefit from the service too—the startup is looking to expand to fast-paced Dubai soon, perhaps within the next year.

Hjezle

Conception: 2016
Incorporation: N/A
Industry: Beauty
Activity brief: A platform for booking last minute beauty appointments at salons
Name of founders: Jana Rouhban, CEO and Salam el-Kadri, Developer
Team size: Two
Startup level: Pre-seed stage and accepted into local startup accelerator Smart ESA
Amount of funding asked for/ received: Plan to raise 75k in the next year
Two year economic target: cover Lebanese market and enter Dubai market, possible partnerships with fashion businesses, possibly involve other industries
Business model: B2B and B2C

FabricAid

Conception: 2016
Incorporation: 2017
Industry: Textile reclamation
Activity brief: Social enterprise working as a clothes collector and distributor
Name of founders: Omar Itani and Hussam Hanouni
Team size: 16
Startup level: Seed stage and accepted into multiple regional and global startup accelerators, including UNICEF Elevate Impact and SOUK.LB Social Impact accelerators, plus winning first place at the 2018 Global Social Venture Competition (arguably the world’s largest social enterprise award), Get in the Ring Beirut, MIT’s Arab Startup Competition.
Amount of funding asked for/received: 500k by end of 2019, another 600k in the next two years
Two-year funding economic target: Expand to multiple regional markets through franchise model, reach post-break even by 2019
Business model: innovative collection, data, and distribution systems
Profiles

JUNO

Juno co-founder Alexander Axiotiadis predicts that the displacement of large populations is likely to continue or worsen in the future. Banks will face many challenges in coping with this, but mobile apps and app-based cards will play a crucial role in such an environment, the Lebanon-born and raised Axiotiadis tells Executive. With years of experience in providing mobile financial solutions to customers in Greece, the founders of Juno are determined to pilot payment and transfer services for unbanked and underbanked populations in Lebanon, while satisfying minimal KYC requirements. Under financial inclusion imperatives, Juno aims to incorporate local, migrant, and refugee populations into a digital banking service, at very low cost even for international usage. “Our costs [for the client] are one or two times lower than any bank. Moreover, banks cannot afford to target the populations we are targeting as clients, because onboarding will already be so expensive for them that it doesn’t pay off,” says Axiotiadis. According to him, a few competitors exist in the app space, but none are geared toward exactly the same activities. The company’s revenue formula is based on fees for transactions. Additional revenue streams could be derived in the future from data mining and premium services, but these are long-term ideas. “Juno is a social empowerment tool and financial tool for all those people who need to organize their lives and their families financially, and want a chance to be included in financial systems and the financial economy,” Axiotiadis says.

MINT BASIL MARKET

Like many entrepreneurs, Mint Basil Market co-founder Vanessa Zuabi was trying to fulfill personal needs and stumbled upon a business idea that now seems to be resonating with others in Lebanon. Having been diagnosed with a condition that forced her to adopt a healthy diet and lifestyle, she had a hard time sourcing products that she needed, as most were rare to come by. Mint Basil Market is a website where users can buy a range of healthy products in one place and get them delivered for free all over Lebanon. The startup works with almost 50 suppliers—many of them local—offering healthy, natural, and organic food, as well as beauty and cleaning products, catering to a growing number of wellness-conscious consumers in Lebanon. At less than a year old, the startup has a 50 percent customer retention rate, higher than the industry standard of 20-30 percent according to the founders.

Zuabi and co-founder Lara Noujaim say the company goes beyond e-commerce and is building a community. The website includes recipes, health tips, articles by nutritionists and health coaches, videos, and more to help users make healthier choices and better purchasing decisions.

Mint Basil Market has started to test the possibility of starting a white label range; its first collaboration with Lebanese Chef Lara Ariss was one of their top-selling products when launched. This will enable them to have a higher margin. A mobile app is launching next year, and the startup has plans to launch in other regional markets.
RELIANCE

Relief makes it possible to use an online platform to book a massage in your own home with a certified therapist. After some research, founder and massage-lover Reda Taraff-Kojok realized that no such service existed in Lebanon, but that the demand did—so he launched the startup himself, jumping into the growing wellness market in the country. Though some prefer the ambiance of a spa, Taraff-Kojok found that many people are more likely to get massages if they do not have to waste time driving to and from the appointment. After an initial testing phase, he figured out the logistics and best practices for in-home service: therapists will bring equipment (massage tables, oils, music, towels, etc.) with them to the premises, unless clients request otherwise. Because of the unfortunate association of massage with sexual services, he has carefully verified 30 Lebanese massage therapists, looking for experience. This process was one of the initial challenges in producing the business, as many individuals and organizations were doubtful of his intentions.

Relief, which should be up and running by the end of 2018, will offer various massage types (deep tissue, Swedish, etc.), each for $68 per hour—along with various discounts and package deals—which can be paid online by users. Clients will be able to rate the service they receive and can request specific therapists when booking. Taraff-Kojok is turning some of the existing competition into partners, offering independent masseurs the opportunity to use his platform in exchange for 30 percent of their earnings. The platform will later include private yoga sessions paired with massage. Further down the line, Taraff-Kojok plans to expand by offering in-office services—shoulder-masses offered to teams in bulk—an idea he picked up from Japan. Relief is expected to expand regionally, first to the UAE, where the founder anticipates stricter regulations for the home service, such as rules on the gender of therapists deployed to clients.

RUMMAN

“We are solving a universal problem that exists mainly in the global south, which is the lack of access to affordable savings and investment platforms,” says rumman co-founder Shurouq Qawariq. With its mobile app, the Fintech startup tackles a global problem that is especially pressing in the environments of Palestine and Lebanon. According to Qawariq, the founders reconnected last year in London. Incensed by the vast difficulties each faced in their daily financial dealings, they decided to start something together. “We really liked idea of micro-savings and micro-investments, partly because it makes [the process of] growing capital accessible to the masses,” Qawariq tells EXECUTIVE.

The app’s hook for enticing savings-agnostic clients is the option to automate small savings by rounding up users’ incidental purchases—even your qahweh or shawarma. The app will aggregate these small roundups, and then channel them into investment funds via banks. As Qawariq explains, the founders revised their startup idea into a model involving partners, such as banks on one side of the value chain, and payment collection networks on the other. “The cool thing with rumman is that clients can invest as little as they want and have visibility of their investment portfolio,” she explains, adding that clients will have several options to expand their investment sourcing. Competition entails similar Fintech startups and emerging online banks in the region, she says. rumman’s monetization concept is to charge banks per user, plus a percentage of the profits that banks realize from investing users’ funds.
Entrepeneurship

SARWA DIGITAL WEALTH LTD

According to Nadine Mezher, co-founder of Sarwa, the ideas that led to Sarwa were conceived two years ago by her two co-founders, who were then working in the Canadian financial sector. Having arrived in Dubai, where the Dubai International Financial Center had inaugurated the region’s first dedicated Fintech Accelerator program in early 2017, the two met with 10-year Dubai resident Mezher. “The more we worked together, the more we realized how much a robo advisory is needed and missing in the UAE market, and that the market is ready for it,” Mezher tells EXECUTIVE. Fueled by personal anecdotes, the desire to encourage a culture of saving and investing in Arab countries, and to alleviate the effects of the region-wide paucity of pension funds and retirement plans, the three established Sarwa, with a first-mover advantage as an Arab World-based hybrid robo advisor focused on conventional finance (as opposed to Sharia-compliant Fintech). The company became operational in February 2018 and quickly achieved first revenues. According to Mezher, Sarwa relies on comparably affordable exchange traded funds (ETFs) as investment choices and offers services to clients (UAE residents only until the full license is approved) on the basis of opening an account with a minimum balance of $2,500. Under its fee-based revenue model, the firm charges 0.85 percent of the account balance as annual advisory fee, with no opening or exit fees. Near-term targets include acquisition of a full license and regional expansion. “Sarwa is about democratizing the wealth management environment in a country, and [about] making investment available, accessible and affordable for everyone, regardless of net worth,” Mezher says.

WANOWI

Originally thought up as an online fashion auction house, the current version of Wanowi caters mostly to the trendy kids of Generation Z in Lebanon and the region who wish to buy or sell clothing items, shoes, and accessories. The online marketplace connects demand and supply of popular international streetwear brands like Supreme and Off-White, and limited edition products, most of which are not available in retail stores in Lebanon. Inspired by her fashion savvy adolescent children, founder Dina Daher tested the waters by putting up a rare t-shirt, and received over 100 requests in one day—which, to her, was a clear indicator of high demand in the market.

The startup itself does not hold sellers’ inventory, and focuses on logistics—picking up items from sellers and delivering them to buyers—and processing payments between the two parties, as well as maintaining a social-network style platform, where people can connect, discuss, and negotiate prices.

In addition to giving an opportunity to private sellers, Wanowi has also begun testing the idea of selling a few items themselves. High demand means markup is also high—the business takes a 15 percent cut of user’s sales and a 30 percent markup on the sale of their own items.

Today there are about 150 sellers on the platform. So far, sellers can be based in Lebanon or the UAE, but Wanowi delivers throughout the region and plans to list sellers from other countries in the region (pending logistics). Buyers have 15 days to return products if they don’t fit the description exactly, and sellers aren’t paid until after this period. Daher plans to expand to other markets in the region, and is looking to open a physical retail space.
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Lebanon may be officially classed as an upper-middle-income country by the international community, but it lags far behind other countries of a similar status. Serious deficiencies in the dynamics of the labor market—where youth unemployment is almost 40 percent, and women account for less than 25 percent of the workforce—are largely to blame.

It is hard to get a clear picture of unemployment in Lebanon. Statistics on unemployment are notoriously inaccurate, with official numbers putting the level of unemployment in 2018 at just 10 percent. Unofficial figures frequently reported in the media, however, put the level of unemployment at 25 percent. And it is the Lebanese youth who are most likely to be affected; finding job opportunities is challenging due to high competition and the unstable economic situation.

Lebanese youth are highly educated, with a large number of young people graduating from universities with higher degrees, such as a masters or a PhD. Yet, some reports say that an average of one Lebanese youth in three is unemployed.

One solution for tackling this high level of youth unemployment would be to equip young people with the skills they need to become entrepreneurs. Entrepreneurship has the potential to help countries achieve both internal and external targets. Several of the UN’s Sustainable Development Goals (SDGs), including sustainable education and environment, and the eradication of poverty, could all be benefited by entrepreneurship.
In Lebanon’s case, there are several intersecting opportunities that could be taken up by civil society organizations, schools, and universities, along with the government and the private sector, to establish proactive strategies to stop the brain drain and bolster the country’s economy.

There is a huge need to equip the next generation with the skills needed to bring about sustainable growth. Strategies to do so should go beyond education, focusing also on building capacity to provide youths with labor market opportunities. This need is becoming more urgent by the day, equal to the need for education, to help current and future generations get through difficult times and weather massive economic, social, and political challenges. Youth empowerment is essential—at its core, it is the incubation of human potential. By empowering Lebanon’s youth, we will bring considerable economic, social, cultural, and human benefits to our country at all levels.

ENTREPRENEURSHIP FOR ALL

What draws youths toward entrepreneurship is their belief that it allows for creative freedom, unencumbered by obsolete organizational structures. Research on American millennials in 2014 found that 94 percent want to use their skills to benefit a cause. Social entrepreneurship attracts millennials because they want to engage in their community and become efficient global citizens. This is why social entrepreneurship is becoming more common in Lebanon. Youth are looking for solutions that can do for their community what the government is unable to do. But they lack the guidance to become young social entrepreneurs, as these kinds of skills are so far only being taught to those studying business or entrepreneurship itself. These skills should be taught to everyone, and at a young age. With a base in entrepreneurship those Lebanese university graduates currently struggling to find work at home despite their expertise could find their own solutions and work toward improving the Lebanese economy.

There are many possible routes that could benefit the youth and country as a whole, but the most feasible ones are education, media, and civil society. Education systems require constant improvement at all levels: curricula, educators, administrators, and students, as knowledge-based technology is intersecting with every aspect of our lives. Educational institutions must introduce entrepreneurship to students at an early age to enhance their creativity. Some institutions are adopting this approach, but it is not enough to cover the current needs of the market. Such a curriculum would provide students with better career orientation, which would help them in selecting their major at university.

For the past few years, my organization, Loyac, which works to promote youth development, has hosted several groups of school students from Kuwait, and enrolled them in school entrepreneurship programs with a mandate to assess, design, and implement solutions for underprivileged youth. This peer-to-peer approach has so much impact on communities. Teaching design thinking from a young age, as well as promoting peer-to-peer learning, comes with several benefits. It allows for active learning, and helps reinforce these skills through the teaching of them to peers, benefiting all sides of the equation.

NETWORKS FOR INNOVATION

Partnership between educational institutions and civil society is also vital. Civil society is the ecosystem for social change, as civic engagement helps youth observe, assess, and understand societal problems. This fosters empathy and an eagerness for change, encouraging youths to care about each other, and the planet. When engaging in civil society, they learn how to design their thinking to find pragmatic, sustainable solutions. According to the 2017 Global Entrepreneurship Monitor (GEM) for Lebanon, one in six adults in Lebanon cited fear of failure as preventive factor for starting a business; incubating youth at early age would perhaps help them counter these fears in later life.

With all the challenges that Lebanon is facing, entrepreneurship is one of the keys to stabilizing the economy. Of the eight MENA countries that participate in the GEM, Lebanon had by far the highest level of women-driven startups, almost twice that of the next highest, while, for both male and female entrepreneurs, most starting or running a new business were under 35 years old. Indicators such as these are worth celebrating and sustaining. Injecting entrepreneurship skills through education, civil society, and media literacy can help work miracles.

Social entrepreneurship attracts millennials because they want to engage in their community and become efficient global citizens.

SALLY HAMMOUD is a PhD candidate in Communication and Media Studies. She is the executive director of LOYAC, Lebanon Chapter.
Anyone with any knowledge of Lebanon knows that the country is perpetually described as teetering on a cliff’s edge, frequently stuck in political stalemate, and with infrastructure that leaves much to be desired. And yet, amid all this insecurity is the trope of the entrepreneurial Lebanese. Because, despite the difficult living standards, rampant corruption, and resignedness of citizens who must deal with the country’s various problems, there are a fraction who find themselves inspired by the situation around them into creating solutions for societal problems—and making some cash at the same time. And there is nothing wrong with that. Social enterprise is described in Forbes Magazine as for-profit businesses with “a mission to tackle global issues, such as alleviating hunger, improving education, and combating climate change.” In order to achieve these goals, these businesses “might fund specific programs, partner with governments or existing philanthropic entities, or follow a one-for-one donation model, and work on either the local or international level.” This is what we are seeing in Lebanon today.

In the past few years, Lebanon has witnessed a wave of startup ecosystem actors—including venture capital funds, investors, accelerator programs, and other financial and advisory entities—seeking to help Lebanese entrepreneurs go from ideation to a financially sustainable and profitable enterprise. These entities have focused on startups’ early-stage ideas and later stages of growth. Groups such as makesense, as well as Berytech and Fondation Diane, were established to equip citizens with the necessary innovation tools and design-thinking expertise to help social entrepreneurs achieve their mission.

The social entrepreneurship movement was born of a need to sustainably power changemakers, who would in turn would pass down their expertise, creating an expanding network of people
using business to enact social change. It is a way to introduce a revenue-generating engine to social initiatives and make them self-sustainable. What differentiates social entrepreneurship from nonprofits and NGOs that are actively working on solving world challenges is that the latter model is one based on constant fundraising—and this, more often than not, is unsustainable. In other words, if the money runs out, the work stops and its impact with it. This is not to say that nonprofits and NGOs are not important—they are vital part of efforts to alleviate poverty, stall climate change, and solve other challenges. Social entrepreneurs would argue, however, that these groups need to be supported by similar yet self-sustaining initiatives like social enterprises. As they are less well-known than NGOs, it may not be clear to some what a social enterprise encompasses. Put simply, revenue plus impact equals social entrepreneurship.

Social enterprise initiatives drive impact and are based on a business model designed to spread that impact and make it more sustainable. In Lebanon, as elsewhere, this means using a business approach and utilizing the resources available for startups to creatively solve various societal issues, ranging from lack of transportation to gaps in the medical field. Having a financial engine behind it allows a social enterprise to scale up, grow, and spread across different regions. Meanwhile, an allocated budget permits the social enterprise to sustain its impact and gives the team behind it the chance to solve new challenges and adapt their business model based on the community’s needs.

People across the world are facing similar problems. Local changemakers are working on plans that would help solve challenges their communities are facing, and what they require is communication links with like-minded individuals elsewhere. Such contact would allow ideas and solutions to travel across borders. Global platforms, such as change.org and onebillionrising.org, help create these links by sharing content that brings attention to critical civic issues and sheds light on successful social enterprises around the world. The fact that many challenges are simultaneously global and local makes such platforms imperative for inspiring change in far-flung communities.

**ESTABLISHING A SOCIAL ENTERPRISE**

In order to set up a social business, you need two things: a sustainable business model, and a challenge to be solved. A good starting point is the UN’s Sustainable Development Goals (SGDs), a blueprint to address comprehensive local and global issues by bringing multiple stakeholders together to take action. These 17 SDGs address universal challenges. However, assessing how best to tackle them is difficult. This is why makesense and other community-based actors were formed, in order to create the networks needed to tackle these global challenges by using social entrepreneurship to equip citizens with a platform, creative design thinking tools, and inspiration to take action. This civic movement has allowed entrepreneurs to connect to an extensive network of citizens for multiple purpose collaboration and customer reach. By creating this interconnected world under the umbrella of social entrepreneurship, many successful, sustainable ideas are traveling across borders. Changemakers do not need to be based in their country’s capital or tech hubs, they just need to be trying to create a solution to local issues. Most successful ideas were assessed based on impact, trial and error, and community support.

**AN OPPORTUNITY FOR LEBANON**

The list of challenges faced by the Lebanese is overwhelming. In Beirut, complaints over water shortages and the daily electricity cuts are frequent—yet those living outside the capital have it much worse. Traffic congestions, slow internet speeds, and poor infrastructure are just some of challenges that the Lebanese must navigate on a daily basis.

While the concept of social entrepreneurship might appear new to some, many are in fact practicing it within the scope of their work, without realizing they are doing so. In Lebanon there are different social entrepreneurial support systems scattered across the country, from the Tripoli Entrepreneurs Club (TEC), in the north, to the Jubaili Workhub, powered by Antwork, in the south. Such networks are well aware of the many problems that exist in Lebanon and are looking into impact-driven ideas backed by business models. Now is the chance for Lebanese citizens who are fed up with the way issues are being handled in the country to confront the status quo, while making a living from it. In the past eight years or so, financial support from different international and local funders has been given to ideas bringing change, at least enough to establish themselves in order to proceed. The financial sources are available in Lebanon, the challenges are
very much in evidence, the motivating anger felt by citizens is intense, and the ideas are here. So why not go for it?

Lebanon has witnessed the rise of many social enterprises: FabricAid, the first second-hand clothes collector and distributor in Lebanon, which collects donated clothes, cleans and fixes them, then sells them at a lower price through pop-up stores around the country; Caesar Cider, an apple cider beverage sold around the country that emerged from the apple crisis in Lebanon, in which 40 percent of farmer's apple crops were rotting due to the inaccessibility of land export routes via Syria; and CIVVIES, a Lebanese eco-friendly brand that works with vulnerable communities to produce uniquely designed sustainable fabrics from recycled polyester and natural linens. All three social enterprises have won multiple awards and competitions since their inception, and have been supported by my organization, makesense Lebanon, mainly through tailored brainstorming workshops. They are sustainably assisting Lebanese communities and benefiting the environment by recycling products, among other methods.

Meeting the social entrepreneurs behind these ideas and listening to their stories and the impact they are making, motivates others to at least ask how to take the first step and make a difference. An observation that has been made by makesense over the years is that people around the world do want to make a change, but they do not know how to start. This is where a community plays an important role—its power lies in the knowledge shared during discussions. Lebanon, given its small size and tight-knit communities, has an advantage. People residing in Lebanon are more often than not connected to someone who could offer useful advice to someone else. Bringing these social dynamics into a local community of social entrepreneurs and citizens would empower and support the community. People all over the world want to make an impact on their societies, all while ensuring financial sustainability in order to survive. As risky as it might sound, there are many success stories out there that deserve to be heard. If social enterprise booms, the idea of a better Lebanon wouldn't only exist in dreams and in 'what if' conversations, but would start appearing in our everyday lives. Many challenges are yet to be met with ideas, and many great ideas are yet to be heard.

