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HANG ON

Wealth management's risks and rewards

Lebanon: LL 10,000 - Bahrain: BD2 - Egypt: EP20 - Jordan: JD5 - Iraq: ID6000 - Kuwait: KD2 - Oman: OR2 - Qatar: QR20 - Saudi Arabia: SR20 - Syria: SP200 - UAE: Drhm20 - Morocco: Drhm30 - Tunisia: TD

EDITORIAL

#239

A plane in the sky

You can no longer live in denial, just clicking on what interests you in this fake voyeur world. Stop looking the other way, reality is now upon us. Swiping left is no longer an option.

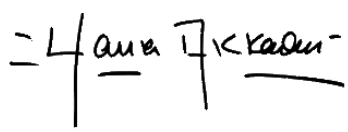
The drums of war have been resonating closer and stronger from the Persian Gulf, Yemen, Iraq, and Syria adding to an already charged atmosphere.

Everyone has been discerning from this chatter very loud and clear messages. Everyone that is, apart from our politicians. I wonder why they have opted not to listen and carry on irresponsibly as if their ears were stuffed with wax.

The Lebanese citizen has never been so alone. Be it their neighbors, their government—the whole world is watching us as we are being unwillingly dragged into this isolation. What is even more troubling is that our warlords thrive in such an environment; they know it gives them impunity over their socioeconomic responsibilities. Now they can blame all Lebanon's ills on geopolitics.

The targeting of Jammal Trust Bank cannot be removed from this bigger picture. The only thing that we are worried about—and this is how war happens—is that you never hear the bomb when it is released, you only hear it when it explodes.

But as much as some might think that there is no hope, we still believe that resilience, commitment, and perseverance in working for what is right, what is just, what is worth living for, will bring about the Lebanon we all want to see. And we will continue to do so, come what may.



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Bank Audi
Private Bank

LAST MONTH

ZOOM IN

Damage and glass from broken windows is seen inside Hezbollah media center after an Israeli drone fell in the Hezbollah-dominated southern suburbs and a second one exploded near the ground on August 25 in Dahiyeh, Beirut.

Cabinet meets after six-week deadlock

Cabinet met on August 10 after six weeks of political deadlock following a security incident in Qabr Shmoun that resulted in the deaths of two of Minister of State for Displaced Affairs Saleh al-Gharib's bodyguards. Four days prior to cabinet reconvening, EU officials postponed a scheduled visit to Lebanon, calling for normal government activity to resume. Cabinet announced investigations would be launched into the late June security incident. Shortly after the cabinet meeting, on August 12, Prime Minister Saad Hariri went on a five-day trip to America, the last day of which he had a 40-minute meeting with US Secretary of State Mike Pompeo. Pompeo, who had visited Lebanon back in March, reiterated his belief that Hezbollah was a threat to Lebanon. Hariri thanked him for America's commitment to the Lebanese army. At a following session on August 22, cabinet announced its share of five appointees out of a total of 10 to the constitutional council. Parliament had previously elected their five representatives to the council at the end of June. The appointees' qualifications have been questioned by legal experts who noted that none are specialists in constitutional law. The council members' election had previously sparked tensions between the Lebanese Forces and the Free Patriot Movement. A special session was also held on August 27 to tackle the country's mounting waste problem, with most elements of Minister of Environment Fady Jreissati's waste management roadmap being adopted (see article page 44).

Fitch downgrades Lebanon, S&P maintains rating

International credit ranking agency Fitch downgraded Lebanon's credit rating August 23 to CCC from its previous B- rating. Standard & Poor maintained its B-/B long- and short-term foreign and local currency sovereign credit rating. The agency had revised its outlook on Lebanon from stable to negative back in March. In January, Moody's Investors Service

Think Lebanon and support the youth,
every job opportunity given,
allows them to thrive in our country.
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ASSOCIATION DES COMMERCANTS DE BEYROUTH
BEIRUT TRADERS ASSOCIATION
LEBANESE ECONOMIC ORGANIZATIONS
BLOM BANK SAL
PEACE OF MIND

LAST MONTH

QUOTE OF THE MONTH

"We are not here in solidarity with Mashrou' Leila.
We are here in solidarity with our freedom."

Part of a statement read aloud by Nada Bou Farhat and Badih Abou Chakra at a concert organized on August 9 in Beirut to protest Byblos International Festival's dropping of Mashrou' Leila following a campaign accusing the band of blasphemy.

had already downgraded the country's rating to Caa1, noting a higher probability of default. In a statement on the decision to downgrade Lebanon to CCC, Fitch noted: "The downgrade of Lebanon's IDRs reflects intensifying pressure on Lebanon's financing model, increasing risks to the government's debt servicing capacity. Downward pressure on banking sector deposits and central bank foreign reserves and increasing dependence on unorthodox measures by the central bank (Banque du Liban) to attract inflows illustrate increased stress on financing. The government is relying largely on financing from the central bank, both in domestic debt markets and for repayment of Eurobonds. While recent policy steps point to nascent fiscal adjustment, a credible medium-term plan to stabilise government debt/GDP is lacking."