Social entrepreneurship in Lebanon has room to embrace numerous solutions and has developed enough to support ideas along the way. Perhaps teaching this notion in schools and emphasizing it in universities could create a new generation of social entrepreneurs. One can only highlight the importance of raising the next generation of citizens to become not just job seekers, but job creators and solution makers.

MAYA WAKIM is the community developer for Lebanon at makesense.
Whisky Live Beirut’s third edition drew to a close on the 20th of October at Seaside Pavilion, after three exciting days of whisky tasting. The show hosted more than 60 top whisky brands and attracted a crowd of over 3,000 enthusiasts eager to sample top-quality international whiskies in the company of 16 brand global ambassadors and international experts.

A new and exciting concept for the Lebanese market and the region as a whole, the third edition was inaugurated on the 18th of October in the presence of H.E. Minister of Tourism Avedis Guidanian, British Ambassador to Lebanon H.E. Hugo Shorter, Ambassador of Japan H.E. Matahiro Yamaguchi, presidents of associations and syndicates, trade representatives, international experts and the media.

Organized by Hospitality Services, Whisky Live Beirut invited visitors to join a selection of more than 30 masterclasses and learn more about premium bottles. Exclusive tasting sessions with Rob Allanson, editor of Whisky magazine and Jean-Marc Bellier from La Maison du Whisky Anjou, Paris, took place at the VIP Bar and in the Collectors’ Room for serious enthusiasts.

Lebanon is the 18th country in the world to host Whisky Live, serving as a reference for the whisky industry, after countries such as Australia, Belgium, Canada, China, France, India, Japan, Singapore and the U.K.

Joumana Dammous-Salame, managing director of Hospitality Services, said: “We are thrilled by the outcome of this year’s event, which drew in a larger number of exhibitors, consumers and experts. Whisky Live Beirut is a unique concept in Lebanon, and the region as a whole, and we are already working on the next edition. We have great faith in the country, which is why we have continued to work for the past 25 years on events such as this one to highlight the strength of our hospitality and foodservice industries.”

The fourth edition of Whisky Live Beirut will be taking place at Seaside Pavilion from the 17th to the 19th of October, 2019.
‘America First’ is a risk to Lebanon and the Middle East

By  Jeremy Arbid

Last month marked the 35th anniversary of the deadliest attack against US forces since World War II: the bombing of the US Marine barracks in Beirut on October 23, 1983 that killed over three hundred people, including 241 US military personnel. The official US line now is that elements of what would later become Hezbollah, backed by Syria and Iran, were responsible for the attack—although all three parties continue to deny involvement. During an event marking the anniversary, US President Donald Trump, with his customary love of theatrical moments, signed new legislation targeting Hezbollah. The first response from Lebanon was defiant.

For a long time the United States has pitted itself against Iran and, by extension, Hezbollah. Since the Islamic Revolution at the end of the 1970s in Iran and, later, Hezbollah’s inception during the Lebanese Civil War, the Americans have hunted the two in a remarkably consistent way. This has not changed under President Trump; American strategy, however, has shifted. It has been influenced by a fundamental repositioning of US policy vis-a-vis the entire world—a mindset most commonly referred to as “America First.” The Trump administration has been more aggressive in removing itself from or renegotiating existing treaties, and seems content with exercising a much more risk-friendly foreign policy. To understand how this new policy of Trumpism has affected Hezbollah, Lebanon, or Iran, looking at the realities on the ground is somewhat pointless. To understand these changes, one should instead examine Trump’s version of reality. This is not a new phenomena when regarding the foreign policy of America, but under Trump it has become particularly acute.

TRUMPISM WRIT LARGE

The Trump paradigm, which is not an openly declared policy, is that the US will do what it likes and what suits it, with little regard to how it impacts other nations—allies included. This has had huge global implications. How many treaties has Trump made redundant, or at least announced his intention to scrap? In less than two years Trump has, for example, exited a landmark international climate change agreement, unilaterally walked away from the Iran nuclear deal, and, most recently, indicated he would junk an arms control agreement with Russia. Every foreign policy decision under Trump’s direction is a wild card.

The United States’ pursuit of Iran and Hezbollah

Donald Trump at the UN in September denounced Iran and demanded rest of world isolate the country
Trump’s targeting of Hezbollah comes as part of a shift in America’s Middle East strategy to more closely reflect the policy goals of Israel and, to a lesser extent, Saudi Arabia—both hellbent on countering Iranian influence across the region. So far, Trump’s administration has sought to counter the group by targeting its financiers. This is not a radical departure from the previous administration, but it seems that Obama during his second term was less interested in pursuing Hezbollah and more amenable to working with the group’s patron, Iran.

In 2008, at the outset of the Obama administration, the Drug Enforcement Administration (DEA) launched a law enforcement campaign, code-named Project Cassandra, to disrupt Hezbollah’s alleged global drug trafficking and money laundering network. Following its investigation into Hezbollah’s sources of funding, the DEA alleged that the group reaped $1 billion per year laundering money from drug proceeds.

Near the end of Obama’s first term, drawing on evidence from the DEA investigation, the US Treasury blacklisted local financial institution the Lebanese Canadian Bank (LCB). According to the original indictment issued in the Southern District of New York US Federal District Court, LCB was involved in a tri-continental money laundering operation that stretched from South America to North America and West Africa. A money exchange entity in a West African country that was a subsidiary of LCB was accused of channeling the proceeds, but the money came mostly from manipulation of the used car market, including pre-owned vehicle dealerships in the US, with smaller amounts coming from Latin America. Allegedly, LCB was also involved in the financing of Hezbollah activity, but the actual affiliation of LCB was never visible, above the level of individual branch managers having some connections to the group. There was never a smoking gun linking bank executives to Hezbollah, and, in 2013, LCB’s board and all shareholders agreed to a settlement of over $100 million on the condition of no admission of guilt.

That year, discussions began in earnest between the Obama administration and its counterparts on the UN Security Council, plus Germany and the EU, that ultimately led to negotiations on an Iran nuclear deal framework. In pursuit of a drawdown of Iran’s nuclear weapons capability, the Obama administration began quietly withdrawing support for Project Cassandra, a Politico investigation published last December reported. The Politico investigation concluded that the Obama administration sidelined the operation because it feared DEA investigations and Treasury actions would jeopardize negotiations with Iran.

**RAMPING UP SANCTIONS**

It was only 15 months ago, in August 2017, that Lebanon’s prime minister, Saad Hariri, stood on the White House lawn as Trump declared a forthcoming answer to the “menace” of Hezbollah. At the time, we did not know what Trump had in store.

In May, Trump withdrew the United States from the Iran nuclear deal, in part on the implied notion that Iran was using the country’s economic recovery from sanctions relief to fund Hezbollah. The Americans see Iran’s support for Hezbollah as a destabilizing force, in both a political and security sense, away from the interests of the US and its allies in the region. The Iranians see Hezbollah as a useful tool extending Persian political influence and its interpretation of Shiite Islam, Waliyat al-faqih, serving as a resistance and counter to Israel and, in recent years, securing mutual interests in Syria.

In August, the US reapplied a first phase of sanctions, and in October re-imposed a second phase of sanctions targeting key Iranian trading and energy activities, namely the nation’s petroleum exports. The US is targeting Iran’s economy to alter its political influence and military behavior in the region, and to temper Iranian financial support to Hezbollah.

Back in 2015, after the Iran deal was concluded, Congress passed a law—the “Hizballah International Financing Prevention Act” (HIFPA)—meant to kneecap the group financially and isolate it from the banking system worldwide. The legislation may have been driven more by America’s political environment rather than regulatory need, executive reported in 2016, placating conservatives and war hawks in the Congress enraged by the agreement with Iran. It is, however, unclear what practical effect that law had in cutting Hezbollah off from the international financial system. HIFPA required the Obama administration to report to Congress on Hezbollah’s alleged narcotics trafficking and alleged transnational criminal activities, but if that was done the reports were never made public.

Amendments to HIFPA had been rumored to be in the works since mid-2017, as executive reported, and finally, at the end of October, as America’s renewed clampdown on Iran was set to begin, Trump signed new legislation amending HIFPA, the “Hizballah International Financing Prevention Amendments Act of 2017” (HIFPA).

Congruently, throughout 2018, the US Treasury has sanctioned nearly 40 individuals and entities, “pursuant to the Hizballah Financial Sanctions Regulations.” In October, the US Department of Justice
DOJ named Hezbollah as one of the “transnational organized crime threats” to the United States, alongside four Central American cartels. The DOJ move comes nearly 10 months after it formed the Hezbollah Financing and Narcoterrorism Team, tasked with “investigating individuals and networks providing support to Hezbollah, and pursuing prosecutions,” according to a DOJ statement. The statement also added that the new DOJ unit will work to “restrict the flow of money to foreign terrorist organizations as well as disrupt violent international drug trafficking operations.”

Through sanctions and the law enforcement actions, it seems a case is being built that could lead to indictments in US courts of Hezbollah officials and entities, or their affiliates. As of yet, we do not know how strictly the US will pursue Hezbollah on these fronts, how widely the US will cast its net, or whether there will be collateral damage. But what is clear so far is that the Trump administration is coming hard for Hezbollah, and this pursuit will likely intensify.

DIPLOMACY NO MORE

The main difference between the Obama and the Trump administration in all this is that the former was pursuing Hezbollah while easing off its patron, Iran, while the latter is going full throttle after both. Under Obama, the US pursued a diplomatic solution to the prospect of an Iranian nuclear weapon, whereas now the US is seemingly on a path toward military confrontation with Iran and its allies—if Iran does not change course in its regional influence campaign.

At the moment, Iranians—and arguably the world at large—are content to wait out Trump. We do not know what impact the reapplication of sanctions on Iran will have on economies in the region, nor what will happen to the price of oil. If the Iranian oil supply to the market is disrupted, it could cause price shocks and keep the cost per barrel high. These dynamics will start to emerge toward the end of the year, in time for the next OPEC/Non-OPEC meeting, in December. We also do not know what these American actions mean for Iran’s patronage of Hezbollah, and the country’s regional ambitions. Neither do we know Trump’s endgame—assuming he has one—if Iran and its allies do not capitulate to American demands.

How all of this will affect Lebanon remains to be seen. We know that past experience with US law enforcement and Treasury sanctions forced the closure of LCB in 2011, and when the HIFPA legislation was implemented in 2016, a local bank was bombed. That summer, Lebanon’s central bank had ordered commercial banks to comply with the US law. After they did, the head office of Blom Bank, one of Lebanon’s largest banks, was targeted. There was no claim of responsibility for the bombing and local law enforcement did not publicly reveal the results of an investigation into the event, if one was even conducted.

Hezbollah might assume important ministerial positions in Lebanon’s next government, namely the portfolio of the Ministry of Public Health. Suggestions that a Hezbollah-run health ministry would jeopardize foreign funding to the ministry’s programs is the next game of who will blink first. By now we know it is not beyond Trump to manipulate American soft power at multilateral institutions, in diplomatic or financial form, to get what he’s after, and in truth those were carrots long before Trump was elected. But what will happen if America’s implicit threat is ignored—either by Lebanon, Hezbollah, or Iran—is an unknown, as the world at large continues to react to this wild card president.
NEW INTERIOR

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The Triple Frontier

By Peter Speetjens

There is a thin line between fact and fiction in discussions of the Triple Frontier, a border area between Paraguay, Argentina, and Brazil that is rumored to be a Hezbollah hotspot. More than one year has passed since US President Donald Trump stood on the White House lawn and promised an answer to the “menace” of Hezbollah. The Americans have long had Hezbollah in their crosshairs, but the change in occupancy at the White House brought expectations of a change in strategy. Instead, the US has renewed its focus on disrupting alleged Hezbollah financing networks by profiling the Shiite diaspora in Latin America.

“Brazilian police arrest alleged Hezbollah financier,” read a Reuters headline on September 21. Lebanese-born businessman Assad Ahmad Barakat was taken into custody after an arrest warrant was issued against him by the Paraguayan authorities for “declaring an incorrect nationality and omitting information about loss of nationality.”

Argentinean authorities also accused the 61-year-old of attempting to launder $10 million through a casino in Puerto Iguazú, a city in Argentina. According to the US Treasury Department, Barakat is “a high-ranking Hezbollah financier” and one of the organization’s “most prominent and influential members.”

Numerous publications around the globe ran the Reuters story. Some, however, omitted the term “alleged.” A crucial term, since everyone should be presumed innocent until proven guilty, and especially so in the case of Barakat—he has seen and heard it all before.

Following a series of reports portraying him as Hezbollah’s main operative in South America, he spent seven years behind bars in Paraguay for tax evasion.

AN ONGOING SAGA

“Every year or two we are confronted by a wave of allegations about Hezbollah and the terrorist threat in the region,” says Ali Farhat, a Lebanese businessman and part-time journalist who has lived in the Brazilian state of Paraná for some 18 years and works in the city of Ciudad del Este, across the border in Paraguay. “We are tired of it.”

“The latest charges against Barakat are just ridiculous,” Farhat says. “The authorities claim his Paraguayan passport was canceled 15 years ago. Hence, the charges. Yet he has worked in Ciudad every day since he was released from prison without any problems. Local police now say they were never notified Barakat’s passport had been canceled. I am convinced it is the same story all over again.”

In 2009, Farhat co-authored a book in Portuguese called “Terrorista por Encomenda” (Terrorist to Order), in which he and Brazilian researcher Fernanda Regina da Cunha Giulian investigated Barakat’s first conviction and the way in which he was made a symbol in the global war on terrorism.

Born in 1967, Barakat left Lebanon for Paraguay in 1985. By then one of his brothers had been killed in the civil war, while the other was running a small car repair shop. The youngest of the three, Barakat was determined to carve out a better future abroad. He opted for Paraguay as it offered one of the few visas easily obtainable by Lebanese. Gradually he built up a business, which primarily imported electronics from China.

“The problems started with a commercial dispute in the late nineties,” says Farhat. “Barakat had se-
The media became enamored with the story of Hezbollah and terrorist financing.

This turned out to be only the opening salvo in a relentless media campaign. Citing anonymous government sources and experts, numerous other publications followed the tone set by *Ultima Hora* and with every published article, Barakat became synonymous with Hezbollah.

Farhat is convinced Barakat got caught in a perfect storm. He argues that despite the original accusation of Barakat's links with Hezbollah being motivated by a business dispute, the media became enamored with the story of Hezbollah and terrorist financing, while the authorities were keen to prove their worth in the emerging global war on terror.

Brazilian police eventually arrested Barakat in Foz do Iguaçu, the city in which he was living, on June 22, 2002. Although they admitted to having “nothing on him,” they extradited Barakat to Paraguay on November 17, 2002.

He stood accused of financing Hezbollah by selling counterfeit products, drugs, and even arms, but was ultimately sentenced to seven years behind bars for tax evasion.

“They did not have any evidence,” Farhat says. “Barakat owned video material of Hezbollah fighters training or in action against Israel, and he had made some donations to the Al-Shahid Social Welfare Association. Very general stuff. So, in the end they could only convict him for tax evasion.”

Another major question emerged when Barakat was released in 2009. Hezbollah's alleged leading man in South America, now shorn of his supposed cover, did not return to Lebanon to receive a hero's welcome. Instead Barakat returned to his Brazilian wife and three sons in Foz, where he lived, away from the limelight, until his arrest on September 21.

**A LACK OF EVIDENCE**

This does not mean Barakat definitely did not act on behalf of Hezbollah. He might have. But it was never proven. The US Treasury Department, however, still lists him as a “high-ranking Hezbollah financier” and one of its “most prominent and influential members.” Barakat's only conviction—tax evasion—is not even mentioned, while media-fuelled suspicion is presented as fact.

South America expert Christopher Sabatini, adjunct professor at the School of International and Public Affairs at Columbia University and executive director of the non-profit organization Global Americans, de-
clined to comment about the Barakat case specifically, as he was not fully versed on the details. However, he says he has been “closely following the dossier on the alleged presence of Hezbollah and other Islamic or terrorist organizations in the Triple Frontier since the mid-1990s, and so far there has not been a single case that proves the many wild accusations that have been made since.”

These “wild” accusations include but are not limited to: Hezbollah running training camps in the Paraguayan jungle, Hezbollah cooperating with Al-Qaeda to prepare attacks on American soil, and Hezbollah being in bed with Primeiro Comando da Capital, Brazil’s largest and most notorious criminal organisation.

Barakat is not the only alleged Hezbollah operative to be arrested in the Triple Frontier. In June 2010, Paraguayan police arrested 37-year-old Moussa Ali Hamdan for providing “material support to Hezbollah.” He allegedly transferred to the group the proceeds from the sale of stolen goods, including cellular phones, laptops, Sony Playstation 2s, second hand cars, and counterfeit Nike shoes.

In 2013, 30-year-old Wassim Fadel was arrested for sending a 21-year-old Paraguayan girl to Europe with 1.1 kilograms of cocaine in her stomach. She was arrested in Paris. The media immediately portrayed Fadel as Hezbollah’s very own Pablo Escobar in Paraguay.

UNLIKELY STORIES

“But these cases are peanuts,” Sabatini says. “If Hezbollah were to smuggle cocaine, would they really be interested in one kilo? Would they not send a container?”

Other elements in these stories about alleged Hezbollah activity do not add up. Hamdan was a dual citizen of the US and Lebanon living in Pennsylvania. He only entered the alleged Hezbollah financing scheme after being offered stolen phones by an undercover FBI agent. He even bought two fake passports from the same cop to settle an outstanding debt.

Regarding Fadel, Paraguayan police claimed that he had transferred funds to bank accounts in Istanbul and Damascus, which were owned by “Hezbollah members involved in the group’s financial operations.” The allegations are very specific, yet the names were never released.

Fadel had become a fugitive in 2008, when customers of his car parts company in Paraguay filed a fraud complaint. Would a Hezbollah kingpin really have been trying to make an extra buck by selling fake car parts?

THE TRIPLE FRONTIER

The Triple Frontier refers to the tri-border area in South America where Brazil, Paraguay, and Argentina meet. Foz do Iguaçu (Foz) is on the Brazilian side. Home to South America’s largest waterfalls, it is a leading tourist destination.

Puerto Iguazú is a small town on the Argentinian side of the border. Across the Friendship Bridge from Foz lies the Paraguayan city of Ciudad del Este (Ciudad). What Hong Kong is to China, Ciudad is to South America: a cluster of street stalls, retail stores, and shopping malls selling everything from the latest mobile phones and electronics to musical instruments, perfumes, and designer clothes.

After Miami and Hong Kong, Ciudad is the world’s third largest tax-free zone, generating up to 60 percent of Paraguay’s GDP, which in 2017 amounted to $29.7 billion. Average prices in Ciudad are about 40 percent lower than in Brazil.

No wonder, then, that every day an endless line of vehicles is waiting to cross the bridge. The fastest way to get across is either to walk or jump on the back of a yellow motorcycle taxi.

An estimated 50,000 Lebanese and people of Lebanese descent live in the Triple Frontier, the such biggest concentration in South America after São Paulo. The first arrived at the turn of the 20th century and are at times still referred to as Turks. During and after the Lebanese Civil War many Shites arrived—they own many of the stores and malls in Ciudad. Most of them live in Foz and work in Ciudad.

Paraguay as a whole, and Ciudad specifically, has long had a reputation for being a money laundering and smuggling hub for counterfeit products, tobacco, and drugs. Paraguay is a major producer of marijuana, as well as a transit point for cocaine, mainly destined for the Brazilian market.
“I’ve talked to several intelligence officers over the years and among them there seems to be a consensus that drug trade and money laundering in South America are not central to Hezbollah operations,” Sabatini says. “Let alone that the continent is used as a platform to train fighters and launch attacks on the US.” And if this were the case, US intelligence would presumably know. “Numerous State Department, Central Intelligence Agency, and embassy investigations have scoured the area so much that it must be one of the most studied areas by the US intelligence community in the Western Hemisphere,” Sabatini adds. It should not come as a surprise then, that the US embassy in Paraguay has downplayed the suspected Hezbollah presence in Ciudad. In 2007, Wikileaks published a US diplomatic cable acknowledging that illicit activities “including trafficking in drugs, arms, and counterfeit goods, as well as document fraud and money laundering” had taken place in the Triple Frontier, but also states: “Hezbollah has a small, direct, non-operational presence on the ground, but most Lebanese in the Tri-Border Area are Hezbollah sympathizers, if not financial supporters.”

The cable specifically refers to the donations made at the Shiite Mosque of the Prophet in Ciudad. Local Lebanese, however, swear these donations are only used for projects such as the local school. But even if some are sent to Lebanon, some sense of proportion is necessary. The same US cable mentions how in the Merchants Bank/Valley National Bank case, $3.7 billion was moved from the Tri-Border Area through the United States. Another case involved New York financial service provider Beacon Hill, which moved $13 billion in six years through 40 different JP Morgan/Chase bank accounts. Beacon Hill was successfully charged as an unlicensed money transmitter, while JP Morgan/Chase paid a hefty fine.

Another US cable published by Wikileaks concerns Paraguayan bank Banco Amambay and claims “80 percent of money laundering in Paraguay moves through that banking institution.” The bank is owned by Horacio Cartes, (the man the DEA suspects of cigarette and cocaine smuggling), who from 2013 to 2018 served as president of Paraguay.

“I have the impression the Hezbollah and terrorist threat in Ciudad del Este is predominantly a political issue,” says Sabatini. “It is a way for Latin Americanists and other parties to get the attention of the White House. That could concern defense budgets, jobs, or the conflict between Israel, Hezbollah, and Iran.”

So, why did the Paraguayan authorities again issue an arrest warrant for Barakat on the rather vague grounds of “declaring an incorrect nationality and omitting information about loss of nationality?” The clue lies in timing. The warrant was issued shortly after the inauguration of Paraguay’s President Mario Abdo Benitez on August 15. Paraguay is a close US ally and a participant in the State Department’s (lucrative) Antiterrorism Assistance program. Could it be that the 46-year-old newcomer merely aimed to offer a gesture of goodwill toward the White House?

We may never know for sure. What we do know is that some 50,000 Lebanese live and work in the Tri-Border Area, who are currently all tarred with the same brush. The flurry of allegations from US and Israeli politicians, the media, and think tanks about Hezbollah’s alleged links in South America since 2001 has been relentless, and so far backed up by very little proof. There will be bad apples among the Lebanese in the region. Some may operate on behalf of Hezbollah. Yet, there is little doubt that the vast majority of these people left Lebanon to have a better future. Many succeeded and have helped make Foz and Ciudad into the tourism and shopping havens they are today.

And among these expats is Assad Barakat, who remains in custody awaiting possible extradition to Paraguay. Is he a Hezbollah financial mastermind, as some have claimed for years? Or is he an innocent father of three? One thing is certain: It will matter little when he is extradited—the story will no doubt repeat itself.

PETER SPEETJENS is a journalist based in Brazil.
The future is data-driven

Interview with Ziad Hayek, Secretary General of the High Council of Privatization and PPP

One observation that the World Bank’s latest economic monitor publication for the Middle East and North Africa conveyed to its faithful readers was that the internet infrastructure in MENA countries needs to be brought up to speed in order to facilitate better transitions into the digital economy. Published in early October, the monitor highlighted the need for “digital public goods,” first among them reliable and fast broadband internet access. It chastised markets in the region for not providing enough high-speed internet access at low cost and for containing barriers that limit data centers and “hurt the environment for a data-driven economy.”

Lamentations over the weakness of national internet infrastructure are very common in Lebanon and many failures in the implementation and growth of online businesses over the past two decades must be attributed to the poor and politicized state of this particular infrastructure (if you do not know this, you have missed years of EXECUTIVE’s analysis). However, several remedial actions have appeared on the map and some of them, stakeholders in the internet and communications sectors tell EXECUTIVE, will be felt as early as next year. Others are slated to become reality further down the road.

While there appears to be no reason for Lebanese businesses and households to expect an impending tsunami of internet infrastructures, allocation of blame on the absence of such infrastructures as all-purpose excuse for delivering a business project late or missing an important spec can no longer be the go-to.

What should strike happiness into collective hearts, however, is what the arriving framework of public-private partnership projects on the national scene has in store. One of the first three PPP projects under preparation is a national data center, which appeals both in terms of affordability and positive implications for the digital transition and entrepreneurship in Lebanon. EXECUTIVE was eager to learn more from Ziad Hayek, the secretary general at the High Council for Privatization and PPP (HCP).

When compared to these two projects of airport expansion and toll road construction—which are rooted in historic transportation knowledge and structures—the project of a national data center is perhaps a little different, given that it pertains to digital economy infrastructure, which has a history of around 10 years for most of its global iterations. What is your approach to the national data center?

We talk a lot about building the knowledge economy in Lebanon, and this makes a lot of sense because we all know that Lebanon has good education [systems], people that are multilingual, and that—from designers of [leading global tech products] to owners of major mobile networks—Lebanese are involved in the tech industry all over the Middle East, not to say all over the world, in a big way. The [question] is: How can
we enhance the knowledge economy in Lebanon? One way to do this is to provide Lebanese companies with access to data center services that are close to them, whether for colocation, or so that people can have [nearby] access to their servers or their disaster recovery, but do so in a professional way. Today, most Lebanese companies are either small, and therefore have their data stored outside of Lebanon on some website or something—but these are not the companies that are providing employment. If we look at larger companies today, they are inadequately served. They either have in-house servers, but you do not always know if you have the best technical people [in in-house IT departments], or you are hosting with a small data center that may or may not provide you with all the services that you need. We, thus, are looking to build a world-class data center that can provide multiple levels of encryption and that has multiple redundancies so that you have safety and security for storing your data, that can withstand earthquakes up to a magnitude of 8.5 [on the Richter scale], and that has multiple high-speed fiber connections. You are firstly looking to provide Lebanese companies with a better service. Secondly, such a data center, with people in customer service that can speak Arabic, could serve neighboring countries, where the same level of ability might not exist to create and manage data centers. Thus, this would be a contribution to the region. Thirdly, we think that such a data center is an infrastructure that can create jobs and contribute to growth in the private sector. For all these reasons, we need that data center.

Can you say anything about the planned dimensions, such as server capacity?

Right now we are thinking obviously about having multiple locations, so maybe two or three locations to facilitate better securing the data. Overall, we are looking at the combined capability to account for about 6 megawatts in power consumption, and at power utilization efficiency to be about 1.6 times. We are looking for [the data center] to have about 500 [server] racks, and to be Tier 3 plus, meaning Tier 3 as a minimum. With power supply, it should be Tier 4 level, if not better. At minimum, we are looking for it to provide IAS, which is infrastructure as a service, but also additional things. We are establishing certain criteria that are not yet set in stone and will not be until we have a chance to not only go to the Council of Ministers, but also to discuss these issues with potential investors. What we do in the feasibility study phase is to try to figure out what the size of the market is, what technology is to be used, etcetera. While they are not final, these are the points where we are heading, more or less.

You are saying that the data center will serve corporate Lebanon and the private sector, but one would assume that it would also be intended for public sector usage. Do you have a ratio or mix of public and private usage that the data center would aim to achieve?

It will compete for business, and hopefully will be attractive enough to various government entities and provide enough security for these government entities as well as the private sector. But we don’t have a preset view [on the ratio of government usage].

There seem to be many issues that need to be considered from the perspective of cybersecurity when building and operating such a center. Some might claim that using contractors from certain countries might result in them installing back doors in your data center. Is this not a totally new field for Lebanon, as far as developing cybersecurity?

This is exaggerated. People think that when somebody builds a data center they have access to the data. This is not true. There are many technical aspects to this, but to put it in the simplest form: At a data center, you have your servers in a room, the key to the room, and the key to the servers, with your own encryption keys. If somebody wants to get access to your data, they can by hacking into it, but hopefully your encryption levels at a data center are much more secure than at a server in the basement of your building. The risk is not that the data center operator would have access to your data. The threat is hackers getting access to your data. In this regard, you will be more secure at the data center than at your own premises.

However, when talking about cybersecurity, isn’t it true that we do not even have all the requisite legislation in place regarding cybersecurity in Lebanon?

We are working on that.

And we also don’t yet have a national cyberattack threat detection center or response center in Lebanon, with all the required experts on 24/7 basis. Will a sort of national cybersecurity protection system, or threat and intrusion discovery and response system, be included when a data center is created?

The data center will have the capability to detect threats. This is not the problem. But in terms of legislation, let me point out that we already have the law for data privacy and for e-transactions, which is very good.
These were passed in September?
Yes. And we are working with lawyers as we speak, and there might be some enhancements that we can bring into this and suggest additional legislation.

If one considers the political sensibilities that exist in the fragmented Lebanese political and communal landscape, would you expect to see demands that one portion of a distributed data center has to be built in the Druze mountains, another section in Akkar or in the south or in Keserwan, or wherever?
I don’t doubt that the minds of many people who are not well informed, and who tend to politicize everything, will tend to have that angle. But anybody who knows what they are talking about will know that it makes no sense to say [the data center] has to be built in such or such area. The important thing is that it is built where there is access to proper power supply, to redundant fiber optic connections, and so on.

Power supply is important in a country with the climate of Lebanon, since it relates to the need for cooling the servers, as well as to the power needed for running them and all adjacent infrastructures. In Lebanon, power supply is, to date, not an easy topic. So if we are talking of 6 megawatts for the data center, how will this additional power be supplied? Will it be integrated in the national grid under a plan with EDL?

Ideally, there would be some contract with EDL for 24/7 power supply. It would probably be at higher rates [compared with supply to households], as we are not looking to get electricity cost subsidies for the center. But of course such a center would have to have a redundancy power supply of its own that has to be up at 99.99 percent of the time under service level agreements. Power supply is a challenge, and it is more expensive compared with power supply in other countries, but on the other hand, having a data center has other advantages, of being in the region, of having customer service in Arabic, and all those things.

Would ownership of the data center under the PPP contract be shared between the public and private investors?
No, ownership would be 100 percent private, as with all other PPP projects. The government is not a shareholder, and they are not sitting on the board. It is meant to be a 100 percent private project where the government is providing land that is located where access to fiber optic connections is best, and our role [as the HCP] is to facilitate the building of such a facility in Lebanon. The benefit of this facility to the government is largely economic, as opposed to financial. In other words, the government is not necessarily looking to achieve a [financial] return on this as much as to facilitate [economic benefits].

As Executive understands it, there are many mandates and requirements in order for CEDRE-supported PPP projects to activate and tap into credit lines. Do any of the three projects have conditions that are related to requirements for specific reforms?

“The demand is there, and we will see more and more data centers being build around the world. Data keeps increasing, it is not decreasing.”

Not much. CEDRE was mostly about pledging money for Capital Investment Plan projects—with the majority of funding going through the government. Perhaps $1 billion of the amount pledged would be used to enhance credit for PPP projects. Whether the data center project would benefit from any concessional financing or not, I don’t know. We will see.

In terms of timeline, are you looking at the data center project to be implemented in between the airport expansion and the toll road construction, or concurrently with one of them?
It would be earlier.

When do you think it will start?
We are hoping that we could tender it by the end of next year, or perhaps early the following year.

So we would have a tender possibly in late 2019, and would add three years in construction time?
Perhaps two years. It can be [built] quickly as it is not heavy infrastructure. [The project will involve] basically constructing a building to certain specifications and then putting in certain equipment.

Where else in the Middle East do we currently have capacious data centers?
Mainly in the Gulf, but we don’t have any in the area [directly around Lebanon].

Would you aim to have clients from all of MENA using the data center?
No, but first I have to say that it is a private sector enterprise, and it will be [up to] the private sector operator to go after business, whether in Lebanon or other countries. What we are saying is that there is potential for regional size.

Have you made any quantification of this potential in monetary terms?
No, and we are not able to do all that today. We can say that we are sizing the Lebanese market, but there is other potential, icing on the cake. If you want to build something that is...
modular and can grow, you will not make all investments from day one, so you will make a small investment for Lebanon and a certain part of the Lebanese market and grow the data center as needed.

E So we are not talking about investments worth billions of dollars, as is common for large data centers in China and the developed world? What will the Lebanese data center cost?

We estimate it at about $100 million. But again, you don’t have to build a big thing all at once.

E Right, small and smart is beautiful, and big is not always necessary. But it seems from what is being built around the leading data center markets, like China, that these are the largest infrastructures in the emerging digital era.

The demand is there, and we will see more and more data centers being built around the world. Data keeps increasing, it is not decreasing, as we are always storing and archiving more.

E And all over the world we see increases in cloud computing and have artificial intelligence coming up. Are you planning for AI capacity in this data center?

We are not planning [for specific capacities]—we are putting minimums [that have to be met], and the market will dictate to what level we go.

E Did you size the Lebanese market for its potential? How much is that?

Yes, but we are not talking about the financial modeling at this point. We keep this information to ourselves. This relates to our own ability to judge those [PPP] proposals.

E What is the HCP’s perspective on the involvement of civil society, with organizations such as the Lebanese Transparency Association (LTA) monitoring PPP implementation?

This [inclusion of civil society] is my own personal initiative. We are not obliged to do this, but I have always been pro-openness to civil society and transparency. I thus took the initiative upon myself to call LTA and say that I would like to form a committee to audit our work, for transparency and fairness, from civil society, but I do not want this only to involve the LTA; I want them to lead it because they are the [main] transparency association [in the country] and have links to Transparency International. I want other parts of civil society involved in this effort, but we have not yet reached a decision on the shape or form of this. But I invited civil society, at least the LTA, to the kickoff meeting for the airport project this month, for them to start early on this journey with us. There is a learning process that they need to go through to better understand what PPP is, and the difficulty of tendering PPP projects. Hopefully we will work with LTA and other NGOs on this.

E Lastly, on the digital transformation of the Lebanese economy: How much of a role can the data center project—and improvement of knowledge economy infrastructures—play in the needed transition of the Lebanese economy into a digital economy? The World Bank recently saw the need for a strong concerted effort in transitioning MENA countries toward the digital economy, but citizens, government, and private sector stakeholders on various levels of the Lebanese economy appear to be moving at different speeds toward a digital economy.

The data center will be an enabler—perhaps the most important one, but one enabler. Another enabler is speed of connectivity, fiber optic to the home, etcetera. A third enabler is the development of content to get more people online and have them finding something interesting. We cannot say that one thing will be the magic wand to achieve the objective [transition to the digital economy]. The data center is an enabler, and we think that Lebanese society is at a level of maturity in technology and science and knowledge to benefit from something like it. We have reached a level in Lebanon where this is now needed.

E How important do you personally think the transition to the digital economy is for Lebanon?

For Lebanon, it is huge. One ma-

“...The data center is an enabler, and we think that Lebanese society is at a level of maturity in technology and science and knowledge to benefit.”
A long time in the making

It took 10 years to pass the PPP law—how long will it take to implement?

The PPP law, formally known as Law 48 Regulating Public Private Partnerships, was first proposed as a draft by Cabinet in 2007. It was not until September 2017 that it was passed by Parliament and published in the Official Gazette. In other words, it took lawmakers ten years to pass the PPP law.

Back in 2007, Lebanon’s public debt was circa $42 billion. Today, it has reached approximately $83 billion. While this massive jump in public debt was not caused by the absence of the PPP law, it is certainly arguable that a significant portion could have been saved, had the law been passed in 2007 and implemented in the intervening years.

There are numerous benefits to public-private partnerships. As well as allocating the risks between the public and private partner, the benefits of PPP that are most relevant in the Lebanese context are the following:

It minimizes the financial risk to the government, given that PPPs are regarded as an alternative to public funds for financing new development or upgrading of infrastructure, both of which are capital intensive. With PPP, the costs will be covered by the private partner rather than eating into the government’s budget.

It increases the efficiency of the project—if applied to the right project under the correct procurement process—and increases effectiveness, by achieving the desired outcome in a time- and cost-effective way.

It helps foster transparency and limits corruption, which is a major current impediment to economic growth and sustainable development in Lebanon.

SEVERAL FACTORS AT PLAY

These benefits, however, are dependent on several factors: whether the proposed PPP project addresses a public need and is suitable for a PPP, well prepared, commercially feasible, properly structured and tendered, and proactively managed through the life of the partnership agreement.

The importance of the PPP law lies in the fact that it ensures that different projects are consistently structured, tendered, and managed. This consistency lowers costs for the private sector and builds confidence in the market—in the absence of such a robust framework, different ministries may act with frustrating inconsistencies and, in doing so, put off potential bidders.

Meanwhile, the principal benefit of the PPP law is that it codifies the pre-procurement and procurement
processes, meaning that any actors—the state, public institutions, municipalities or federation of municipalities—must follow the required steps in order to procure a PPP project. According to article 4 of the PPP law, PPP projects can be proposed by the president of the High Council for Privatisation and PPP (HCP), the “concerned” minister, the president of a municipal council, or the president of a federation of municipalities, with respect to projects under their purview.

In this regard, it is important to stress the need to create a pipeline of projects that increase the attractiveness to sponsors while, at the same time, focusing on the sectors contributing the most to the growth of our public debt. By doing so, the same types of sponsors will be more willing to incur bid costs in the knowledge that, if they are unsuccessful, they can simply roll-over their resources into the next project in the pipeline.

Now that there finally is a PPP law, the challenge is not only to attract private partners, but to attract the right ones. When investing in a foreign country, private firms assess certain risks, such as foreign exchange, economic viability (including GDP and inflation), regulatory risks, and political risks, such as government instability.

Unfortunately, Lebanon is known for its frequent political instability and deadlock. At the time of writing, the country was still waiting for Prime Minister-designate Saad Hariri to form the next cabinet, after over five months of political wrangling and stalemate. The Council of Ministers, in accordance with the PPP law, plays a major role in the procurement process of any PPP project undertaken by the state, public institutions, or any moral person of public law. In our opinion, this constitutes a major problem: Without a cabinet, PPP projects cannot move forward.

The Council of Ministers is a key decision maker at several points in the process: It must approve the project and the final tender document; on the suggestion of the concerned minister, it has the authority to appoint a member onto the board of the project company if a public entity has contributed to the share capital of the project company; the concerned minister must sign the partnership agreement on behalf of the state; and if the PPP project requires the expropriation of private properties, then there must be a decree declaring public benefit, which would need to be issued by cabinet.

**NO CABINET, NO PPP**

The approvals, appointments, and issuance of decrees mentioned above, cannot be carried out by a caretaker government, nor can a caretaker minister sign a partnership agreement. This means, in the likely scenario that Lebanon continues to have longstanding caretaker governments, the procurement process of PPP projects will become another casualty of the lack of functioning institutions.

There could be cases in which the HCP has prepared and approved a PPP project but there is no cabinet to give final approval, and so the project committee would be unable to launch the process to select the private partner. Or worse, the tender document may be approved by the HCP but not the government, or the private partner could be selected—after a long and thorough tender process—but the partnership agreement would go unsigned, because a caretaker minister has no authority to give it its signature.

If this happens, will the private partner wait? What message will we be sending to international investors in this scenario? Was this reputation-al risk taken into consideration when the PPP law was drafted?

It would have been preferable to keep the Council of Ministers out of the procurement process as much as possible, and, at the very least, to bestow the aforementioned responsibilities (with the exception of expropriation) on the HCP, for PPP projects of a certain size (for example, up to $50 million).

For PPP projects of a municipal nature, the process and implementation are much easier. Municipalities are more stable and the powers mentioned above are granted to the municipal council president or the president of a federation of municipalities, as the case may be. Given this, municipalities and federations of municipalities are urged to undertake as many PPP projects as possible.

Aside for the setback with the Council of Ministers, the PPP law is also silent on conflicts of interest that the public side (the HCP’s employees, project committee members, work team members, concerned ministers, ministers in general, the president of a municipal council, municipal council members, the president of a federation of municipalities, and/or their relatives) may have with the project company, the sponsors, or the contractors. This is a very crucial issue in order to fight corruption, and should be addressed in the implementing decrees of the PPP law.

Ultimately, it has been one year since the PPP law was passed and no PPP project has seen light yet. One can only hope that, despite all the challenges mentioned above, there will be a PPP project in Lebanon in less time than it took the authorities to pass the PPP law.

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Lebanon’s housing authority to restart subsidization scheme

But how many will receive their PCH loan?

How far will LL100 billion go?
That was the main question Executive posed to Rony Lahoud, head of Lebanon’s public housing authority, the Public Corporation for Housing (PCH). While there are still variables to be calculated, at the time of this interview in late October, Lahoud suggested that almost two thirds of the demand for subsidized loans via the PCH would go unsatisfied next year.