Tensions rise after Israeli drone strikes

The latest round of escalations in the Hezbollah-Israel standoff began on August 25 when one Israeli drone crashed and another exploded over Hezbollah's media offices in the Moawwad neighborhood of south Beirut causing damage to the offices and injuring three. The crashed drone was discovered to be carrying 5.5 kg of explosives, according to Hezbollah. Hours earlier, Israel had launched attacks that killed two Hezbollah fighters in Syria. Israel said it was countering Iranian drone strikes in the area. Hezbollah leader Hassan Nasrallah has responded to the attacks on August 25, saying that they were a violation of the rules of engagement. "From now on, we will confront the Israeli drones in the skies of Lebanon," he said. "The Israeli drones, when they enter Lebanese skies, we will work to bring them down." Further escalating tensions, Israeli warplanes hit a Popular Front for the Liberation of Palestine (PFLP) base east of Zahle near the Syrian border on August 26. The PFLP fights inside Syria alongside Hezbollah and the Syrian army in support of Bashar al-Assad's regime. President Michel Aoun issued a statement August 26, likening the strikes in Dahiyeh to a "declaration of war," while Prime Minister Saad Hairiri met with ambassadors and the deputy heads of mission of the UN Security Council to discuss the violation of UN Security Council Resolution 1701. The UN called for "maximum restraint" from all sides. Sources close to Hezbollah told Reuters on August 27 that Hezbollah was preparing a "calculated strike" against Israel, but seeks to avoid a new war. Lebanon's Higher Defense Council met on August 27, affirming "the right to defend themselves against any attack."

US sanctions Jammal Trust Bank

The US Department of the Treasury's Office of Foreign Assets Control (OFAC) sanctioned Jammal Trust Bank for allegedly facilitating banking activities for Hezbollah. OFAC's statement read "Jammal Trust has a longstanding relationship with a key Hizballah financial entity and provides financial services to Hizballah's Executive Council and the Iran-based Martyrs Foundation." The Lebanese bank responded that it would appeal the decision. The Lebanese Association of Banks said it regretted the decision, and assured customers their money in the bank would be safe.


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LEADERS

WEALTH MANAGEMENT

Ignore the biased narratives

Lebanese investors must stay alert to opportunities

In today's Lebanon there are two biases. Let us call them the phoenix bias and the shithole bias. The first is the narrative of an indestructible culture, a country and haven of wealth that has never defaulted on its financial obligations and where no depositor of wealth has to fear the disappearance of a single dinar, taler, rand, dirham, lira, euro, dollar, or even golden Croeseid from his account.

Tending to the opposite extreme is the massively propagated shithole bias. For its followers, Lebanon was the essence of a shithole before a US president ever tweeted so vulgar a term. No country is as bad as this, we have the worst corruption, the worst electricity supply, the worst financial ratings (recent addition to the bias), the maddest government, the baddest currency outlook, the poorest economic data, and the lowest competitiveness. Even the weather averages are not as good as they could be in July and August when compared to a median consolidated (and 100 percent fictitious) temperature of Monaco, Dubai, Kuwait, Novaya Zemlya, and Punta Arenas.

Construction of narratives is great fun and sometimes all there is to do to avoid descending into depression in the face of unpleasant experiences and personal failures when trying to pursue some level of sanity in this country. But to be practical, and be so in connection with the issue of wealth preservation in Lebanon during the current phase of scarcity, it is preferable to seek the most viable angles for dealing with wealth and scarcity.

To start with a few behavioral considerations, and also to be clear from the beginning of this discussion, Executive editors see no inherent incompatibility of wealth and scarcity—meaning there are no valid historical arguments for expropriation of wealthy people or the owning class in order of solving the problems of scarcity—nor do we see a lifestyle contradiction between wealth and austerity. While there is a time for generosity (and Dickens' Scrooge has given stinginess during such moments the bad name that it deserves), there are many positive examples for fortuitous correlations of being rich and practicing personal austerity. The virtues of self-discipline and responsible/sustainable use of resources are not only fully compatible with owning wealth, but self-chosen commitments to austerity have historically often been to the advantage of wealth owners. This seems worth repeating as the country's zeitgeist needs to align itself with the need for austerity.

> First, resist any temptations of the shithole bias, and second, stay alert to all investment opportunities.

On the economic level of the discussion, scarcity of economic resources is furthermore not so much a contradiction to owning wealth as much as a challenge and mandate to invest this wealth in ways that improve the wellbeing of society. Bankers tell us today that they need to be able to deploy their wealth by lending to ventures that can be classified as good risks; they have a point, as it is their business and expertise to channel deposits into viable lending opportunities.

But from a wealth management perspective, the most recommendable methodology for the rich in this society appears to start with assessing their own needs and collating them with society's needs. A next step will be to prudently examine, while taking the current economic scarcity into careful consideration, the platforms, markets, structured vehicles, contrarian narratives, and unconventional investment methodologies that exist in Lebanon.