For nearly two decades, until the end of 2017, Banque du Liban (BDL), Lebanon’s central bank, had offered cheap credit to commercial banks with the understanding that savings would be passed on to home loan borrowers (see October cover story). This year, BDL still offered cheap credit worth $500 million to the banks to finance home loans as part of its stimulus package, but that money was quickly used up. By July, the PCH had to stop accepting loan applications, creating a housing loan crisis that is now close to being solved, thanks to the LL100 billion ($66 million) allocated for this purpose in a swiftly passed law.

Given Lebanon’s current interest rate environment, it is not yet clear how many loans the PCH can offer with the allocated amount. Lahoud tells Executive that the housing authority is hoping to conclude negotiations—which include discussion of a new PCH loan product—with commercial banks by early November. Then, Lahoud says, he’ll know how much the subsidy will cost the PCH and the borrower, and how many loans the housing authority can support.

How were subsidized home loans financed before?
This new law is specific to the PCH—all other agencies or banks that offered subsidized loans [have stopped doing so]. Since 1999, [BDL] allowed every commercial bank to access up to 15 percent of their capital reserves held at the central bank to give home loans via the PCH and other institutions. And from 2013, there was the stimulus package, where the central bank offered a loan at 1 percent interest to commercial banks to use for home loans across all subsidized schemes via PCH, the Lebanese Armed Forces, Banque de l’habitat, and directly from the banks. The banks could borrow this money from the central bank at 1 percent interest and were offering around 4 percent on mortgages. This $500 million could not satisfy demand.

This year, BDL still offered cheap credit worth $500 million to the banks to finance home loans as part of its stimulus package.

This is the $500 million that was quickly exhausted during the first quarter of 2018?
This was the amount that [BDL said] could be used for home loans, across all subsidy schemes via PCH, the Lebanese Armed Forces, Banque de l’habitat, and directly from the banks. The banks could borrow this loans. At the end of 2017, the central bank stopped the first one [meaning banks could no longer access their capital reserves to finance mortgages], but it offered an additional $500 million in 2018 as part of its stimulus package.

Mortgages across all subsidized schemes is nearly $2 billion per year, so the central bank’s offering of $500 million for 2018 is only around 25 percent of demand by total value. Of that $2 billion, the PCH offers almost $700 million per year by total value.

For the PCH it is 5,000 loans per year with an average of $126,000 per loan. The average loan amount [multiplied by] 5,000 is $643 million per year.

The money for subsidized loans dried up quite quickly this year, and in September
you told Executive that PCH approved 1,800 loans in 2018 before the money ran out.

It's two thousand files this year, in the 10 months from the beginning of the year until now. This is $244 million disbursed by total value. The $500 million was divided by a quota between the banks and they let us know they had no more money to finance subsidized loans. We took the decision to stop receiving new files because we could not take in new applications while there were still some on hold at the banks. At the same time, people were presenting files to the PCH, hoping their application would be approved soon, but in reality we could not approve any new loans. So we preferred to stop receiving files until a financing solution could be found, because most probably a new solution would be more expensive than it was before and [potential borrowers] might decide not to take a home loan at 7 or 8 percent interest.

**E** What was the official date that PCH closed its doors to new mortgage applications?

It was the beginning of July when we stopped accepting.

**E** Now that Parliament has passed a law to finance PCH loans are you accepting applications?

No, not yet. The new law is already in force and we've started negotiations with the banks and the Association of Banks to see what can be done, and how we can start again giving loans, at what interest rates, whether we'll need to change any criteria, and we are trying to create a new product. Before, our product was somewhat complicated: Over the first half of the loan, the borrower was paying just the principal, while the PCH paid the interest; the second half, the borrower paid back the PCH. So it was somewhat complicated and needed a lot of tracking from our end.

**E** The PCH Facebook page recently posted that you were beginning to negotiate with the banks in relation to this law and to restart the subsidy scheme. What is being negotiated?

Before we paid the interest on the first period [the first 15 years of a 30 year PCH mortgage, when borrowers were paying the principal], and now PCH is going to subsidize the loans on the whole period. But now we're talking about an environment where the interest rate is 10 or 12 percent and PCH is to subsidize that for the borrower, which is impossible for the PCH to pay the whole interest. So PCH is building a new product more similar to those offered at banks, where the citizen pays toward the principal and interest for the whole period.

[With the new product] the period can no longer be 15 years—it should become 25 years, and the loans should be offered in Lebanese lira. These two criteria were accepted by the banks. But what about the interest rate environment? We suggested that the subsidized interest be paid upfront. We'll discount all of the interest subsidy and pay the net present value from the PCH. The whole amount of the interest that PCH is to subsidize will be paid at the beginning of the loan. The borrower pays the second part of the interest, paying toward the principal and interest over 25 years. This way the interest rate will be much less for the borrower than the market interest rate.

**E** So because of the interest rate environment, the PCH might not subsidize 5,000 loans, as it had been doing before this year?

We project demand from all potential low-income and medium-income borrowers via the PCH to reach 8,000 applications. For sure we cannot service 8,000 files with the LL100 billion, so what we are going to do is accept many fewer applications, maybe meeting 30 percent of demand. We haven't finalized our estimations yet because we are still negotiating with the banks on the interest rate for the mortgage and on the interest that the PCH will cover. If we are going to pay 5 percent from the PCH and 5 percent from the borrower, maybe it will be ok, but until now we haven't reached a final decision with the banks. Once we calculate these two variables we will better know how many loans the PCH can subsidize in 2019.

**E** This law is applicable from January 1, 2019 to December 31, 2019?

It is on the state budget of 2018, and we'll figure out how to use it for 2019 as well.

**E** What comes next after 2019, or if this money is used up earlier?

We'll discuss that next, but now we're focusing more on the new product.

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“We suggested that the subsidized interest be paid upfront. We'll discount all of the interest subsidy and pay the net present value from the PCH.”
Shareholder activism has experienced a revival and is now growing in influence globally as an effective tool to transform companies by unlocking share price value and improving their strategic vision and governance tactics.

The phenomenon of shareholder activism is not new. When it started back in the 1980s, it sparked numerous controversies due to the aggressive tactics employed by a number of activists—referred to as corporate raiders—to change a company’s capital, managerial, and operational structures.

In comparison to the early days of shareholder activism, it has now become more common to view the practice as a catalyst for positive change that aligns the interests of a company’s board, management, and shareholders. Moreover, shareholder activism forces companies to review their focus and strategies.

From its initial prevalence in the United States, shareholder activism has, in the last few decades, expanded to new frontiers in Europe and other markets. In the countries of the Gulf Cooperation Council (GCC), where corporate governance, the performance of securities markets, and the public listings of large companies have, in recent years, been matters of increasing interest, several market players hold the view that GCC countries would benefit greatly from shareholder activism.

Proponents of governance and shareholder activism across the Middle East and North Africa (MENA) region argue that this part of the world is becoming increasingly transparent from a regulatory perspective. Also, as more companies are listed publicly, these advocates see the need for the region’s economies to shift toward increased institutional ownership and improved economic health.

The region today has more fertile ground for shareholder activism than it did in the early 2000s—when several securities markets in the GCC were in the early years of operations and had nascent professional investor cultures. However, any discussion of shareholder activism in MENA should take the complexities of such a development into account. The US or European models might need to be adapted to suit this geographical territory and legal and cultural environment. In short, one would need to create a Middle Eastern way of doing shareholder activism.

**ACTIVIST HISTORY AND MODELS**

In the context of securities markets, activism represents a strategy or a range of activities by one or more shareholders of a publicly traded company to drive some change within the company, with the ultimate goal of unlocking some form of shares’ value.

Depending on the changes sought, the activities and the level of engagement may differ. On one side, there is activism practiced by hedge funds seeking substantial company changes at the strategic level, within the board management structure and financial structure. This form of activism is interventionist as a fulcrum of change. Historically, these activists have been classified as “corporate raiders,” as they sought to dismantle a company they regarded as “inefficient” by taking full control of the company’s shares, often using their own capital and engaging in all sort of proxy tactics to gain control of the board.

Arguably, the first shareholder activist was US-based economist and investor Benjamin Graham, who, in 1927, pushed Northern Pipeline Company to distribute its excess cash to shareholders. The company was not willing to agree, so Graham ran a PR campaign to get himself appointed to the board of directors. At the time, such behavior was unheard of—a fund manager trying to influence the governance of a publicly-traded company.

Since the 1980s, asset managers like Carl Icahn and Nelson Peltz have built their fortunes by staging very aggressive raiding campaigns. In the 1990s, hedge fund managers such as Bill Ackman and Dan Loeb entered the game. Meanwhile, activist shareholders and hedge fund icons such as Robert Monks and John Paulson began softening some of the corporate raiders’ techniques, raising money from other investors and aiming not for full board control, but for minority board representation.

The focus of recent shareholder activism is, thus, not always the breaking up of a company, but the installation of positive changes via a new management structure, the restructuring of finances, and operational efficiencies. This new, softer side to activism can be classified as constructive activism, involving one-on-one engagements between...
shareholders and companies, and legalized in the new “say on pay” provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which grants a firm’s shareholders to have a right to vote on the remuneration of executives.

In the last 10 years, shareholder activism has grown exponentially, possibly due to the broadening of activists’ tactics. Over the years, many activist funds have been established, and Hedge Fund Research estimates that in 2017 activist strategies represented 15.1 percent of assets within the event driven category; total assets were $125.6 billion. Further illustrations of sector growth are set out below:

**EVOLUTION OF SHAREHOLDER ACTIVISM TACTICS**

More and more hedge funds have been adopting a capital allocation strategy, which is the process of allocating financial resources to different sources in order to increase profits. A target company may attract the attention of activists if a board is perceived as being ineffective, if it has a low market value relative to its book value, or if it is looking for a new CEO. Once a target is identified, the activist tactics are considered and selected. Numerous market sources, including the 2018 review by Lazard Bank on shareholder activism, seem to suggest that the market has evolved from corporate raider campaigns to consensus-based campaigns developed via dialogue and negotiations.

Several of the most versatile strategies are: *Divisive strategy*

This strategy involves dividing board management via opposition campaigns, involving the solicitation of shareholders to withhold votes (no campaigns)—proxy contests designed to destabilize the board. This aggressive tactic is not always successful, especially in the ousting of a director, as it requires majority shareholders’ support.

*Shareholder proposal strategy*

Dialogue-based proposals are designed to effect changes in governance and risk management processes, as well to encourage the company to act in a more accountable way from an environmental perspective.

*“Say on pay” corporate strategy*

“Say on pay” is a legal measure first introduced in European jurisdictions that mandates an advisory shareholder vote on executive remuneration as proposed by the board of directors. It encourages hedge funds to rely on moderate tactics, such as shareholder engagement. Many applications of “say on pay” by hedge funds are designed to make changes to the compensation plan for executives.

**THE ACTIVIST INVESTING ANNUAL REVIEW 2018**

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Number of companies publicly subjected to activist by year

**Breakdown of activist targets by market cap**

- **Nano cap** (Less than $60m)
- **Micro cap** ($60m - $250m)
- **Small cap** ($250m - $2b)
- **Mid cap** ($2b - $10b)
- **Large cap** (More than $10b)

Market cap breakdown of the 805 companies publicly subjected to activist demands in 2017, and 843 companies publicly subjected to activist demand in 2016

**A GCC PERSPECTIVE**

Critics of shareholder activism argue that activist investors are interested in quick returns and short-term investments as opposed to fostering a long-term vision. But those in favor of activism argue that activist campaigns improve a company’s valuation in the long term, even after an activist has cashed out on a company. In reality, activism is seldom carried out over a short period of time. It usually requires months, if not years, to implement and measure, in addition to lengthy collaboration between institutional investors and the activist investor.

Most of the listed companies in the GCC are nano (EUR <50m) and
micro cap (EUR 50-300m). Before an initial public offering (IPO), a company is usually backed by a private equity fund. Management is thus challenged to generate more cash flow in order to repay the debt, and is under pressure to deliver a robust business plan. When the company becomes public, most private equity funds exit and realize their financial gains. During the IPO process, asset managers can buy a stake in the company, but they are passive investors and are not represented on the board—and hence cannot change the vision, business, or value of a company.

Most companies in this space start with a great product and up to a certain point the demand for the product continues to grow, but then growth stifles. It is at this point that the company needs a solid transition to build on its success, adding products or services to sustain the corporate development through merger and acquisition operations. When an organization faces major change—disruptive innovation, taking drastic

adjustments to transform an enterprise—managers can destroy a lot of value. Activist investing is a natural revolution to help listed companies become more efficient.

Activism in the GCC can be developed as follows: Nano and micro cap are a niche company market and there is an opportunity for an activist to add value in a legitimate way. As GCC companies are less well researched by analysts and less likely to follow corporate governance best practices, the potential for unlocking big share price gains may be greater than with larger groups of more established companies. Also, smaller companies do not always have the resources to fend off an activist campaign.

In the GCC, it is crucial for companies to become more transparent. In most instances, companies employ an auditor to analyze their financial statements, but sometimes those charged with scrutinizing the corporate books are too close to management. This hinders objectivity and can result in failure to detect malpractice. If an activist provides more due diligence, they can discover any financial shenanigans and poor management decisions that were made to sustain the value for the shareholders. They could then challenge the board and the management to bring more transparency.

Shareholder activism has evolved significantly since the 1980s and its reputation as a destructive force is no longer applicable, given the emergence of increasingly constructive campaigns. The GCC would indeed benefit from a form of shareholder activism that is constructive and proactive with extensive management dialogue, which could help companies become more transparent and operate in a more cost efficient way. Bringing greater transparency to publicly-listed companies in the GCC would arguably encourage greater investment from Europe and the US, and this would benefit the economy as a whole.

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CAPITAL CONCEPT S.A.L.

STRATEGY - FINANCE - GOVERNANCE
The exciting world of audio storytelling remains relatively unexplored in the Middle East today, despite the region’s reputation for masterful storytellers. While podcasting as a medium is rapidly growing in the US and Europe, many radio stations in Lebanon and across the Arab world have yet to join this trend and produce innovative content.

Two problems exist: Firstly, there is a dearth of high-quality podcasts produced in Lebanon, and secondly, for those that do exist, it is hard for the podcast and the audience to find each other. Reaching a critical mass is incredibly difficult.

The podcasting industry as we know it began in the mid-2000s, but it was not until Serial—a US long-form investigative journalism podcast hosted by Sarah Koenig—struck gold in 2015 that podcasts became prominent in the media landscape. In 2017, the US podcast market was valued at around $313.9 million, a rise of 86 percent from $169 million in 2016 according to a study by the Interactive Advertising Bureau. In the Middle East, storytellers who began their careers on the blogosphere in the mid-2000s have begun to trade the written for the spoken word. There have been signs that podcasting is starting to pick up in MENA, but, as with any form of storytelling, production matters. Creating a successful podcast requires dedication, passion, time, talent, and resources.

PODCASTING IN MENA

In a recent article in Arab News, British-Lebanese journalist Nasri Atallah wrote about notable podcasts in the region, including Jordan-based Sowt, one of the biggest Arabic-language podcasts at 10,000-20,000 downloads per episode, as well as Dubai-based Kerning Cultures, another narrative-driven podcast, in English, which averages 5,000 downloads per episode, and Saudi Arabia’s Mstdfr network, which has around 20,000 listeners per month. Executive spoke to Atallah in Beirut, where he explained that Jordan, the UAE, and Saudi Arabia have more established markets, due to the use of brand partnerships to monetise podcast production. The Lebanese market is too small to be sustainable, he says, advising aspiring Lebanese podcasters to get a bigger audience by targeting the wider Levant and the English-speaking Arab world.

“Podcasting is a powerful medium, but you have to work on changing consumers’ habits from radio consumption to podcast consumption,” Atallah says. Even if you can find the audience, keeping them requires high production value. “Audio is notoriously difficult to produce, as you need to have a good, clean sound, proper tech equipment and efficient distribution,” he says, adding that podcast enthusiasts in Lebanon may have high expectations after consuming European and US podcasts. “The key to success is to start small, be regular, iterate and look outward in distribution and promotion, as audience data is what matters most.”

LEBANESE PODCASTERS

Despite the small market size, there are Lebanese podcasts out there. Leyla Nahas has been presenting the podcast Beirut Bright Side Stories (BSS Stories), an offshoot of a blog of the same name, since February 2017. She tells Executive that the podcast—which has produced six episodes so far and is composed of narratives and interviews—was a natural evolution of her and Rami

Lebanon, lend us your ears

Podcasts remain an untapped opportunity
Obeid’s blog, which aims to share positive stories from Beirut. “It is challenging to produce exciting content with this format because sound design and production are expensive,” Nahas says, explaining that the podcast is a self-funded passion project, for now. Nahas and Obeid are also considering producing audio documentaries about Beirut, funded through sponsorships and subscriptions.

Queer Narratives, a podcast launched in June 2018, with 16 episodes in its first series, explored gender and sexual diversity, including transgender identities and the social and legal limitations on gender and sexuality in Lebanon. The podcast was initiated by UK PhD researcher Joy Stacey, who hopes to find funding for a further series in the future.

There are also several Lebanese podcasts scheduled to launch in the next few months, including: Who Run the World, a talk show with female entrepreneurs; The Huddle, a sports talk show; Movie Court, a film review show; The Pitch, a talking shop with entrepreneurs; and A Better Beirut, a talk show on positive stories from the capital that will be launched early November.

Despite these offerings, too few Lebanese are listening to podcasts produced in the local market. BBS Stories averages 360 listens per episode without any promotion, while Queer Narratives, which received a lot of press attention, averages 2000

“It is challenging to produce exciting content with this format because sound design and production are expensive.”

listens per episodes. Mobile data in the country is notoriously expensive—perhaps a reason why podcasts are not taking off in Lebanon, where consumers will likely wait for a stable WiFi connection to stream or download a podcast.

Podcasts that have proved popular in the region are those that cover topics with enough regional or global appeal for their producers to be able to gain audiences large enough to
The podcasting scene may be small, but it is also not oversaturated.
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By Susan Wilson

Blood transfusion services

Giving a dam
Blood donation in Lebanon

Anyone active in the Lebanese social media bubble will have seen the all too frequent posts, shared on behalf of family or friends, urgently calling for volunteers to donate a specific blood type at a specific hospital. What people may not realize is that the blood they are being desperately asked to donate might not actually go to the patient who is asking for it. Lebanon’s blood transfusion system runs on what is called family/replacement donation—hospitals give the needed blood units, if they have them, to the patient, provided that these are replaced by the patient’s network of family and friends. If a patient needs six units of A+ blood, then they will be responsible for replacing these six units in the hospital’s blood bank.

Replacement donation is not unique to Lebanon; 71 countries are still dependent on replacement or paid donors for over 50 percent of their blood supply, according to the World Health Organization (WHO). Since 2010, the WHO has had a global framework for action to help countries achieve 100 percent voluntary non-remunerated donors (VNRDs) by 2020, with this deadline since extended to 2025 for countries in the Eastern Mediterranean. But even with the extra five years, Lebanon still lags far behind. Replacement donors account for around 80 percent of all blood donations in Lebanon, and without a national impetus to encourage voluntary donation, and a shift in public mentality, this is unlikely to change anytime soon.

VOLUNTARY, NOT REPLACEMENT

What reliance on replacement donation means in practice is that while the blood transfusion system in Lebanon is arguably effective, each actor on the supply side (including patients, their relatives, and hospital staff) is placed under pressure to procure blood when needed—rather than being able to rely on a national blood bank. Hospitals, keen to keep an emergency stock of blood, are unwilling to use their own supply unless it is guaranteed to be replaced. And while those who do donate are of course doing so voluntarily and without pay (it is illegal to pay donors in Lebanon), they still fall under the banner of replacement donors because they are making this donation on behalf of a specific patient.