The information and views that Executive obtained in the course of this issue's inquiries about asset classes that can meet the requirements for sane returns and economic benefits encourage editors to call upon our wealthy families and individuals with two specific requests. First, resist any temptations of the shithole bias, and second, stay alert (or remind your local wealth managers, private bankers, and investment advisers to keep you highly tuned) to all investment opportunities that are opening in the local markets and classical asset classes, especially equities on the electronic trading platform under construction.

Finally, we want to note that the personalized environmental, social, and governance (ESG) standards radars of Executive's editors have last month been blinking in positive frenzy. Two laudable developments arrived last month from the US, namely a pivot in perceiving the purpose of the corporation from pure shareholder commitment to one that entails "a fundamental commitment to all of our stakeholders" and the inclusion of "ESG relevance scores" in the ratings report issued by Fitch on August 23. We regard these as positive signals that suggest that more ESG affirmations are called for in Lebanon. Investors should look at impact investing and investing into startup entrepreneurship on levels of funds and individual companies (see story on other investment opportunities page XX). Investors should not be fools who hate knowledge.

LEADERS

WASTE MANAGEMENT

Still a mess

Lebanon needs a long-term solution to its trash woes

Lebanon on the precipice of another trash crisis, with its own garbage floating in the sea, lining the streets, and forming a mountain in Tripoli. All this not even five years after the last crisis that, in 2015, saw mounds of garbage pile up on the streets of Beirut and Mount Lebanon. In the north, the garbage mounds have already reappeared, after the owner of the Aadoueh dump refused to accept anymore trash. In the capital, politicians have warned that if no solutions are implemented, the Burj Hammoud and Costa Brava landfills will reach capacity and the country will enter its next garbage crisis by the beginning of September. With that calendar mark passed, it seems Beirut remains safe for a little while longer. How much longer will be determined by the government's ability to implement long-term waste management solutions rather than relying on ad hoc measures to delay continual threats of crises. A country can only rely on stopgap measures for so long, and 30 plus years—the first emergency measures were implemented in 1997—is far too long.

What then, is standing in the way of a solution? Following altercations in Aley, cabinet meetings were postponed for six weeks, stalling talks on Environment Minister Fady Jreissati's proposed new solid waste management roadmap. The government, as usual, chose politicking over addressing serious challenges the country is facing. Slight hope emerged when cabinet adopted the roadmap on August 27. But it was adopted without inclusion of a financing mechanism, which is to be studied over the next month. With Jreissati warning that another trash crisis would begin as soon as September 1 if nothing were done, it is curious that with the plan not passed in full, let alone implemented, this deadline has passed without landfills reaching capacity, informal dumps rejecting garbage, and a second crisis kicking off. When Executive asked a Ministry of Environment official how this passage of the roadmap would help in averting this crisis given the timeframes involved, they replied: "Sometimes people make predictions and they're wrong."

A WEAK LONG SHOT

New financing mechanism aside—a previous attempt to create one via Law 80 (2018) was removed before it was voted on Parliament—the roadmap calls for a four-part plan to be implemented (see story page XX). The funding issue seems to be central in past failures, like efforts to introduce sorting at source in 2017, to clean up Lebanon's streets and introduce sorting at source in municipalities and treatment facilities. The sector also carries an alleged deficit of $2 to $3 million, though no one from the Ministry of Finance could confirm this. If the roadmap's proposed financing mechanism is agreed on, the sector may be well on its way to productivity, but without it the country will continue to be forced to view waste management through a crisis lens.

Since the end of the civil war in 1990, the country has witnessed emergency measure after emergency measure taken in an attempt to manage waste. The 1998 creation of the Naameh landfill, closure of which spurred the 2015 crisis, was one such measure. In 2006, the household solid waste management master plan was approved by the Council of Ministers as the first attempt at comprehensive waste management. Yet, nothing happened due to political turmoil at the same time. Efforts were renewed in 2010 with little to no progress made. The 2018 law called for a national strategy to be created within six months. Eleven months later one was delivered.

In a country where progress tends to be slow if not completely stalled, it is of little surprise that the solid waste management roadmap emerged late. Executive has examined the roadmap and the elements that cabinet approved (see article page XX). It is the view of Executive's editors that implementing this new plan seems like a longshot, given the government's history of ineptitude and seeming apathy unless crisis stinks up the capital's streets (even less attention seems to be given if trash piles up in other parts of the country). Previous legislation encourages municipalities to independently manage their waste, but many lack the funds to do so. One wonders how the central government expects this round of attempts at decentralization and increased sorting at source to go any differently.

The solution needed is three-fold. It is the government's job to chart a comprehensive and sustainable path forward and make sure municipalities are equipped financially to comply with new legislation. Municipalities, given proper funding, must devise ways to effectively collect garbage and enforce regulations—primarily those regarding sorting at source. Finally, citizens themselves must do their part in their own homes. Most waste management experts Executive spoke with agree that Lebanese are willing to sort at source, but lack the infrastructure to do so. Executive calls on the goverment to finally secure the path and the funding of solif waste management, and for municipalities to establish infrastructure for it, so that citizens will be able to complywith their civic duties for responsible waste mamnagement. It remains to be seen if this plan will be the one that sets Lebanon's waste crisis on a path to recovery, but protests over incinerators, and sure-to-come protests over increased fees for citizens who will have to foot the bill for many of the proposed measures, will make its implementation challenging.


You see a bride playing a sonata.
At Fidus,
we see John Lennon's USD 2.1 million
"Imagine" piano.

By Thomas Schellen

RITUALS OF WEALTH

Asset management in Lebanon

The problem of our age is the proper administration of wealth, so that the ties of brotherhood may still bind together the rich and poor in harmonious relationship. The problem of Lebanon in the current period of economic scarcity and political austerity is the proper administration of wealth in the interest of empowering society to improve its productivity and prosperity.

Read those two sentences again. Do they contradict or complement each other? Are they true or false, or is it somewhere between the two? Whatever your answer, our editorial perspective is that the latter is a contemporary adaptation of the first. The first is actually a quote, concealed for the purpose of this story. It is the opening sentence in a 130-year-old essay, colloquially known as the gospel of wealth, in which the richest American male at the turn of the 20th century, Andrew Carnegie, presented his sincerest convictions.

PROTECTING WEALTH IN TIMES OF GLOBAL DANGERS

Making sense of great individual wealth, as Carnegie's essay was a prominent example of attempting to do, is never easy. In the specific context of personal and familial circumstances confronted with a dysfunctional economic environment under scary global conditions, making sense of and protecting wealth is more than difficult. The situation of a Lebanese wealth owner seems to entail not one, but three problems, two of which are hot and immediate, and one that is ethical and fundamental. The first of the three problems are risks for wealth produced by the widening cracks in 70-year-old global frameworks that are under strain from political, economic, social, and environmental threats.

On the levels of politics, and economic and social instabilities, the world's rich and poor alike are confronted with aggregations of risks that rarely, if ever, had been experienced, even in the form of military threats by the last two or three generations. These unprecedented elements of financial and economic warfare range from information and IT attacks to fake news, state-sponsored cyberterrorism, and currency conflicts.

In the latter, the weaponization of the dollar could have consequences as uncontrollable as violations of the mutually assured destruction (MAD) doctrine in the days of ICBMs and the superpower arms race. This is no exaggeration in the views of observers and analysts (also found in Lebanon) who point out that the global regime anchored by a US-controlled reserve currency—as has existed in different varieties since Bretton Woods—is incompatible with the unilateral use of this currency as a weapon in economic warfare.

But this dangerous contradiction notwithstanding, American tweets and messages of trade wars and currency wars abound. The socioeconomic threat of such wars for large and small nations is huge, with the only difference consisting in the knowledge that the large economic powers can unleash mutual havoc with unpredictable outcomes, while small nations have no defense at all. Lebanon has just received another reminder on August 29 that an act of financial attack by a very powerful, self-interested and ruthless aggressor can inflict incalculable social devastation and destruction of finance.

But beyond these global threats of the unleashing of economic weapons of mass destruction (WMDs)—no need to send a UN investigative commission from New York to Washington, these WMDs exist—there are also domestic dangers lurking in the US that could devastate the world, such as the alleged death spiral in the country's public debt (for one of many discussions on this issue, see book review page 38). Even as this threat may well be overblown, it is no joke that the recession signals from the world's largest economy this summer have been making daily headlines, that American central bankers are worried about their independence, and that the US government's political saber rattlers ply their noisy trade in the Middle East.

The aggregation of US-related risks is not made prettier by the sudden emergence of new fault lines in the European political and economic house. The EU appears increasingly prone to contribute its share toward flooding the twitter spheres—and the minds of international investors—with panic signals.

LEBANESE OPTIONS FOR WEALTH PRESERVATION

The Lebanese wealth holders of 2019 are, at first glance, confronted with very poor prospects of being able to preserve their native wealth in a country suffering from job scarcity and weakening economic stability. Even if a brave wealth owner here knows that such prospects are possible, what are the priorities that they have to set in this environment where global markets turmoil meets local volatility and forced austerity?

As it turns out, much the same as in the previous periods when Lebanon's fundamental problems were festering under pretty rugs.

Wealth management experts tell Executive that the best things to pay attention to for a Lebanese investor are basic truths. They recommend, as both first-line and follow-on remedies for wealth fears, the magic pill of diversification.

Youssef Dib, general manager of Saradar Bank, leaves no ambiguity on the table. "In wealth management, more than ever, we need diversification by country, by asset classes, [and] by currency."