What makes replacement donation problematic is that statistically these kinds of donors are not the safest to work with. Knowing the person involved and being under pressure to donate from friends and family can make it more likely that these donors will not be entirely honest in the screening process—increasing the risk for the blood’s recipient. All blood products in the country are legally obligated to be screened for HIV, Hepatitis B, Hepatitis C, Syphilis, and irregular antibodies, but certain diseases, such as HIV, have a window period in which an affected donor could transmit the disease without any detectable antibodies during the screening process. This is why the national questionnaire—prepared by a committee of experts to check the eligibility of donors and available, along with other information for prospective blood donors, on the Ministry of Public Health (MoPH) website since 2015—is a vital part of the process to ensure the safety of patients.
Blood transfusion services in Lebanon are indeed highly decentralized, in line with the healthcare system overall. To add more stress to an already stressful situation, there have been recent reports in local media, as well as personal accounts shared with EXECUTIVE, of potential donors being turned away for reasons that, when posed to specialists in blood transfusion, do not stand up to scrutiny. These include female donors being rejected on the basis of their gender and potential donors being turned away for having engaged in safe sex. The national questionnaire does ask donors several questions on sexual activity to screen for those at a higher risk of having contracted a sexually transmitted disease, and women are asked specific questions related to pregnancy, and whether they have had sexual contact with a man who has had sexual contact with another man. But to be turned away for having had protected sex in general, or simply for being a woman, has no scientific basis.

To procure the necessary blood units is also complicated by hospitals' differing standards. Some, for example, will accept donations of blood units, while others require these donations to be made in person at the hospital. Abdo Saad, head of communications at Donner Sang Compter, an NGO set up in 2009 to help connect patients with willing donors, argues that hospitals are the most difficult part of the supply chain. He cites different standards and criteria between hospitals as leading to a lack of trust that makes hospitals insist that people donate in person. This desire of hospitals to receive donations on site also comes with several drawbacks. In an article titled “Can a decentralized blood supply system reach 100% voluntary non-remunerated donation?” published in the International Journal of Health Planning and Management (IJHPM) earlier this year, the authors noted that most hospital blood banks in Lebanon are clustered in overcrowded urban areas, making them hard to access, given the lack of parking and traffic congestion. Most also stop accepting donors after 5 p.m., except in emergency cases, meaning that potential donors often must take time off work to donate, thus incurring discouraging out-of-pocket expenses.

The pressure to secure donors can also take a heavy toll on patients and their families. EXECUTIVE spoke with a woman whose father had recently needed regular donations of blood while being treated for leukemia over a seven-month period. The responsibility to find donors was immense. “It’s one of the unforgettable periods in my life. It was super, super exhausting; it really sucks energy and life out of you ... and you sometimes feel you really need to beg people [to donate],” the woman, who prefers to remain anonymous, tells EXECUTIVE.

**The Lebanese System**

For Saad, blood donation in Lebanon is so fragmented due to a lack of involvement at the governmental level. “Here we have each hospital relying on itself, or on the Lebanese Red Cross (LRC). So [it is a] decentralized system which jeopardizes everything, and there is no one to control it,” he says.

Blood transfusion services in Lebanon are indeed highly decentralized, in line with the healthcare system overall. The IJHPM article says that healthcare facilities carry out 85 percent of national transfusion activities, while the remaining 15 percent is carried out by the LRC. Law 766 (2006) states that authorization to operate a blood transfusion center must come from the MoPH, and the center must be run by a physician who, among other requirements, has a degree specialization in hematology. In reality, however, the situation is more complex. The article estimated that of Lebanon’s healthcare facilities less than half are licensed by the MoPH to practice transfusion services, with the remainder running unlicensed blood

bank activities. Dr. Rita Feghali, who coordinates the Lebanese National Committee of Blood Transfusion (LNCBT), an advisory body to the MoPH, says, “All hospitals can transfuse. So if you have a patient needing a blood unit, you will have to transfuse them even if you don’t have a license for a blood transfusion center, which is the case for more than half of the hospitals in Lebanon.”

Since 2010, the MoPH has made efforts to improve the quality and standardization of blood transfusion services, starting with an advisory relationship between the ministry and Établissement Français du Sang (ESF), the national blood bank of France. In 2011, the LNCBT was formed, composed of eight members all working in the field of blood transfusion at Lebanese hospitals. This committee was tasked with advising the ministry on the organization of blood policy, the promotion of VNRD, and the improvement and sharing of blood transfusion practices, among other goals.

In the past seven years, the committee has authored guidelines on good transfusion practice (released in 2012), and developed a hemovigilance program (in 2015) that included the national blood donor questionnaire. They are now in the process of producing an all-encompassing national strategy for blood transfusion in Lebanon. However, enforcement of these guidelines remains an issue. Feghali explains: “It should be mandatory because this is our national questionnaire, and in the new accreditation standards put in place by the MoPH there is a grade for using the national questionnaire—because you know in Lebanon we cannot always do these things by force—but there is a grade, so for the hospitals, it is one of the standards the hospitals should be using.”

To improve enforcement, the committee will be recruiting and training auditors to undertake a national audit of all blood transfusion services in the country, part of an accreditation process specific to these services. This process is set to begin in 2019, with all blood banks scheduled to be audited over a two-year period. The ministry has yet to take a decision on what will be the punitive consequences for hospitals found not to be adhering to these standards.

QUALITY, BUT ALSO QUANTITY

There is a dual challenge for blood transfusion services: ensuring both the quality and quantity of their supply. While there has been a lot of progress at the ministry-level in terms of standardizing practices to improve quality, ensuring a sufficient supply of voluntary donations is very much a work in progress.

In 2016, the MoPH launched Lebanon’s first national blood donor public awareness campaign to encourage VNRDs with radio ads, leaflets, and a hotline to inform donors of their nearest blood banks. This, while successful, did not have the full impact the ministry was hoping for, according to Feghali. Raising greater awareness of the need to donate blood altruistically and regularly, rather than for a specific person, was raised as one of the most—if not the most—important way to move Lebanon toward the WHO goal of 100 percent VNRDs.

Lack of voluntarily blood donations is not the only roadblock. According to the IJHPM article, other challenges that need to be overcome include: shifting from the mentality of replacement donations, misconceptions within the Lebanese community over the safety of blood donation, the out-of-pocket costs incurred by donors, and a lack of respect toward donors, who often have to contend with long waiting times and poorly trained staff. Even if all these issues can be addressed, the authors of the piece—which include Dr. Antoine Haddad, head of Department of Clinical Pathology and Blood Bank at Sacre Coeur Hospital, and one of the members of the LNCBT—estimate that Lebanon is still a decade away from 100 percent VNRD.

According to Haddad, who spoke in person to Executive, another significant barrier to realizing an all-volunteer blood donor system is the lack of sufficient funds and manpower allocated to blood transfusion services. Haddad, while praising the work the committee has achieved so far, says that the only way to truly move the country toward voluntary donation is to legally designate blood transfusion as a public health issue under the purview of the MoPH. He points to the fact that Lebanon, unlike most countries in the region, does not have a national institute for blood transfusion. This means the country lacks the staff, resources, and funding of a fully empowered national institute, which would be able, among other things, to run a national media campaigns encouraging voluntary donation.

But he also cautions against trying to impose a centralized system that, while perhaps successful in other countries, may not be the best fit for Lebanon. During the 2006 War, for example, the decentralized nature of the system was actually an asset. When roads and infrastructure were bombed, Lebanese people across the country still had access to blood. According to Haddad, Lebanon needs a national solution for blood transfusion that specifically caters to the country’s needs.

CHANGING MENTALITIES

In the absence of a national blood bank or institute for blood transfusion, the role played by organizations
such as DSC and the LRC remains vital. Following the MoPH’s lead, since 2014 the LRC has been focused on quality control. According to Feghali, who is also head of the LRC’s blood transfusion services, the organization’s 13 centers across Lebanon have been improved and rehabilitated to international standards, with several sites inspected by international auditors. Now, the LRC is shifting its focus to increasing voluntary donations. Currently, the LRC supplies around 15-20 percent of the national demand for blood units, but more than 90-95 percent of this total is still via replacement donors, Feghali says. Next year, the LRC is launching a new communication project for all its services, including social media campaigns and a new website. Raising awareness about voluntary blood donation, along with organizing more blood drives, form integral components of this initiative.

A secondary target for the LRC is to improve the transport of blood units around Lebanon, which currently relies on patients’ families to move blood from their centers to hospitals. “We are trying at the LRC to put in place a transportation system that will assure transportation of blood directly to the hospital, totally monitored: From the time it leaves the Red Cross to the time it reaches the hospital, the temperature and the conditions [will be] completely monitored,” Feghali says.

Donner Sang Compter, meanwhile, helps patients directly through its call center database, which has grown to include the details of around 20,000 potential donors. Saad estimates that they link patients to around 50-60 donors per day—and while there are no official figures, research estimates that Lebanon needs around 150,000 blood units per year, or just over 400 units per day.

DSC is also making efforts to raise awareness around and increase voluntary blood donation in Lebanon. The organization indirectly helps patients by organizing around 160 blood drives per year, in partnership with hospital blood banks, to increase their stocks—through these, Saad estimates that around 6,000 blood units are collected annually. DSC’s greatest success in terms of encouraging VNDRs, he says, is through their affiliated clubs at Lebanese universities, which organize blood drives and awareness sessions on campus. “This has been the most efficient way to raise awareness because we get to meet people one-on-one and correct some misconceptions about blood donation, and we have been targeting the most enthusiastic target audience, university students, which helps build awareness for the future generations,” Saad explains.

The success of blood drives organized by DSC and the LRC, as well as people’s response after mass casualty events, shows that the Lebanese are willing to donate blood. What is required is a cultural shift, from seeing blood donation as an obligation in a specific time of need to something that is always necessary to save people’s lives. As it stands, the blood transfusion system in Lebanon, despite the stress it causes for all the actors involved, does work, and efforts are being made to improve it. But blood transfusion services follow a familiar pattern in Lebanon—one where an imperfect system lingers and gaps are, by necessity, plugged by non-governmental actors.
Breast cancer

By Grace Azar

When health comes at a cost

Financial barriers stand in the way of breast cancer screening

“If I am diagnosed with breast cancer, my husband would need to sell our house to pay the medical expenses,” says Hanaa, a 52-year-old woman from Abba, south Lebanon.

Hanaa worries about not being able to afford the cost of breast cancer-related tests and treatment. Likewise, Zeina, a 45-year-old from Mina, north Lebanon, says, “We barely make it until the end of the month with the money that we get. We know that we have to do a mammogram, but we cannot afford it.”

Many women, from regions across Lebanon, feel that they are struggling economically. A household income below minimum wage barely covers their essential needs, let alone pays for medical services.

Hanaa and Zeina’s views, along with the other findings of this article, are based on research for my PhD thesis into the barriers to and facilitators of Lebanese women’s participation in breast cancer screening services. This research included a survey administered to 231 Lebanese women, as well as 17 focus group discussions with 163 women over the age of 40 living across all eight governorates in Lebanon.

My research found that affordability, as well as availability, were important factors that influence a woman’s decision to seek medical care and breast cancer screening. During the past few years, many awareness campaigns have been launched in Asian and Middle Eastern countries that share similar cultural and religious characteristics, but the majority of women with breast cancer in developing countries are still being diag-
nosed in late stages. This is reflected in the overall five-year survival rate ranging between 10 to 40 percent in developing countries compared to 80 percent in developed ones.

In 2002, the Lebanese Ministry of Public Health (MoPH) launched an annual breast cancer awareness campaign that ran throughout October. The ministry specifies 40 as the recommended starting age for screening, advising women who have reached or surpassed that age to undertake annual mammograms. Most western countries recommend screening from age 50, but in Lebanon breast cancer is regularly diagnosed among a slightly younger demographic.

For the past two years, this awareness campaign has been extended by three months. During this period, mammograms are offered for free at governmental hospitals and for the reduced price of up to LL40,000 ($26.66) at private ones. An ultrasound is also offered at the reduced price of LL30,000 ($20) at governmental hospitals and LL40,000 ($26.66) at private ones.

An evaluation of the first three years of this program found that women are less likely to go in for repeated mammograms year after year than they are to go in for an initial screening. By 2013, the proportion of women who had had a mammogram at least once was 43 percent, while the proportion of women who had had a recent mammogram was just 20 percent.

**FINANCIAL BARRIERS TO TREATMENT**

Financial concerns may influence whether a woman chooses to get a mammogram on a yearly basis, or when required by her doctor. In Lebanon, where 51.7 percent of the population does not have medical coverage, access to such services is already limited. Even if the mammogram or the screening tests are covered by the MoPH, additional perceived costs—future follow-ups or additional tests—may discourage many women from seeking one in the first place.

Sometimes physicians ask patients to undergo multiple mammograms within a single year. In the absence of social security or any other type of medical coverage, a woman might choose to skip or postpone the initial mammogram for fear of being asked to pay for multiple tests. Even in public hospitals, where the majority of women choose to go due to cheap or even free appointments, some of the tests required after the first visit could be costly. Many women go for a free mammogram without having the funds on hand for any additional tests, such as an ultrasound, which costs a further LL30,000 ($20).

Even if a woman is covered under the NSSF, they still might not be able to afford the outstanding 15 percent of the medical expense, or the cost of further required tests or medical procedures.

Outside of the awareness-raising months, these services are offered at full prices. At private medical centers and hospitals, a mammogram and an ultrasound each cost LL60,000 ($40). In public hospitals, a mammogram costs LL50,000 ($33) and an ultrasound LL60,000 ($40). For those earning Lebanon’s minimum wage of just LL675,000 ($450), these tests would consume 16 or 18 percent of a monthly salary at public or private hospitals respectively.

Women are also concerned about the affordability of breast cancer treatment, if they happen to receive a positive diagnosis. They worry that they would not be able to afford the costs of drugs, chemotherapy, radiotherapy, or medical procedures that were not covered by the MoPH. The economic burden on breast cancer patients is real. Many patients even stop their treatment once they can no longer afford the price of chemotherapy.

Currently, the ministry does not cover outpatient services, doctors’ fees, or other diagnostic tests for breast cancer. It is extremely difficult to change this, since such an alteration would require a legal modification, as well as resources that the MoPH does not have. Between 2014-2016, the MoPH spent around $140 million dispensing free cancer drugs. Complete coverage remains a challenge; the average cost of drugs per patient per year—measured across all cancer types—increased from $7,000 in 2014 to $8,400 in 2016, according to a study on oncology costs in Lebanon.

The cost of transportation from home to hospitals or medical centers also acts as a barrier to women’s participation in breast cancer screening activities. There are women residing in rural areas who struggle to afford the cost of a taxi to reach the closest hospital.

When economic resources are limited, many women prefer to go without medical screening in favor of spending what little money there is on their families.

**HOW CAN WE CHANGE THIS?**

There are several avenues to increase the take up of breast cancer screening among Lebanese women. These include:

**Tailoring awareness campaigns:**
National and other campaigns around breast cancer screening seek to increase awareness and target
women from various backgrounds. It is important to tailor awareness-raising campaigns and messages to the women that the campaign needs to reach (taking into account, for example, their location, age, socioeconomic status, and religion).

**Placing more attention on women in rural areas:** Women residing in rural areas face greater barriers to medical screening than their peers in urban areas. This is not only due to the limited availability of services, but also to the level of trust in service providers, and cultural as well as financial barriers. Increasing participation in screening activities in Lebanon’s rural areas would require a structural approach that addresses the different barriers identified.

**Increasing personalized communication with women:** The current campaigns adopt a mass population approach and place less attention on direct communication and cues to action. Direct targeting is more likely to prompt women to take positive actions toward screening. Women could start getting direct phone calls, emails, or messages from their hospitals or doctors reminding them of follow-up visits and mammograms, as well as counselling if diagnosed.

Such a program could also include a free, designated hotline run by the MoPH, in collaboration with the Ministry of Telecommunications, for women to call with any question on breast cancer. Peer to peer education built around positive word-of-mouth communication, could be promoted through household visits, which are widely acceptable according to Lebanese cultural norms and traditions.

**Increasing the engagement of community-based organizations:** The engagement and support of local community-based organizations, especially in rural areas, can address different barriers to screening. Entities such as municipalities and NGOs can spread awareness on breast cancer as well as access to healthcare institutions by providing transportation.

Religious representatives can provide support by tackling beliefs and misconceptions perceived to be founded in religion. This can also help to emphasize the role of religion as a facilitator rather than a barrier.

**Working on prevention in addition to early detection:** Framing awareness raising campaigns and efforts to increase screening for breast cancer could be included in a more comprehensive initiative toward the prevention, not only detection, of the disease. Women need to know more about preventative measures and changes required. The latter would include more attention to risk factors, environmental determinants, and healthier lifestyle choices.

**Encouraging breast self-examination:** The level of information and attention given to self-examination of breasts should be increased via doctors or national campaigns, as this is an easy, affordable, and acceptable method of primary screening for all women, regardless of their socioeconomic backgrounds and health coverage.

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كلمة تكون أو لا تكون
Homosexuality is part of the natural spectrum of human identity and is not a disease, a disorder, or an illness to be treated or “fixed.” However, there is a plethora of evidence documenting the challenges that lesbian, gay, bisexual, and transgender (LGBT) people experience daily as a result of discrimination, rejection, and stigma.

Sexual orientation change efforts (SOCE) are increasingly regarded as harmful. These practices attempt to change a person’s sexual orientation through counseling, psychotherapy, or other means. Historically, SOCE have included some extreme measures, such as forced institutionalization, forced medication, and electroconvulsive shock therapy. These efforts are the product of a lack of respect for normal human differences and have been proven ineffective. Most importantly, these practices have harmful effects on the mental and physical health of the individuals being pressured into them.

In the United States, it was estimated in a 2010 study that approximately 20,000 youths between the ages of 13 to 17 who do not identify as heterosexual or straight would be exposed to SOCE by the age of 18.

In Lebanon, people who belong to sexual and gender minorities lack protection and support from societal and family-based discrimination. Policies to protect LGBT people in schools, universities, and workplaces do not exist. Also, misconceptions about sexual rights, sexual orientation, and gender identity are widespread. A national study in 2015 showed that 79 percent of respondents thought homosexuality was a hormonal sickness and 72 percent viewed it as a mental disorder. Around 80 percent of the respondents agreed that homosexual people should be taken in for psychological or hormonal treatment.

In 2018, the Lebanese Medical Association for Sexual Health (LebMASH), of which we are both board members, collaborated with Helem,
an LGBT rights organization, to conduct a pilot study in order to better understand SOCE in Lebanon. The study involved interviews with gay and lesbian people who were subjected to SOCE, mental health providers whose patients have discussed being subjected to SOCE, and providers who practice SOCE. The team also reviewed television interviews that aired from 2010-2016 with healthcare professionals that dealt with SOCE.

This pilot study revealed that in Lebanon, SOCE is most commonly initiated by parents, who take their gay or lesbian children for a consultation, typically at the suggestion of a school nurse or teacher. Health providers, urologists, and clerics are all represented in the SOCE industry. SOCE appear to be fueled by religious beliefs and cultural values, but more importantly, demand for it is based on defunct theories about homosexuality—with some believing that such sexual orientations are the result of trauma, the absence of a father figure, or other factors related to upbringing. It is important to note that attempts to conform to heteronormative expectations also affect bisexual and transgender people, but our study was solely focused on gay and lesbian people.

Our findings showed that most SOCE practices include psychological pressure and suggestive counseling, involving shaming or pushing the person to behave in a way that contradicts how they would act if left to their own volition. Examples of this pressure under the guise of encouraging “normal behavior” would be to suggest to a homosexual man that he should force himself to have sex with a woman. Other practices included prescribing hormones or medications typically used for erectile dysfunction, without a clinical indication for their use. One provider talked about performing electroshock “therapy” on patients as they watched gay pornography, though the study team was unable to find any individuals who had been subjected to this. Individuals who were subjected to various kinds of SOCE reported increased feelings of shame, depression, anxiety, and even suicidal thoughts.

**LEGAL AND MEDICAL PERSPECTIVES ARE CHANGING**

Due to SOCE’s harmful effects, leading medical and mental health organizations in the US, such as the American Psychiatric Association and the American Psychological Association, have condemned SOCE. The Pan American Health Organization (PAHO), which is the WHO’s regional body in the Americas, has strongly condemned SOCE. Furthermore, in the US, as of July 2018, 14 states have laws banning SOCE for minors, and 21 other states have pending bills addressing the same issue. In 2016, Malta was the first country in Europe to ban SOCE, with a law against trying to change, repress, or eliminate a person’s sexual orientation. The European Parliament also condemned SOCE earlier this year and encouraged its member states to issue bans on SOCE. The United Kingdom is currently considering a bill in parliament that would ban SOCE, after Prime Minister Theresa May vowed to do so earlier this year. In Lebanon, the Lebanese Psychiatric Society (LPS) and the Lebanese Psychological Association (LPA) each issued strong statements in 2013 affirming that homosexuality was not a disease and condemning SOCE.