Toufic Aouad, general manager of Audi Private Bank, prescribes for wealth clients healthy baskets of assets for each portfolio. Queried on why this is the case, he presents an immediate perspective on the global situation. "International markets have been shaken by the Fed's speech at the last Federal Open Market Committee (FOMC) meeting, as it qualified its rate cut by 'mid-cycle adjustment' rather than a reversal of the tightening cycle/a start of an expansionary monetary cycle," he tells Executive. "Market participants, having priced in four interest rate cuts for the next 12 months, were spooked by this neutral position. President Trump's reaction the next day added another layer of nervousness, as he revived trade war uncertainties by launching another round of tariffs—mainly on consumer products—effective September 1."

He adds, "We expect markets to remain data-dependent and to move in a wide trading range until we have more clarity on both fronts. Wealth management starts with a proper asset allocation that caters to client's needs and requirements. Every portfolio should include a wide basket of assets that are diversified by type (equities, fixed income, commodities, FX), geography (domestic, developed markets, emerging markets), and maturity."

Charles Salem, assistant general manager and global director of the private banking at Banque Libano-Française (BLF), offers BLF's assessment of half a dozen event clusters and risks in his answer on how local investors should respond to worrying global developments. Citing the situations relating to China/US trade wars, Hong Kong, Brexit, Italy, Argentina, and the Global Purchase Managers' Index (PMI), he also advises diversification. More specifically, he says, "Local and international investors alike should focus on diversification in their portfolios to manage uncertainty and preserve capital. We still advise investors to remain prudent in their asset allocations during the last quarter of 2019 and maintain an exposure to fixed income through our LF Total Return Bond Fund, which is currently up 6.83 percent as of end of July 2019. We also recommend tactical allocation into assets such as gold, which have proved good protection against volatility. Investors should be ready to add exposure to equity if the picture above brightens and recession fears fade."

> "In wealth management, more than ever, we need diversification by country, by asset classes, and by currency."

When asked if there is any transparency in Lebanese investment opportunities such as equities, Saradar's Dib emphasizes that the real estate markets and opportunities in Lebanon have upside potential and that the market for equities is not marked by opacity as such, but is under-researched. "Lebanon overall is facing a lot of challenges today, and hopefully, in terms of valuations, whether real estate or other, I think we are more at a low point than anything else," he says. "It is definitely a market that an investor should be looking at, given that its environment has been difficult for some years now, and hopefully will turn around when politicians start moving in the right direction in substance and not just form."

Endeavoring to drill down into the anatomies of wealth management opportunities in Lebanon at this moment, Executive asked the experts about the wealth preservation prospects in real estate (see story page 26), equities and financial markets (see story page 20) and presently almost untapped realms of impact investing, including startup entrepreneurship and micro-finance (see story page 32).

One noteworthy finding from our inquiries concerns the company at the intersection of real estate and equities. In our conversations, not everyone is convinced that Solidere, which is as entwined as intimately with Lebanon's fortunes as no other enterprise of importance in this country, is already at its pinnacle as far as downside potential. However, Ziad Abou Jamra, the company's deputy manager tells Executive that recent measures would inevitably make Solidere shares catch up with the company's fundamentals (without defining a moment for this to happen).

"The price of the share today is around $6 and the book value is $10. However, the book value does not reflect the real pricing of the current land bank portfolio and other properties owned by Solidere," he says. "What reflects the reality is the Net Asset Value (NAV). An assessment of the NAV, taking into account current deeply depressed prices of land which should be temporary, will reveal a much higher figure than the book value, maybe something above $20 per share." (See interview, page 31)

What the most skeptical observer of Solidere can be assured of is that the company has not been the target of qualified scrutiny by local equity analysts, as neither FFA nor Blominvest, who in previous years tracked Solidere, have lately produced such reports. Solidere actually has not been covered much by financial wires in the past 13 months since a new board of directors assumed the reigns at the company. When Executive looked for news coverage of Solidere by Reuters, the agency's page on Solidere entailed a single short news item and the list of board members still featured as current the names of the board that was correct up until July of last year.

IS THERE A PURPOSE TO WEALTH

That leaves the third problem: How do we define the purpose of wealth? There are no absolute answers to this question and perfect formulas for the management of wealth for the social good in sight (Carnegie's answer has been challenged from many angles). But for the investor community in Lebanon, one worthwhile point in seeking meaningful uses of wealth might arise from awareness of increasing probabilities that investments in carefully selected real estate opportunities and, even more so, investments via high-function Lebanese capital markets have a potential to contribute to national economic improvements and help preserve the investors' wealth in a rational way. Moreover, even as a financial institution noted as pioneer in micro-finance involvement with poor population groups in rural Lebanon was just targeted by a missile salvo of sanctions by the US Treasury, investors could very well stand to benefit from investigating new and locally underutilized investment opportunities under the paradigms of impact investing (see page 32) that is aligned with environmental, social, and governance outcomes.

> How do we define the purpose of wealth? There are no absolute answers to this question and perfect formulas for the management of wealth for the social good in sight.