As healthcare professionals, we have two fundamental beliefs: Everyone has an equal right to the highest quality of care regardless of their personal attributes—such as age, sex, socioeconomic status, religion, sexual orientation, or gender identity—and that healthcare professionals are bound by a duty to do no harm. Therefore, to eliminate SOCE practices we strongly advocate to first raise awareness that:

1. **Homosexuality is not a choice.** Whether homosexual, bisexual, or heterosexual, individuals are not able to choose their sexual orientation.

2. **Homosexuality is not a disease.** Homosexuality is a normal variation of human sexuality. Homosexual people are equal to heterosexual people in their ability to achieve normal psychological, social, and professional functioning. Homosexuality is not related to a hormonal imbalance.

3. **Homosexuality is not related to certain factors during upbringing and cannot be explained by other similar theories.** These theories are defunct and have no scientific backing.

We, secondly, call for all practitioners in the field of sexual counseling, and all mental health providers, to receive further training on working with sexual minorities and emphasize that those who practice SOCE are not following the appropriate guidelines or current standards of care.

As members of LebMASH, we further recommend that all people involved in sexual orientation and gender identity discussions with family, friends, and school personnel consult with competent healthcare providers, such as those listed under LebGUIDE—our list of providers that have been screened for their attitudes and behaviors toward LGBT people through a self-reported survey and interviews, and that have met our criteria for inclusion. We, finally, call on the Lebanese government to institute a ban on SOCE, especially its application on minors.

Allowing healthcare providers to engage in harmful SOCE punishes LGBT people simply for being who they are. SOCE do not have scientific validity, are ineffective in their stated goal, and come with great risks. Exposure to SOCE puts LGBT people, particularly LGBT youths, at a greater risk of mental health problems such as anxiety, depression, and even suicide. SOCE must be banned.

OMAR FATTAL is a psychiatrist, co-founder, and board member of LebMASH. Suha Ballout has a doctorate in nursing and is a board member of LebMASH.
By Nabila Rahhal

Lebanese wineries in 2018

The Lebanese wine industry seems to be flourishing, despite the floundering economy, and has enjoyed a year full of celebrations and achievements—with more yet to come. In the last week of October, as Executive went to print, representatives of Lebanon’s wineries were returning from a series of celebratory events in London that were hosted by the Lebanese Embassy. Zafer Chaoui, the chairman of Château Ksara and the president of Union Vinicole du Liban (UVL), tells Executive: “We had three events over two days organized by Ambassador Rami Mortada, who has been a huge supporter of our sector: a tasting at the houses of Parliament on day one; and a trade tasting at the Lebanese Embassy, followed by a party for friends of the ambassador on the evening of the second day. It was a wonderful opportunity to fly the flag, and once again show the UK trade [community] and consumers the quality of our wines.” Such events help spread a positive image of Lebanese wines abroad, and help support the opening up of new markets for the country’s wineries.
**OF AWARDS AND ANNIVERSARIES**

Winning international awards is another way Lebanese wineries are making a name for themselves—and for Lebanon—abroad. Faouzi Issa, winemaker and co-owner of Domaines Des Tourelles, says 2018 was a great year for his winery: “Our 2014 red won the Great Value Champion award in the International Wine Challenge. This is a big deal for us, and for Lebanon. And as such, the UVL honored us with this first award for Lebanon.” He adds, “Winning this award opened four new markets for us: Norway, Finland, Malta, and Hong Kong.”

Other local milestones were celebrated this year, with Château St. Thomas marking its 20th anniversary, Ixsir its 10th, and Domaine Des Tourelles its 150th. In celebration, the family-run winery Château St. Thomas hosted a big gathering for friends and family in October, which was attended by a representative of President Michel Aoun, and during which the winery’s founder, Said Touma, was also honored for his contribution to the Lebanese beverage sector, specifically for arak production. A special edition bottle of wine was produced to commemorate the occasion. Meanwhile, Domaines Des Tourelles screened a video detailing their brand’s rich history in a special ceremony held during Vinifest, Beirut’s annual wine festival, in early October. Invitees were also able to visit the stand and meet the owners and distributors of the label.

Not only do these awards and celebrations benefit the reputation of Lebanese wine abroad, they also paint the sector in a more positive light among local consumers. This is important, given that some Lebanese still prefer international wine over homegrown labels.

Edouard Kosremelli of Château Kefraya says that, based on his experience, wine consumption per capita among Lebanese consumers has increased. This increase could be attributed to Lebanese wineries’ efforts to organize events that serve to familiarize the local public with the winemaking process and terroir in a fun way. Kosremelli says their annual wine harvest events are growing bigger and more successful with each year. “It is key to have consumers become familiar with, and to enjoy the vineyards and harvesting. Winemaking is all about terroir,” he says.

**THE MORE THE MERRIER**

The Lebanese wine industry differs from most of the country’s other industries, in that its key players have learned to work together to achieve common goals. Through their cooperation, and by producing a high-quality product, they are managing to build a name for Lebanese wine, both locally and abroad.

While there is a lot left to do, these efforts have created a flourishing wine sector in a challenging economic situation. “The industry is booming, and lots of new wineries are entering the market on an annual basis, although many are boutique sized,” young winemaker Peter Skaff says. “People are investing money and time into this, although it is a long-term return on investment—but the good thing is that wine is not a trend and will not lose its popularity. It’s timeless.” (For profiles of new wineries, see page 78).

**LOCAL AND PROUD**

The use of indigenous grapes continues to be a trend in winemaking, both locally and abroad (for an opinion piece on the topic, see comment page 86). Joe Assad Touma says he annually increases the production of his Obeidy white wine, a local varietal, and it continues to sell out rapidly after its release. Touma was the first Lebanese winemaker to launch a 100 percent Obeidy grape wine, back in 2015. “Wine connoisseurs are beginning to talk about Obeidy as the local variety of Lebanon, and I am very proud of that,” he says. “Also, the idea of using indigenous grapes is spreading locally and is gaining support internationally from wine critics and connoisseurs.”

Other wineries have been encouraged to experiment with local grape varieties, with both Château Kefraya and Château Ksara releasing a Merwah vintage within the last two years. “It received extensive press coverage, especially in the UK, where we have practically sold out,” says George Khalil Sara, coowner at Château Ksara. “It was voted by The Independent newspaper as a Best Buy, and rated one of the best 12 wines under £20 ($25.50).”

Innovation continues in Lebanese wineries. Château Kefraya is preparing the first wine in Lebanon that is vinified and aged in amphorae jugs, as was done in ancient times. Other wineries are successfully experimenting with imported grapes, such as Cinsault, which have become a part of Lebanon’s heritage. Issa says Domaine Des Tourelles’ Cinsault vieille vigne (old grapes) was selected among the 14 best Cinsault in the world by Decanter Magazine.

There is a lot to be proud of when it comes to Lebanese wine, and as new wineries continue to enter the market, and existing wineries experimenting with old and new winemaking techniques, it seems we will always have reasons to toast.

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“**The industry is booming, and lots of new wineries are entering the market on an annual basis, although many are boutique sized.”**
Cheers to the newborns
Profiling new Lebanese wines

The Lebanese wine industry continues on its growth trajectory, and it seems that every year we hear of new wine labels entering the market. Executive profiles a selection of the newest wine labels to make their mark on Lebanese palettes, outlining their story and their business strategy.

Rather than being the products of proprietary wineries, the four wine labels profiled in this article currently rent sections of established wineries instead. The owner of each tells Executive the reason for renting, which is becoming more common in Lebanese viticulture.

MUSE
Muse is the brainchild of Nadim Khoury, an agricultural engineer who owns Khoury Agriland, a business that cultivates and sells table grapes in the Bekaa Valley. Khoury’s passion for wine pushed him to apply his agricultural background to growing grapes for wine production. Khoury chose the name Muse for his label because his mother is named Calliope, after one of the muses in Greek mythology, and because he sees wine as an inspirational product.

Khoury believes that as an agriculturalist, his role is to provide the winemaker with the best quality grapes, thus enabling him or her to make good wine. Since he wanted to position Muse as a high-end wine, he spared no expense and hired the renowned Michel Rolland as a consultant and winemaker, ultimately choosing Ainata, Bsharri, as the vineyard’s location.

“When you work with a consultant, he typically has in mind what kind of wine he wants to produce, and this will dictate the kind of grapes you need, and therefore which area they would best grow in,” Khoury says. “Through our experience with Roland, we finally decided to plant our vineyards in Ainata, close to the Cedars of God, at an elevation of 1,800 meters.”

Through a BOT (build-operate-transfer) contract, Khoury rented a 600,000 meter squared piece of land in Ainata for 25 years, and began planting it with grapes in 2016. To date, Khoury has planted 200,000 mother plants and plans to rent additional land in Ainata to reach 1 million square meters. “In 2019, we will plant another 50,000, and then we will reach the 1 million square meter of planted wine grapes,” he says, explaining that they began their production by using the land’s already established grapes, which were over 20 years old, but was soon limited by the amount of existing grapes, which is what led to their expansion. Khoury says they are currently producing 30,000 bottles, but his eventual target is to produce 200,000 bottles once his vineyards have expanded and matured.

Muse’s vineyards are the highest by elevation planted in Lebanon, and the highest in the Mediterranean in terms of the grape varieties being used—but this does not come without challenges. “When you are planting at that elevation, there are many risks involved,” Khoury says. “The [cold] weather is one of them, and the mother plant will not bear enough grapes to make [a high] enough quantity; the same mother plant in the Bekaa Valley will bear three times the kilos of grapes at a high elevation. But the advantage is that the grapes benefit from pristine environment, and this was the vision of Rolland—it comes with the personality.
of the wine he is making. The outcome was good because the taste of the wine is good.”

Planting in such an elevated and remote area is also expensive. “Everything is costly with Muse, starting with the wine consultant; the elevation, which creates a low yield; the mother grapes, which were all imported from France; and transportation from Ainata to the winery,” says Khoury. To date, he has invested $1.5 million in Muse. The initial funds were mainly for the rent, the preparation of the land and planting, and the cost of the mother trees. But to Khoury, Muse signifies quality, and as such, no expense can be spared. “There is a target out of any commercial project you make: My target is to hopefully break even in 10 years if I can. I will be very happy then, because this is my passion,” he says.

Khoury believes Muse’s positioning as a high-end wine is signalled through the etched labeling, the bottle design, and the quality of the wine itself. As such, the price is medium to high range, starting from $12 for a bottle of white wine and reaching up to $20 for the red.

To Khoury, the essence of a wine is its vineyard not its winery, which he says is essentially dormant save for a month or two of the year. To get Muse started, he rented space in an established winery in Lebanon and brought in his own equipment. “There are many wineries in Lebanon who may have difficulties or extra premises they don’t need, so for us to cut on time, we rented a part of a winery and we are producing according to our personality under the instructions of Rolland, using their premises. We bottle everything there and take it to our warehouses,” Khoury says.

Still, Khoury plans to construct a small vineyard in Ainata starting in 2020, complete with a small guesthouse and boutique restaurant. “The restaurant and guesthouse are mainly for the brand image. If you welcome people into your winery, and they make this trip all the way to Ainata, they need a place to eat, and a place to stay,” Khoury says. “The profits will go to cover the expenses of the location for the two summer months, during which it will welcome visitors.”

While Khoury is not against winery premises being used as a wedding venue, he says the Ainata location is not suited to this. Instead, he is planning to develop a relais (guesthouse) by 2023, somewhere in Mount Lebanon. This facility will take over part of the wine production, most likely the aging or bottling phase, and will also serve as an events venue and restaurant location.

Distribution of Muse is handled in-house. To date, the label can be found at 18 points of sale, including both on trade and off trade businesses. Khoury believes this restricted POS presence is reflective of Muse’s exclusivity and scarcity, making it a sought after product.
VIN DU MARJE

Carole Tayyar Khoury had always enjoyed a glass of wine, but she never imagined that she would one day be in the winemaking business. Her story with wine begins in 2010, when she and her family returned to Lebanon after having lived in Dubai, for 20 years. During her absence, the south of Lebanon had been liberated from Israeli occupation and Khoury could finally consider investing in a five dunams (5,000 meter squared) plot of land she owned in Jdeidet Marjeyoun, a town on the southern border of Lebanon, where both she and her husband hail from. She wanted a project that would both contribute to the revitalization of the economy in her beloved hometown, by generating jobs and attracting local tourism, and be a viable business that her children could be involved in that would tie them to Lebanon and the land.

She studied the businesses in the area and realized that there were no wineries in the region, which opened her eyes to the possibility of developing one in Marjeyoun. The first thing she did was hire experts to test the viability of her land as a vineyard, in terms of soil quality and climate. She was told that her plot was suitable.

Having no background in agriculture or viticulture, Khoury knew she needed to recruit external support to realize her winemaking project. The days passed, and although the idea of starting her own winery never left her mind, Khoury did not take steps in that direction, having planted the land with olive, pine, and pomegranate trees instead. At the time, she recalls, she found this an easier and safer investment, given that olives are a very popular crop in the area, and many knew how to tend to them. Since olive trees are often planted alongside vineyards, she was reassured that this move would have no negative implications for her long-term goal, when she chose to achieve it.

Then, in 2016, Khoury was introduced to Vigna Verde—the owning company of Château Barka and also a wine consultancy—through work contacts of hers, learning that the family business helps interested investors cultivate their vines, equip their wineries, and produce wines of all varieties. This encounter empowered her to embark on her winemaking project. She decided to call her wine label Vin Du Marje, in homage to Marjeyoun.

Khoury began working with Vigna Verde in 2016, asking their win-
emaker, Hisham Geagea (a co-owner of the company, along with his brothers), to visit her land in Marjeyoun to determine which grape varieties should be planted. Syrah, Cabernet Sauvignon, Viognier, and Chardonnay were selected.

Since Khoury’s vineyards will take three years to mature, she has rented an established vineyard in the south in the meantime. In addition to these grapes, she has entered into a damanet, a contractual agreement under which she guarantees she will purchase all the grapes produced from that plot of land for a set period of time. Under the conditions of the damanet, she will be cultivating grapes from Vigna Verde’s vineyards in Barqa, Baalbek in order to produce the first varieties of Vin Du Marje, in three to five years’ time.

Khoury plans to manage her own distribution, counting on the support of Marjeyounis both locally and abroad. “All Marjeyounis I know are excited about this project: People who live in Canada, USA, Brazil, and many other countries are asking me when the wine will be out. I am counting on their passion for Marjeyoun and the land to make the wine successful, especially because there is nothing similar to it in the area,” says Khoury.

Vin Du Marje will enter the local market first in December 2018. Khoury projects that 50 percent of the production will be exported at a later stage. Vin Du Marje be available in restaurants and supermarkets in Marjeyoun, as well as in delicatessens and select restaurants in Beirut.

RESERVE AMMIQ

Reserve Ammiq wine was created from the Skaff family’s love of the land in Ammiq, West Bekaa, and its significance as a winemaking area. “Reserve Ammiq’s logo is the elm tree, which represents the region of Ammiq, not only the wine,” says Aida Skaff, marketing director of Reserve Ammiq. “Also, we insisted on having the name of the terroir as part of the brand name because it’s not only the vineyard that we want to highlight, but the area itself.” Skaff says that their goal is to revive Ammiq and highlight its role in Lebanon’s winemaking industry (read more on that in EXECUTIVE’s December issue).

Aida and Peter Skaff, the current winemaker at Reserve Ammiq, are the third generation of the Skaff family business, which deals with agriculture, through both olive tree cultivation, and viticulture, through the growing and selling of wine grapes to nearby wineries. The family business dedicates 90 hectares of land in Ammiq to wine grapes.

For almost 60 years, the Skaff family had an exclusive contract with Château Musar for their grapes. When that contract ended in 2008, it was not renewed, as Château Musar had by that time become self-sufficient and planted its own vineyards. This is when Naji Skaff, the father of Peter and Aida, seized the opportunity to indulge his passion for winemaking by using 1 to 2 percent of the family’s 90 hectares of vines to develop his own wine label as a hobby, for limited distribution among friends and family, the rest of the grapes were sold to wineries in the region.

Peter Skaff, who was still a university student at that time, in 2008, accompanied his father to Ammiq on a wine-related visit and quickly fell in love with the beauty of the nature there, having rarely visited while growing up. “I was amazed by what I saw that day, and felt that I belonged here in Ammiq more than I do in Beirut, as I’m more of a nature person,”
Peter tells Executive. “I decided to travel to France, which is the basis of all winemaking, to study oenology and viticulture.” After completing his studies, he travelled to New Zealand and the USA for internships and wine consultancy work. During that time, Naji Skaff continued to produce small quantities of wine as a hobby. When Peter was in Lebanon, he would share his newly acquired knowledge with his father on an informal basis.

In mid 2016, Peter returned to Lebanon to gradually take over the production of Reserve Ammiq. Aida also returned from London, where she had been working in luxury marketing, to aid her brother in the marketing of Reserve Ammiq. Together, the siblings intend to make a productive commercial enterprise out of the label.

Peter recounts that his father had been producing roughly 5,000 bottles in a rented portion of an already established winery in Mount Lebanon. “It was not a business for him and he was not making money out of it,” he says. “Since it was a hobby, he didn’t want to invest in a winery before he tested the product and the market.”

Peter and Aida, however, are planning to establish a boutique winery on their land in Ammiq within the next three years. Right now, explains Peter, they are in the transition phase of turning a hobby into a business, so they want to wait a little to solidify the brand and make some profit before they build the winery, which they both see as important. “The good thing about having a winery is that people can see where the wine is coming from, which makes them want to try it more,” Peter says. “I get calls asking if we have a winery in Ammiq or not, so there is demand for that.”

Describing what the winery would look like, Aida says, “It will reflect our image and will be cozy with nice architecture, which will be done by our architect brother. It will be small and will have a view of the vineyard. It will of course be open to the public to provide people with the wine experience and will have a small restaurant on its roof.” She explains that when people visit the winery, they will be able to enjoy activities on the land as well, such as biking and hiking, so they could easily spend the day there.

The 2017 vintage of Reserve Ammiq is the first “purely Peter” production, says the young winemaker. They are currently producing 7,000 bottles and aim to produce not more than 60,000 at peak production, in order to remain a boutique winery—although Peter says they have the capacity to produce a million bottles, if they so choose. For now, they have kept their fathers’ labels on all bottles, and also his price range—ranging from $7 for the cuvee to $20 for the chateau. However, as his father’s vintages are phased out, Peter says he is planning to increase the price “in a realistic manner” for his vintages, to suit Reserve Ammiq’s new positioning as medium to high-end wine.

So far, the Skaffs’ investment in Reserve Ammiq is minimal, Peter says. “The advantage we have in this business is that we own our vineyards—we already have the grapes, which is the heaviest investment for any winery. The main investment right now is in renting the winery. We also invested in the bottles and materials, and later on we will invest in building the winery in Ammiq.” The money for all of this comes from family funds, he notes.

Aida explains that she will be responsible for distribution and, in terms of the local market, is targeting high end delicatessens and exclusive supermarkets where there is a focus on the wine selection. Reserve Ammiq is also available on 209 Lebanese Wine’s platform. For now, Reserve Ammiq is only available locally, but Peter plans to export as soon as they hit 50,000 bottles. “I will export 60 percent of my production, which is the standard if you want your business to work, since in Lebanon the market is very small, and there is a lot of competition,” he explains.
TERRE JOIE

Joe Saade hails from a communications and marketing background and was the cofounder of advertising agency Grey Middle East (GME). He had always enjoyed wine but developed a deeper appreciation for it in the 1990s, when GME was operating out of London. The company was handling the communications of the state of Kuwait during and following its invasion in 1990, and there was a wine bar beneath its office building. “We were there every day drinking wine, and this is when I started buying books about wine, reading more, becoming more critical about the wines I drink and trying to understand more,” recalls Saade.

In 2002, Saade sold his shares of GME, which was then operating out of Dubai, and continued working in the UAE independently for a while. In Dubai, Saade was neighbors with George Naim, now the owner and founder of Château Qanafar, with whom he would go on daily walks.

It was during one of those walks, in 2007, that Naim told Saade about a couple of vineyards he had in Qanafar, which he was using to produce small amounts of wine as hobby. Both being fond of wine, the two men would discuss this project at length, and whenever Saade was in Lebanon, he would taste Naim’s wines.

Not too long afterwards, the two men discussed the possibility of starting a winery project together in Lebanon. Ultimately, however, they decided to work closely together but produce two separate labels, using separate vineyards in Qanafar, so as to be able to leave the business to their families in a smooth manner. Naim, who already had his vineyards, started immediately producing Château Qanafar. Saade, however, still had to buy and plant the land.