By Thomas Schellen

THE NEW CLASS IN PREMIUM ECONOMY

Reinvention of Lebanese equities and the coming capital market

Metaphorically, the asset class of equities, based on trading claims of minuscule ownership slices in listed enterprises, is the ballroom dance queen and king in the palace of financial markets. Historically—the joint stock company that is the precondition for the trading of shares being as young as four centuries—this asset class is a spring chicken when compared to assets such as bonds, gold, and real estate. Equities started gradually, with the development and institutionalization of stock trading in bourses of 17th and 18th century Europe, or, in the later English term, on stock or securities exchanges.

Over the past century or so, as exchanges burst to become central dance arenas of advanced economies, information and agility became mantras for investing in equities, regulation became the operating floor, and liquidity became the secret of success for the asset class. Trading in shares as a highly interactive social and economic pattern has evolved in spurts and pivots under the impact of technical progress in long-distance communication and information transmission in tandem with the development of laws and regulations. It has been heavily influenced by models, theories, and narratives of economists who would often be celebrated at one particular time only to be regarded as, to use Keynes' term, "defunct" by the next generation of economists.

Except for times of war and supreme ideological silliness, consistent rules and operational safety were understood to be of utmost importance to the functioning of stock markets, and thus exchanges were protected by their governments from ideological follies and insulated from vain politicking. Operators of exchanges during the rise of capital markets in the 20th century have been doing their best to secure unfettered information flows that comply with principles of symmetry, to conscientiously practice and improve governance, and adopt the most productive technology that facilitates and enhances human control and ethical behavior.

How existential it is for the success of an equities exchange to be well-managed and regulated, technically kept at the top of the game, and insulated from political plays has been demonstrated impressively by the track record of the Beirut Stock Exchange (BSE) between 1996 and 2019. This year, the rulers over the nascent Lebanese capital markets saw no other option but to initiate the Electronic Trading Platform (ETP) that would incorporate these virtues after the BSE had failed so miserably in matters of attracting liquidity and operating in the needed independence from the inertia of Lebanese politics and legislation.

At this time, emerging from summer 2019, and the political, monetary, and fiscal turmoil that came with it, into the business season that promises being fueled by the first meaningful reforms that the country has seen in years and will hopefully culminate in offshore resource confirmations and also witness the state's initiation into sane electricity generation patterns, Executive asked local investment professionals what to make of Lebanese equities and what to think of the coming ETP.

AMBIGUITY, OPTIMISM, AND INDIFFERENCE

The headline result is threefold: ambiguity, optimism, and indifference. The investment banking emirs, wealth management princes, and prime movers of financial things in Lebanon view the existing equities with ambiguity, neither greatly condemning nor enthusiastically praising them. They anticipate the reinvention of a reliable home for Lebanese securities trading and capital market activities with great optimism and hope. But they are mostly indifferent or pessimistic in their assessments if the BSE has a future.

To focus first on the most promising bits of the capital markets equation today, the ETP is being traded as the future champ. Wael Zein, chairman and general manager of Lucid Investment Bank is full of praise for the regulatory infrastructure and institutional diligence that underpins the ETP. "The ETP platform is an excellent way to institutionalize this market, and I can say that everything which has been done so far in terms of rules and regulations [for capital markets], is really very advanced," he says. "We feel this because we rely on [these rules] the most when it comes to private equity and investment structures."

According to him, the ETP is a very important step toward creating what he calls the alternative part of equity, meaning equity for middle- and small-sized companies that pursue corporate growth. "This is where the equity is needed in Lebanon," he tells Executive. "It is needed to fund those companies with risk money instead of funding them with loans and subjecting all these companies to huge risk at their stage of growth. The ETP platform itself is an excellent way."

For Youssef Dib, private and investment manager at Saradar Bank, the drivers and motives behind the ETP are the same as those behind the support for the knowledge economy by Banque du Liban (BDL), Lebanon's central bank. "In my view [the ETP] is a very good initiative by BDL Governor [Riad] Salameh to try and ignite dynamism in private sector financing," he says. "This was the initial idea [behind the ETP], as it was the idea when he launched [Circular] 331. [The Circular] 331 created the technology ecosystem in Lebanon which encouraged many entrepreneurs all around. Now is the time for a midlife assessment to see what worked well and what not so much. Once the overall system is more mature, there will hopefully be exits and once we get to exits, the option of listing on the ETP would be one possible conduit."

> "The most important thing is the impact the ETP will have on the financial market, and today this is more important than before."

For Fadi Osseiran, the general manager of Blominvest bank, the ETP cannot come soon enough. "The most important thing is the impact that the ETP will have on the financial market, and today this is more important than before because the cost of debt is so high due to the interest rates that we have," he says. "[These rates] today are so high that many companies are not able to borrow, and it also does not make sense to borrow."