In 2008, Saade brought his first piece of virgin land in Qanafar and planted it; he continued to choose only virgin lands for his vineyards (with one exception). “If you want to have a high-quality product, you have to control the main ingredient, which are the grapes in this case,” Saade says, to explain this choice.

Saade decided to call his wine Terre Joie, or TJ, for several reasons, the first being that the name would be a tribute to his son, Tarek Joe (whom they always called TJ), who passed away in a diving accident before his father’s project was realized. Saade feels that Lebanon is a land of joy (the English translation of terre joie) so the name works that way as well, and, finally, the arak Saade produces (but has not yet sold, preferring to age it further) is called Ard el-Saade—which is Arabic for terre joie and includes the family name.

Saade had to wait three years for his grapes to mature before he could start production, so he produced his first noncommercial red wine in 2011. In the beginning, both Naim and Saade were producing their wines from a garage in a building that Naim owned in Qanafar. Shortly afterwards, Naim decided to build a 3,000 meter squared winery, stretching over three floors and with a wide terrace. Naim convinced Saade to rent a section of that winery instead of building his own, and Saade agreed. Rather than investing in his own winery, Saade built a Terre Joie
tasting room and gathering space on his land in Qanafar instead.

After producing his first vintage, Saadeh decided he wanted formal training in wine, so that he would not have to rely completely on the advice of others in his production. While completing a residential course on wine at the University of California-Davis, he met members of the International Organization of Vine and Wine, who told him about their masters program in wine management. He signed up to start the next semester. “I wanted to do [wine] on the basis of knowledge and not just hearsay,” Saade says. He works with a French winemaker, David Siry, who visits Terre Joie five times a year and accommodates Saade’s style in winemaking, which is a more elegant and less classical wine than the typical Lebanese style.

Experimental vintages were also produced in 2011 and 2012, in small quantities, Saade says, making the 2013 red his first commercial quantity wine. The 2013 vintage entered the market in late 2017, after aging in bottles for four and a half years, to a positive response. The 2014 red vintage was introduced at this year’s Vinifest, in October, and the 2015, 2016, and 2017 vintages of red are still being aged.

Saade also recently began producing a Cinsault wine, the 2016 vintage of which was released at this year’s Vinifest as well. “The Cinsault is the oldest imported grape of Lebanon and is the one the Jesuits filled the country with in the 19th century, before most of it got uprooted and replaced with other grape varieties,” Saade says. Having found a 30-year-old Cinsault vineyard at an altitude of 1,400 meters, he says, he rented it for 18 years—the only vineyard he rented instead of cultivating himself.

Saade also produces a rosé that is made of 100 percent Grenache grapes, and has planted grapes at an altitude of 1,400 meters in order to produce white wine in the hopes of launching it in 2021. Saade believes that, taking into consideration Lebanon’s hot climate, it is best to plant wine grapes at an altitude of at least 1,000 meters. With the exception of the first plot of land he bought, all of his vineyards are above this threshold.

Saade’s vineyards today stretch over 100,000 meters squared—75,000 of which are cultivated—and he currently produces 15,000 bottles. By 2021, he aims to increase that number to 25,000. “There is the possibility of renting land where I can control the planting, if I want to expand [further],” Saade says. “I have a land in Keserwan which I can also use, so I have no problem expanding.”

Benefiting from his extensive experience in marketing, Saade is handling his own distribution and his wine is currently available in seven local boutique restaurants and shops, on 209 Lebanese Wine’s online platform, and—unusual for a new winery—in Beirut’s international airport’s Duty Free area. “It took hard work and big sacrifices because they take big margins. But the exposure I get being in such a prestigious location is cheaper than if I am to buy advertising space,” explains Saade.

He is also in negotiations with Spinneys and Carrefour, and says that once he is available in these two supermarket chains, he will not stress over other off-trade points of sale in Lebanon, since these are the two main locations his potential customers shop in.

Saade has so far invested $1.8 million in Terre Joie, between the purchasing of the land, the renting of the winery and the buying of the equipment—all of which came from his personal funds. Saade says he will continue to invest for another year, but expects his investment to reach $2 million before the venture starts generating revenue or at least covering its own cost, although he says he isn’t worried about the return. “I don’t care about the return simply because the land I bought has gained value, and if I sell it today I can double or triple what I put into it,” he says. “I’m not doing it for the cash right now but for the long term, because my real estate investment will cover more than my cost. And at the same time, I want to make the best wine possible, sell it in the best way possible, because I want to build brand equity.”
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What now for Lebanese wine?

Innovate to capture the foreign market

Lebanese wine is at a turning point in its long and proud history—and it is a positive turning point too.

But first, a little context: For those who do not know, Lebanon, or what is now Lebanon, has been making wine for thousands of years. Only the people of the Caucasus have been making wine for longer. But even if they made it first, it was our ancestors the Phoenicians who, courtesy of their vast trading fleet, gave wine to the rest of the world, and at one point—in the height of Phoenician commercial dominance between 900 and 330 BC—wine from Byblos was among the most sought-after wines in the then-known world. It was the Pétrus of its day.

But it was the Jesuits at what is now Château Ksara, making a modern, dry wine in the Bekaa Valley in the mid-19th century, who upped our game, while the subsequent arrival of the French after World War I ensured that a wine culture endured. If Lebanon had been run by the British, I would not be writing this article.

The local wine industry, as we know it today, really began in the early 1990s, after the civil war, when five wineries, Château Kefraya, Château Ksara, Château Musar, Château Nakad, and Domaine des Tourelles, dusted themselves off after 15 years of fighting and looked toward a bright future. They were joined by half a dozen exciting new producers and, by the mid-90s, we had around 14 wineries. Today, we are nudging at 60, with Lebanon firmly on the world wine map.

But there is much work to do. At home, we need to protect our industry, not necessarily by taxing the hell out of imported foreign wines, but by encouraging everyone to “Buy Lebanese” and convincing them that home-made bottles can be as good, if not better, than one of the very ordinary—not to mention overpriced—Bordeauxs on the local market.

We also need to admit that we are too dysfunctional to ever activate the National Wine Institute, the so-called public-private body created to run the sector, which has been gestating for nearly 15 years and does not look likely to be born anytime soon. We should leave the running of the industry to the Union Vinicole du Liban, Lebanon’s official association of wine producers, which has done more than any other body to build and promote the sector in the last three decades.

SELLING OUR WARES

But abroad is where our fortunes lie. We make roughly 10 million bottles each year, but we still only drink a shade over 1 liter per capita, compared to 45 liters in France and Italy, 36 in Germany and 24 in the UK. The few tourists we do attract do not knock back wine in the quantities we would like—certainly not enough to ensure we drink all of our output at home.

So how do we move forward in the international market? We need to be different. We need to highlight indigenous white grapes like the white Obeideh and Merwah, and what I call the red “heritage” grapes, such as Cinsault, Grenache, and Carignan. If you give the international market something it has never seen, the wine will fly off the shelf. You do not believe me? Just ask Château Ksara, whose hugely daring Merwah varietal is now selling out wherever it goes, likewise for Domaine des Tourelles with its Vieille Vigne Cinsault, Vertical 33, a boutique winery, is doing great things with Obeideh, as are Château St. Thomas, Domaine Wardy, Château Kefraya (in limited quantities), and Coteaux du Liban. And get this: Latourba and Batroun Mountains have made Lebanon’s first sparkling wines, released in 2018 and 2016 respectively. Innovation, enthusiasm, and adventure are essential in our business.

The superstar grapes, the grapes
we all know courtesy of the emergence of New World varietal wines in the last 30 years, such Cabernet Sauvignon, Merlot, Syrah, Chardonnay, and Sauvignon Blanc to name a few, are all brilliantly suited—Cabernet, Syrah, and Chardonnay especially—to Lebanon's terroir. The trouble is that everyone else, from the Australians to the Chileans, use them. We have to learn to compete better in an increasingly competitive global market.

Throwing another Cabernet Sauvignon onto an already huge global pile without telling the consumer why he should buy it over, say, a Californian or a South African one, will not work. It's all down to basic marketing, and it is essential we revive the award-winning, but prematurely terminated, "Wines of Lebanon" campaign. It must be, at least in part, state funded and rolled out across strategic markets, even if the rewards take years to show up on the bottom line. It cannot be stressed enough how important it is to keep reinforcing the idea of Lebanon as a winemaking country. Stop anyone in the street in the UK and ask them what they know about Chile, and I wager they will mention wine before naming the capital, Santiago, or the Andes. Meanwhile, wine has helped boost a positive reputation for post-apartheid South Africa, and could do the same for us. I think you will agree that we need all the beneficial PR we can get.

QUALITY WINS OUT

But the wines still have to be good. No one would be going crazy about Syria's Domaine de Bargylus, which comes with exciting war stories to rival that of the late, great Serge Hochar of Château Musar, if what was in the bottle was not truly sumptuous, approved by the best palates in the world.

And while it is one thing to make good wine, it is another thing to sell it. Bargylus' Lebanese brother, Château Marsyas, as well as a handful of other dynamic producers, such as IXSIR, the aforementioned Château Kefraya, Château Ksara, Domaine des Tourelles, and, of course, Château Musar, have shown that well-positioned, premium Lebanese wines can survive at a brutally competitive price point in some of the most sophisticated markets—as long as the brand is compelling. At Château Marsyas, the wines are beautifully-packaged, while the owners, Karim and Sandro Saade, are young, likeable, attractive, and able to tell a good story. It is a basic formula, and if you get it right, you're halfway there.

So, let us nurture a new generation of Lebanese winemakers who can make beautiful, thrilling wines that evoke a sense of place and can excite an increasingly well-informed modern consumer. If we can do all these things, then we can, once again, conquer the world of wine lovers.

MICHAEL KARAM is the author of Wines of Lebanon.
BUSINESS ESSENTIALS

Company Bulletin

- **Legacy One**, a new investment platform in the Lebanese real estate sector, was launched this month at the Beirut International Exhibition & Leisure Center in Sin-el-Fil, on the initiative of Namir Cortas and Massaad Fares, under the patronage of Prime Minister-designate Saad Hariri, represented by MP Rola Tabch Jaroudi, in the presence of former Prime Minister Fouad Siniora, the president of the Association of Banks in Lebanon, Joseph Torbey, and with the participation of former minister Yassine Jaber.

- The Insurance Control Commission (ICC) announced that Lloyd’s underwriters are permitted to appoint coverholders in Lebanon to write reinsurance business. Intermediaries in Lebanon licensed by the ICC and wishing to be a Lloyd’s reinsurance coverholder are required to go through the Lloyd’s coverholder approval process.

- **Credit Libanais** is pleased to announce that Randa Bdeir has joined the bank as DGM and head of Electronic Payment Solutions & Cards Technology. With more than 25 years of experience in electronic payments and cards technology, Bdeir has led key strategic initiatives that have significantly advanced the electronic payments industry in Lebanon and the region.

- From the Bekaa Valley to Beirut, Château Ksara embarked on a journey around Lebanon to participate in some of the country’s most popular events, including Vinifest and the Beirut Restaurants Festival. Ksara brought forth its famous wines for visitors of both events to indulge in and enjoy, along with the launch of their all new premium rosé: Nuance.

- In line with its plans to optimize the spread of its branch network throughout Lebanon and to cater to its clients’ evolving needs and demands, **Byblos Bank** inaugurated its first Satellite Branch in Lebanon, on Hamra’s Bliss Street.

- The Lebanese Credit Insurer has launched **TAJER**, an efficient credit insurance policy for small and medium-sized enterprises operating across the MENA region, providing cover for their trade receivables.

- The ESA Business School organized a ceremony celebrating 10 years of French Lebanese cooperation in health matters on October 15. The school was honored to host Ghassan Hasbani, caretaker minister of public health in Lebanon, H. E. Bruno Foucher, the French ambassador, Walid Ammar, director general of the ministry of health, as well as three leaders of major health agencies in France.

- A gala dinner organized on October 6, brought together nearly 1200 employees of the Banque Libano-Française Group, in the presence of general management.

- **ESA Business School Research Centre**, the Environmental Change Institute of Oxford University, and the Institut Français du Proche-Orient organized “Rethink the City” on October 18 and 19, the International Conference on Resilience in Post-conflict Cities.

- In the first three quarters of the year, the BMW Group grew its worldwide sales by 1.3 percent (1,834,810 units), despite ongoing headwinds in several major sales regions. Sales in September, a month affected by intense competition in Europe, were down 0.8 percent (237,781) as the company continued to follow its policy of prioritizing profitable growth.

- It was in the presence of H.E. Rami Adwan, Lebanon’s ambassador to France, that Lebanon and its touristic sector were in the limelight during a ceremony held by **Villegiature Awards** in the historical Château de Ferrières on October 15 to distinguish the winners of this prestigious award. **Le Gray, Beirut** was nominated among the five finalists to receive the award for the Best Hotel in the Middle East.

- **LGB BANK** has sponsored the 28th conference of the **Lebanese Dental Association**, which took place at the Forum de Beirut.

- Swiss luxury watch manufacturer **IWC Schaffhausen** celebrated its 150th anniversary with a private dinner in Beirut, Lebanon, in partnership with **Ets Hagop Atamian** at the SAX restaurant in the Beirut Souks.


- The **CMA CGM Group**, a worldwide leading shipping group, is pleased to announce that the CMA CGM CONGO (9,448 TEUs) has become the largest vessel to have ever docked at the port of Tripoli.

- The **CMA CGM Corporate Foundation** announced the names of the associations that will be rewarded following its 2018 call for proposals on the theme “Promoting equal opportunities for children from disadvantaged backgrounds.”

- On October 2, **Highland Park** organized a four-course malt whisky pairing dinner at Salon Beyrouth, hosted by the legendary Master of
Malt with Viking soul and Senior Brand Ambassador Martin Markvardsen.

Ipsos, the French multinational research company, celebrated 30 years of growth and success in the region on October 1, 2018, under the patronage of H.E. the French ambassador in Lebanon, Bruno Foucher, at his residence in Beirut, La Résidence des Pins.

The scouts of St Antoine de Padoue-Horch Tabet will be organizing their 21st Food Bank on December 22 and 23, stationed at the entrance of more than 50 supermarkets across Lebanon, to continue their mission of helping families in need.

Unilever, one of the world’s leading FMCG companies and owner of global brands such as Lipton, Dove, Lifebuoy, Axe, and Omo has increased its investment in the Levant via the expansion of its offices based in Lebanon and Jordan.

touch, managed by Zain Group, announced the extension of its partnership with local NGO the Lebanon Reforestation Initiative.

LG Electronics Inc. reported consolidated sales of KRW 15.43 trillion ($13.76 billion) and operating profit of KRW 748.8 billion ($667.7 million) for the third quarter of 2018. Revenues were the highest among the three quarters this year, increasing 2.7 percent from the second quarter, with operating income up 45 percent from the same period the previous year.

Etisalat announced it was recognized as the “Best Regional Wholesale Carrier” at the annual Capacity Awards ceremony held in London.

In collaboration with the United Nations Information Centre in Beirut, and in partnership with Konrad Adenauer Stiftung - Rule of Law Program in the Middle East and North Africa, the Media Association for Peace organized a regional conference on “Media, Peace, and Human Rights” on October 30, at the Radisson Blu Hotel, Dunes Verdun, Beirut.

ASDA’A BCW continues its winning streak at the International Business Awards 2018. The agency collected a total of 28 awards, with five gold, 10 silver and 12 bronze medals in the PR category, including a gold for “PR Agency of the Year for the Middle East region,” and a special “Grand Stevie” for being the “Most Honoured Public Relations Agency” globally.

Gargour & Fils, the exclusive agent for Mercedes-Benz in Lebanon, in collaboration with Daimler, invited their customers to experience the Mercedes-Benz G-Class in the mountains of Austria.

A press conference was held on October 24 at the Metropolis Empire Sofil to announce the 4th edition of the Beirut Art Film Festival (BAFF).

Ferrari pays tribute to the deep-rooted characteristics and unique values of the Middle East with a new Portofino campaign; a breathtaking series of videos showcasing the attributes of four Middle Eastern countries, as celebrated by the stunning design and performance of the Ferrari Portofino.

Kempinski Summerland’s top talent was recognized with the first prize at the “Ultimate Bartender Championship” organized by Monkey Shoulder Whisky this year in Lebanon. Tarek Alameddine, bartender at Kempinski Summerland, won all six challenges after competing with different talents from Lebanon.

On October 5, Creditbank launched the Creditbank Pay App, the latest innovative banking solution and mobile payment method, in a special event hosted by Creditbank Chairman and General Manager Tarek Khalilé, in the presence of VISA Middle East Managing Director Nabil Tabbara, and CSC sal Group Board Chairman and Managing Director Marwan Kadoura.

Alfa CEO and Chairman Marwan Hayek received a delegation from Al-Riyadi Club—headed by club president Mazen Tabbara with secretary Tammam Jaroudi, in addition to the technical staff and men’s team players—at the company’s headquarters in Parallel Towers, Dekwaneh.

On October 19, A.N.Boukather celebrated its 91st anniversary and its 50 years of partnership with Mazda Motor Corporation, in a marvelous event at the Four Seasons.

Samsung Electronics announced that the QLED line-up for 2018 received high praise from the various tech portals that gave reviews for the latest home entertainment product from Samsung.

The Supervisory Board of Deutsche Lufthansa AG has approved the purchase of 27 short- and medium-haul aircraft. Purchase options for 24 Airbus A320neo and three A321neo will be converted into firm orders. With this decision, the Lufthansa Group is reacting to the positive market and earnings development, and thus ensuring the necessary fleet size in the coming years.

Hyundai Motors has triumphed again in the Red Dot Awards with the honorary title “Red Dot Brand of the Year 2018,” adding to its five previously received Communication Design accolades for its creative and innovative design.

touch, managed by Zain Group, celebrated the Homenetmen men’s basketball team’s historical treble win, which is a first for Lebanon.

Deezer, the global music streaming service, is making it easier than ever for music fans in the Middle East and North Africa to enjoy their favorite Arabic and international music all in one place.

InterContinental Phoenicia Hotel Beirut has announced the appointment of its new general manager, Manrique Rodriguez, effective from October 1, 2018.
**BUSINESS ESSENTIALS**

**Company Bulletin**

- **Bayt-Ib** was launched on October 17 at Home Sweet Home in Gemmayze. Architects, graphic designers, bloggers, and people from different backgrounds were invited to discover the unique range of home, kitchen, and offices accessories inspired by traditional Beirut architecture.

- Lebanese researchers have received promising results in studies and experiments conducted on animals in efforts to eradicate diabetes, and are preparing to launch clinical trials on patients with type 1 diabetes in Lebanon. The research, conducted by the Lebanese pharmaceutical company Benta Pharma Industries, focuses on reducing the amount of external insulin required and avoiding the patient’s need for immunosuppressive drugs.

- **Hyundai Motors** has been ranked among the highest valued brands in the world once again, according to the latest rankings published by global brand specialist Interbrand.

- A pinning ceremony to officially induct two new members from the Phoenicia, Estelle Btaiche and Edouard Khoury, to the global Clefs d’Or organization took place on October 13 at Améthyste Lounge. The event marked an important milestone, giving the Phoenicia the accolade of being the first and only hotel in Lebanon to have three members of staff accredited as Clefs d’Or.

- **Huawei Consumer Business Group** unveiled the HUAWEI Mate 20 Series, the HUAWEI Mate 20 Series embodies the pinnacle of innovation.

- Under the patronage of Archbishop Mor Clemis Daniel Kourieh, the Syriac Orthodox Metropolitan of Beirut, **Saint Severius High School in Msaytbeh** launched its new academic year, featuring a complete renovation.

- Ghayd Chammas and Dewar’s have teamed up to have the people of Lebanon shaking with laughter this summer, for a second season of the El 3ama Malla Show.

- Under the auspices and in the presence of Minister of Telecommunications Jamal Jarrah, Alfa, managed by Orascom TMT, and Ericsson launched the first of its kind e-waste recycling initiative in Lebanon. It involved the packing of 460 tons of expired electronic waste that were stored in Alfa warehouses.

- In honor of its 150th anniversary, **Domaine des Tourelles** held a grand celebration on October 5 at the yearly wine festival Vinifest, which took place at Beirut Hippodrome.