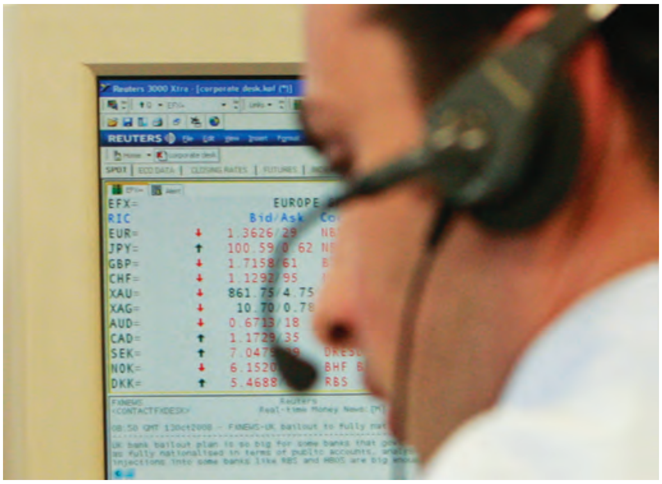
Having been involved in a leading role with a consortium that entered a bid for being granted the license for the ETP but was defeated by the winning bid of Bank Audi Group and Greece's Athens Exchange (Athex) Group, Osseiran has frequently expressed high enthusiasm for the ETP project in the past and says he is certain that the operation will be a win for Lebanon. "There can be plenty of reasons why a company would need equity," he says. "The point is that today you do not have the proper mechanism and trading platform if you want to raise equity. But an ETP that functions in the way we see as proper and that is liquid and has market making, creates such an option, and that is why I am saying the ETP will be good for the country and good for the companies that are raising money." He tells Executive that his top priority as an investment banker lies in having the ability of helping companies to go onto the capital market, "To have the proper platform and get companies on the exchange, that is the job I want to accomplish."

Raja Abdallah, who is engaged with the development of investment advisory service at FX trading specialist firm Royal Financials, dismisses fears that companies are still far from ready for flotations on the ETP. "Skeptical views that Lebanese companies, either SMEs or large companies, are not ready for listing, will change," he expects. "Lebanese companies will adapt to the new ETP, and the transformation of their governance will happen quickly as companies realize that they will need to be up to standards to be listed. We are all waiting for the ETP. The governor [Riad Salameh] has placed his word and personal weight on it and owes it to the startup community and [venture capital] funds to deliver, and also to the many private companies who would like to go public."

Royal, which was a member of the Blominvest-led consortium in the ETP bid, will, in Abdallah's estimate, come to play a role in the ETP only as a matter of time. "We are leaders in the technology commonly deployed on an ETP," he tells Executive. "We use it in our trading platforms. We know how to manage this technology, use it, sell it, we know the dynamics and how it works. We do not want to anticipate things as to what the role of Royal Financials on the ETP will be, but we know [that] we have sufficient expertise in the area of electronic trading to make us a credible player or a tech [partner] in the operation of the ETP."

Toufic Aouad, general manager of Audi Private Bank (which is a unit of ETP-winning Bank Audi Group), tells Executive that setting up of the ETP is "expected to be a major development in the direction of improving the liquidity conditions of the Lebanese equity market. By listing new companies and attracting new investors, we will be increasing the number of players and participants in this market, hence improving its efficiency. Corporates will also have access to a new source of capital, which could revive investments/expansion projects and bring new life to the Lebanese capital markets."

Jean Riachi, chairman and general manager of FFA Private Bank, was not part of a bidding consortium



for becoming the ETP licensee. This notwithstanding, or perhaps because of the distance he has kept to the ETP ownership and operator issue, he delivers his assessment of the project with notable passion. "The ETP is a great idea and a great achievement for the CMA," he says. "They were right to take this step because we have had enough with the Beirut Stock Exchange, its red tape and bureaucracy. Now we will have a modern market with dynamic people running it because the operator is here to make money. As we know, the volumes in a market are important for investors because this is what creates the depth [of the market]. As an exchange, they will do whatever it takes to make the exchange active."

> "Lebanese companies will adapt to the new ETP, and the transformation of their governance will happen quickly."

THE IMMEASURABLE RATIO OF HANDICAPS TO EXPECTATIONS

All expectations for the ETP as a magnet for liquidity and capital-seeking companies of course have a time-handicap of six to 10 months affixed to them, and fortunes of the platform will also be co-determined by factors that are still sitting in the dark, from the operator's strategy for activation of trading and inclusion of stakeholders in the Lebanese financial markets, to the readiness of state-affiliate enterprises (SAEs) for an eventual flotation, and the appetites of prominent family-owned companies for opening their capital structures.

But there is an alignment of views among the investment bankers and wealth professionals who talked to Executive. They think that the ETP, albeit very significant for the future of the venture capital—private equity sphere in the Lebanese entrepreneurship ecosystem, and for maturing tech startups in need of exit opportunities, cannot count on this sphere for its sustainment. The number of prospective beasts of mythos, whether miniature-unicorns or some Arabian breed of billion-dollar valuation potential, is too small and too far in the future to speculate on. In the term of the first years of ETP life from 2020 onwards, the stakeholders in the financial sector and prospective capital markets anticipate that launch clients and first-wave listing candidates on the ETP will come from the realms of SAEs and existing family companies in the medium- to large-size categories.