- In the framework of developing its capabilities, within its expansion policy and its diligent work to stay updated and provide the best service to its customers, **Khoury Home** has relocated its management to new offices in Dbayeh.

- **HUAWEI CONNECT 2018—“Activate Intelligence”—was held at the Shanghai World Expo Exhibition and Convention Center and Expo Center from October 10 to 12.**

- **IXSIR** celebrated its 10th anniversary on October 6 with a gala dinner in Batroun, in the presence of Lebanese society’s influential figures, political personalities, and press.

- Showcased during the Paris Motor Show, the new **Macan** now comes with an efficient 2.0-liter, four-cylinder turbocharged petrol engine with improved combustion chamber geometry and gasoline particulate filter.

- **BASSMA** hosted their annual fundraising gala dinner at the St. Georges Yacht Club. Members and friends of the organization attended to support the efforts of BASSMA in helping underprivileged families during this back to school period with programs from food to clothing, healthcare, education, job matching, and house renovation.

- The Ferrari Monza SP1 and SP2 are the forerunners in a new concept, known as Icona, that taps into a leitmotif of the most evocative cars in the company’s history to create a new segment of special limited series cars for clients and collectors.

- **Majid Al Futtaih**, has launched its 10th regional health awareness campaign, Feel the Beat, offering complimentary cardio-health screening for women in shopping malls in the UAE, Bahrain, Egypt, Lebanon, and Oman. In Lebanon, for the sixth consecutive year, **City Centre Beirut** is launching this year’s edition in collaboration with the **LAU Medical Center – Rizk Hospital**.

- **touch**, managed by Zain Group, has performed the first commercial 5G trial in Lebanon using Huawei equipment, at an event held under the auspices of the Prime Minister-designate Saad Hariri represented by caretaker Minister of Telecommunications Jamal Jarrah.
CELEBRATING ENTREPRENEURSHIP

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## BUSINESS ESSENTIALS

### Events

#### CONFERENCES

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<tr>
<th>ORGANIZERS</th>
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<tr>
<td><strong>LEBANON</strong></td>
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<tr>
<td>8-9 Nov</td>
<td>ARAB FORUM FOR ENVIRONMENT AND DEVELOPMENT</td>
<td>+961 1 321800; <a href="mailto:info@afedonline.org">info@afedonline.org</a></td>
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<tr>
<td>12-16 Nov</td>
<td>MENA BANKING AND FINANCE WEEK</td>
<td>+961 1 377800; <a href="mailto:uab@uabonline.org">uab@uabonline.org</a></td>
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<tr>
<td>15-16 Nov</td>
<td>ANNUAL ARAB BANKING CONFERENCE</td>
<td>+961 1 377800; <a href="mailto:uab@uabonline.org">uab@uabonline.org</a></td>
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<tr>
<td>17 Nov</td>
<td>ACCESS MBA</td>
<td>+33 143 41 4128; <a href="mailto:projectmanagers@adventgroup.net">projectmanagers@adventgroup.net</a></td>
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<td>27-29 Nov</td>
<td>LEBANON GREEN BUILT ENVIRONMENT EXPO AND CONFERENCE</td>
<td>+961 76 187 101; <a href="mailto:info@lebanon-gbc.org">info@lebanon-gbc.org</a></td>
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<td>29 Nov</td>
<td>ANTI-CYBERCRIME FORUM</td>
<td>+961 1 740173/4; <a href="mailto:info@iktissad.com">info@iktissad.com</a></td>
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<tr>
<td>4-6 Dec</td>
<td>SUSTAINABLE DIGITAL ECOSYSTEM SUMMIT</td>
<td>+971 4 361 4001; <a href="mailto:opportunities@acm-events.com">opportunities@acm-events.com</a></td>
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<td><strong>DUBAI</strong></td>
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<td>5-6 Nov</td>
<td>EDUCATION INVESTMENT MENA</td>
<td>+971 4 407 2528; <a href="mailto:info-mea@informa.com">info-mea@informa.com</a></td>
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<tr>
<td>5-8 Nov</td>
<td>PROCUREMENT EXCELLENCE SUMMIT</td>
<td>+971 4 407 2528; <a href="mailto:info-mea@informa.com">info-mea@informa.com</a></td>
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<tr>
<td>6-7 Nov</td>
<td>NATIONALS WORKING IN PRIVATE SECTOR SUMMIT</td>
<td>+971 4 332 6688; <a href="mailto:info@datamatixgroup.com">info@datamatixgroup.com</a></td>
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<td>11-12 Nov</td>
<td>ANNUAL MEETING OF THE GLOBAL FUTURE COUNCILS</td>
<td>+41 22 869 1212; <a href="mailto:contact@weforum.org">contact@weforum.org</a></td>
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<td>12-14 Nov</td>
<td>HR SUMMIT AND EXPO</td>
<td>+971 4 407 2528; <a href="mailto:info-mea@informa.com">info-mea@informa.com</a></td>
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<td>14-15 Nov</td>
<td>GLOBAL WOMEN IN LEADERSHIP ECONOMIC FORUM</td>
<td>+971 4 367 1376; <a href="mailto:prachid@naseba.com">prachid@naseba.com</a></td>
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<td>25 Nov</td>
<td>GLOBAL PROPERTY CONSULTANT SUMMIT</td>
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<td>26 Nov</td>
<td>GOVERNMENT AND BUSINESS LEADING CEO</td>
<td>+971 4 332 6688; <a href="mailto:info@datamatixgroup.com">info@datamatixgroup.com</a></td>
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<td>26-27 Nov</td>
<td>THIRD ANNUAL DUBAI GREEN HOTEL INNOVATION</td>
<td>+971 4 361 4001; <a href="mailto:opportunities@acm-events.com">opportunities@acm-events.com</a></td>
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<td>26-27 Nov</td>
<td>ANNUAL FUTURE ACCESSIBILITY AND ASSISTIVE TECHNOLOGY DUBAI</td>
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<td>27-28 Nov</td>
<td>SHIPTECH MIDDLE EAST</td>
<td>+971 4 407 2528; <a href="mailto:info-mea@informa.com">info-mea@informa.com</a></td>
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<td>12-13 Dec</td>
<td>GCC FUTURE LEADERS</td>
<td>+9714 - 332 6688; <a href="mailto:info@datamatixgroup.com">info@datamatixgroup.com</a></td>
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<td>15-16 Jan</td>
<td>UNLOCK</td>
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<td>16-17 Jan</td>
<td>GCC GREEN HUMAN RESOURCES CONFERENCE</td>
<td>+9714 - 332 6688; <a href="mailto:info@datamatixgroup.com">info@datamatixgroup.com</a></td>
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<td><strong>ABU DHABI</strong></td>
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<td>4-5 Nov</td>
<td>MENA HR SUMMIT</td>
<td>+421 257 272 100; <a href="mailto:info@fleming.events">info@fleming.events</a></td>
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<td><strong>SAUDI ARABIA</strong></td>
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<td>18-19 Nov</td>
<td>ANNUAL RETROFITTECH KSA</td>
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<td>20-21 Nov</td>
<td>KINGDOM CYBER SECURITY</td>
<td>+421 257 272 100; <a href="mailto:info@fleming.events">info@fleming.events</a></td>
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<td>2-3 Dec</td>
<td>FUTURE STRATEGY</td>
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<td><strong>5-6 Dec</strong></td>
<td>ATD SAUDI ARABIA Informa Middle East</td>
<td>+971 4 407 2528; <a href="mailto:info-mea@informa.com">info-mea@informa.com</a></td>
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<td><strong>9-11 Dec</strong></td>
<td>WATER DESALINATION CONFERENCE Exicon inti group</td>
<td>+966 11 460 2332; <a href="mailto:info@exicon-specialist.com">info@exicon-specialist.com</a></td>
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<td><strong>10-13 Dec</strong></td>
<td>SMART SERVICES ACM</td>
<td>+971 4 361 4001; <a href="mailto:opportunities@acm-events.com">opportunities@acm-events.com</a></td>
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<td><strong>12-13 Dec</strong></td>
<td>ARABNET RIYADH Arabnet</td>
<td>+961 1 658 444; <a href="mailto:info@arabnet.me">info@arabnet.me</a></td>
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<td><strong>21-23 Jan</strong></td>
<td>ENTERTAINMENT KSA ACM</td>
<td>+971 4 361 4001; <a href="mailto:opportunities@acm-events.com">opportunities@acm-events.com</a></td>
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**EGYPT**

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<td><strong>5-6 Nov</strong></td>
<td>BANKING TECH NORTH AFRICA WEEK IQPC</td>
<td>+030 20913 274; <a href="mailto:info@iqpc.de">info@iqpc.de</a></td>
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<td><strong>18-20 Nov</strong></td>
<td>INTERNATIONAL OPERATIONS AND MAINTENANCE CONFERENCE IN THE ARAB COUNTRIES Exicon inti group</td>
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<td><strong>13-15 Dec</strong></td>
<td>THE ROLE OF DIGITAL FINANCIAL COMMUNICATION AND SOLUTIONS IN ENHANCING FINANCIAL INCLUSION Union of Arab Banks</td>
<td>+961 1 377800; <a href="mailto:uab@uabonline.org">uab@uabonline.org</a></td>
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**QATAR**

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<td><strong>3-4 Dec</strong></td>
<td>FUTURE LANDSCAPE AND PUBLIC REALM QATAR ACM</td>
<td>+971 4 361 4001; <a href="mailto:opportunities@acm-events.com">opportunities@acm-events.com</a></td>
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<td><strong>3-4 Dec</strong></td>
<td>QATAR WATER INFRASTRUCTURE ACM</td>
<td>+971 4 361 4001; <a href="mailto:opportunities@acm-events.com">opportunities@acm-events.com</a></td>
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**KUWAIT**

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<td><strong>11-13 Nov</strong></td>
<td>THE ARAB INTERNATIONAL ALUMINIUM CONFERENCE BME Events</td>
<td>+44 203 463 1023; <a href="mailto:marco@bme-global.com">marco@bme-global.com</a></td>
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<tr>
<td><strong>3-4 Dec</strong></td>
<td>KUWAIT INFRASTRUCTURE CONGRESS IQPC</td>
<td>+030 20913 -274; <a href="mailto:info@iqpc.de">info@iqpc.de</a></td>
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**IRAQ**

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<td><strong>4-5 Dec</strong></td>
<td>BAGHDAD FINANCIAL &amp; INVESTMENT FORUM Union of Arab Banks</td>
<td>+961 1 377800; <a href="mailto:uab@uabonline.org">uab@uabonline.org</a></td>
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**LEBANON**

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<tr>
<td><strong>8-10 Nov</strong></td>
<td>SALON DU CHOCOLAT 5TH EDITION Hospitality Services</td>
<td>+961 1 480 081; <a href="mailto:info@hospitalityservices.com.lb">info@hospitalityservices.com.lb</a></td>
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<tr>
<td><strong>13-11 Nov</strong></td>
<td>SALON DU LIVRE Institut Francais</td>
<td>-; <a href="mailto:exposantsalon@if-liban.com">exposantsalon@if-liban.com</a></td>
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<tr>
<td><strong>14-17 Nov</strong></td>
<td>EDUCATION AND ORIENTATION EXPO Promofair</td>
<td>+961 1 561 600; <a href="mailto:info@promofair.com.lb">info@promofair.com.lb</a></td>
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**DUBAI**

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<td><strong>7-8 Nov</strong></td>
<td>ACCOUNTING AND FINANCE SHOW MIDDLE EAST Terrapinn Middle East</td>
<td>+971 1 444 02500; <a href="mailto:enquiry.me@terrapinn.com">enquiry.me@terrapinn.com</a></td>
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<td><strong>13-14 Nov</strong></td>
<td>THE AVIATION SHOW MEASA 2018 Terrapinn Middle East</td>
<td>+971 1 444 02500; <a href="mailto:enquiry.me@terrapinn.com">enquiry.me@terrapinn.com</a></td>
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<td><strong>14-16 Nov</strong></td>
<td>GETEX Informa Middle East</td>
<td>+971 4 407 2528; <a href="mailto:info-mea@informa.com">info-mea@informa.com</a></td>
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<tr>
<td><strong>4-6 Dec</strong></td>
<td>GULF TRAFFIC Informa Middle East</td>
<td>+971 4 407 2528; <a href="mailto:info-mea@informa.com">info-mea@informa.com</a></td>
</tr>
<tr>
<td><strong>5-6 Dec</strong></td>
<td>PERE INVESTOR FORUM PERE Conferences</td>
<td>+1 212 633 1075; <a href="mailto:colm.g@peimedia.com">colm.g@peimedia.com</a></td>
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<tr>
<td><strong>13-15 Jan</strong></td>
<td>SIGN AND GRAPHIC IMAGING MIDDLE EAST International Expo-Consults</td>
<td>+971 4 343 5777; <a href="mailto:info@iecdubai.com">info@iecdubai.com</a></td>
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<tr>
<td><strong>28-31 Jan</strong></td>
<td>ARAB HEALTH Informa Middle East</td>
<td>+971 4 407 2528; <a href="mailto:info-mea@informa.com">info-mea@informa.com</a></td>
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## BUSINESS ESSENTIALS

### Events

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### ABU DHABI

- **1-3 Nov**  
  **INTERNATIONAL REAL ESTATE & INVESTMENT SHOW**  
  Dome Exhibitions - Abu Dhabi  
  +971 2 672 1217; domeexh@eim.ae  
  www.domeexhibitions.com

- **14-17 Jan**  
  **ECOWASTE**  
  REED  
  +971 2 4917615; info@reedexpo.ae  
  www.reedexpo.com

- **29-31 Jan**  
  **TAWDHEEF**  
  Informa Middle East  
  +971 4 407 2528; info-mea@informa.com  
  www.informaexhibitions.com

### BAHRAIN

- **20-24 Nov**  
  **JEWELLERY ARABIA 2018**  
  Informa Middle East  
  +971 4 407 2528; info-mea@informa.com  
  www.informaexhibitions.com

- **21-24 Nov**  
  **GULF PROPERTY SHOW**  
  Bahrain Society of Engineers  
  +973 17810733; vivek@mohandis.org  
  www.bahrainexhibitions.com

- **23-31 Jan**  
  **AUTUMN FAIR**  
  Informa Middle East  
  +971 4 407 2528; info-mea@informa.com  
  www.informaexhibitions.com

### EGYPT

- **15-18 Nov**  
  **MACTECH**  
  International Fairs Group  
  +202 2526 4499; info@ifg-eg.com  
  www.ifg-eg.com

- **17-19 Nov**  
  **MIDDLE EAST FIRE AND SECURITY EXHIBITION**  
  Informa Middle East  
  +971 4 407 2528; info-mea@informa.com  
  www.informaexhibitions.com

- **17-19 Nov**  
  **“ELECTRICK”**  
  IFP  
  +961 5 959 111; info@ifpexpo.com  
  www.ifpexpo.com

- **8-10 Dec**  
  **FOOD AFRICA CAIRO**  
  IFP  
  +961 5 959 111; info@ifpexpo.com  
  www.ifpexpo.com

- **14-16 Dec**  
  **AUTOTECH**  
  Informa Middle East  
  +971 4 407 2528; info-mea@informa.com  
  www.informaexhibitions.com

### QATAR

- **6-8 Nov**  
  **HOSPITALITY QATAR**  
  IFP  
  +961 5 959 111; info@ifpexpo.com  
  www.ifpexpo.com

### SAUDI ARABIA

- **12-15 Nov**  
  **FOODEX SAUDI**  
  REED  
  +966 12 6682626; info@reedsunaidiexpo.com  
  www.reedexpo.com

- **20-24 Nov**  
  **JEWELLERY ARABIA**  
  Informa Middle East  
  +971 4 407 2528; info-mea@informa.com  
  www.informaexhibitions.com

- **27-29 Nov**  
  **HORECA SAUDI**  
  Hospitality Services  
  +961 1 480 081; info@hospitalityservices.com.lb  
  www.hospitalityservices.com.lb

- **28-29 Nov**  
  **MATERIALS HANDLING SAUDI ARABIA**  
  Al Harthy Company for Exhibitions  
  +966 12 654 6384; ace@acexpos.com  
  acexpos.com

- **13-23 Dec**  
  **JEDDAH INTERNATIONAL BOOK FAIR**  
  Al Harthy Company for Exhibitions  
  +966 12 654 6384; ace@acexpos.com  
  acexpos.com

- **16-20 Dec**  
  **SAUDI INTERNATIONAL MOTOR SHOW**  
  Al Harthy Company for Exhibitions  
  +966 12 654 6384; ace@acexpos.com  
  acexpos.com

### KUWAIT

- **11-13 Nov**  
  **ARABAL**  
  BME Events  
  +2 02 2 5644116; info@bme-global.com  
  www.thebmegroup.com

- **14-16 Jan**  
  **HORECA KUWAIT**  
  Hospitality Services  
  +961 1 480 081; info@hospitalityservices.com.lb  
  www.hospitalityservices.com.lb
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Targeting the right people for our advocacy

Strategizing for more transparency

When Lebanon signed the United Nations Convention Against Corruption (UNCAC) in 2008, our political elite unwittingly embarked on a path toward better governance and more transparency. For many reading this article, this statement will come as a surprise—particularly given the high levels of corruption in Lebanon today and the general perception that no one is tackling this problem.

But perceptions of rampant corruption in Lebanon notwithstanding, it cannot be denied that important work has been taking place behind the scenes over the past few years—work that most Lebanese are unaware of. In 2012, for example, a steering committee at the cabinet level was created, in partnership with the United Nations Development Programme, to begin the work of adapting the Lebanese legal and regulatory framework to comply with the requirements of UNCAC. In 2017, the Access to Information Law was finally approved, having originally been presented as a draft law to Parliament in 2009 by a coalition of 17 NGOs, which included the Lebanese Transparency Organization (LTA), and members of Parliament. This year has also seen numerous positive steps: In April 2018, the government announced Lebanon’s first ever National Anti-Corruption Strategy, and in September 2018, Parliament approved three laws that will further reinforce the legal and regulatory framework in the fight against corruption. These laws focus on whistleblower protection, transparency in oil and gas exploration, and e-government transactions. There are further draft laws, such as a new law on illicit wealth and one on the creation of a National Anti-Corruption Agency, that are still lingering in Parliament, awaiting approval.

And lingering is the right word to use, because while our political elite have set off on a path to reform, there is a clear perception among members of Lebanon’s civil society that this same elite is using every possible delaying tactic. Many would argue that the only reason Parliament suddenly approved three anti-corruption laws in September is because Lebanon desperately needs international support to prop up the national economy, which is at its weakest since the end of the civil war. This support will hopefully be delivered through international commitments made during CEDRE, but only if the new government enacts and implements key reforms, including reforms in the different public procurement processes under its control.

Within this context, what role should the LTA and other like-minded NGOs play? On the one hand, we need to continue advocating for further anti-corruption legislation and learn how to advocate more effectively, through improved use of collective action and other advocacy tactics. On the other hand, we also need to play an active role in enabling the actual implementation of the anti-corruption laws that have already been approved. This will mean working with citizens, the media, the private sector, and our allies in the public sector—acting as a watchdog on the implementation of these laws.

One example of the role anti-corruption activists can play is the current initiative to establish an independent audit committee, chaired by civil society, to monitor the transparency and fairness of the bidding processes managed by the High Council for Privatization and Public-Private Partnership (HCP). The HCP, created back in 2000 as the High Council of Privatization, was mandated as Lebanon’s public-private partnership (PPP) body last year, with the passage of the PPP law. This is significant, as 20 projects under CEDRE are categorized as PPPs, so their bidding processes will be managed by the HCP. These projects include improvements to the electricity sector, waste management, public transportation (such as the expansion of Beirut’s airport), and water management. Each of these projects can have a significant positive impact on the daily life—and health—of Lebanese citizens, and it is our right to be informed about how funds are allocated to and spent within these projects. In this context, the HCP should be commended for enabling this independent monitoring process—a first in Lebanese history, and hopefully an inspiration for other like-minded public entities.

So, who should we be aiming our advocacy at? Who is accountable to us as Lebanese citizens? MPs? Ministers? I would argue none of the above. Indeed, they are all chosen and nominated by just six people—the heads of the political parties that dominate politics in the country. All of our advocacy efforts should be aimed instead toward these six individuals.

BADRI MEOUCHI is chairman of the Lebanese Transparency Organization (LTA), the first NGO with a focus on curbing corruption in Lebanon, established in 1999 as the Lebanese chapter of Transparency International.
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