OUR EQUITIES

When the question turns to wealth manager's perspectives on equities traded currently on the BSE, the enthusiasm for most stocks by Audi's Aouad seems strictly ruled by the facts on the ground as he says, "The Lebanese market suffers from both breadth and depth (ability to sustain relatively large market orders without impacting the price of the security). Accordingly, it is more linked to the political developments rather than the actual underlying fundamentals. Current valuations are severely distressed, especially those of banks which are trading at P/BV lower than ~0.4x, while profits as well as dividends have been stable [or] sustained at the minimum."

For Riachi, the investment propositions of existing Lebanese equities are not enticing in the current market. He names as reasons why FFA domestically are "no big fans of equity investments for the time being" the vagaries of investing in real estate company Solidere on the one hand, because of the company's debts and relative uncertainty about management performance, and subdued outlooks for the banking sector on the other. Although banking stock trade at up to 50 percent discount to their book value and thus look attractive, it is to him not a valid argument for acquiring Lebanese banking stocks because such ratios are today the case with banking stocks in many international markets. "In the banking sector it has become the new normal to buy below book value. This is not the criteria to

use as reason for buying Lebanese banking stocks today. The criteria are the quality of the assets and the expectation of future profitability," he explains, but denies both as buying reasons because he expects decreasing profitability and sees asset quality to mean nothing for the current time. "So there is no incentive on this front that would make buying bank shares logical. At one point you might want to buy, but not today," he says.

For Osseiran at Blominvest, the share prices of Solidere stock show that the company has been paying the price for the level of uncertainty that is beyond its power to influence. As a major company in Lebanon, it has borne the brunt of global pressures on the country and, as a highly politicized company from the way it was designed, also been affected by who is in power in Lebanon and the question of how much support it received under the domestic political uncertainties. The company in Osserian's view in the past also made both good and bad management decisions that were reflected in its share price, but the stock to him has not much to fear. "I would not say that it has big downside potential and see the political handicap today as small," he says. "The cycle is changing, and they made the right move to decrease prices. A major handicap today is their loan level. Even though they have decreased it, the price of the loan is still substantial because of the interest rates which affect the company. But I agree that between negative impact from increasing interest rates, and the positive effort of management structuring, [Solidere] should become better."

As to banking stocks on the BSE (which include the stock of BLOM, the parent of Blominvest), Osseiran regards them as "correctly valued" with reference to the negative outlook for profitability and their generous price-to-book value. Noting in his interview with Executive just before the August announcements of sovereign ratings that effects have already been priced in, he says, "As the bad news are already priced in, any pocket of good news would be positively reflected. There are several pockets of potentially good news, for example through budget implementation and through reforms. Upside [in equities] will be there. If you want to invest in Lebanon, things to look at is what is cheap, and thus there is a big potential in the banks."

With the optimism about the coming trading platform and the potentially positive outlook for existing stocks being both codependent to each other and located in the future, Lebanese investment experts' anticipatory predilections with the markets and trades that are to come leave the question over the fate of the BSE relegated to an afterthought. For Riachi, a burial is called for. "They should close it. The Beirut Stock Exchange will die. I can tell you from now," he says. For Osseiran, the BSE could have a future if it gets energized into new vigor by having to stand up to a competitor, but he asks if the question of its life is even justified. "It depends on how the ETP will work. But if you worry over the question if the BSE were to die, you would have to ask if it is alive today," he cautions. For Royal's Abdullah, the existential point is clear. "Nobody has any regard for the BSE. Let's be honest," he says.

"They should close it. The Beirut Stock Exchange will die. I can tell you that from now."

It seems that the BSE, irrespective of any possible nostalgia for the institution—in an irony of history, the BSE's initial year of establishment was 1920, a century before the impending start of operations of the ETP that is expected to substitute it—has exhausted all emotional capital and operational appeal with the makers in our financial markets. Regardless of how its operations will play out once the ETP is up, running, and hopefully successful, however, one could reason that there would be room and need in Lebanon for a hands-on museum covering the past and future of finance, from the history of commodity money to fiat money and cryptocurrencies, the role of banking and central banking, and the functioning of capital markets, including an active learning environment where people can get a feel and acquire a taste for being investors in equities.

By Thomas Schellen

QUE SERA, SERA

Questioning Lebanese real estate as an investment proposition

In the beginning, the land was empty and without borders, but then came people who settled on the land and built upon it. The people divided the land into plots large and small and invented rights of ownership to the land, all that was built on it, the water and resources beneath it, and the airspace above. They drew up title deeds, named the plots and all that was built on them real estate, called them commercial and residential, and deemed that it was a fantastic asset class.

Any thorough understanding of Lebanon recognizes that land in this country, when compared to most other countries and also considering the density of the population, is both desirable and scarce. The Lebanese link their identities to their villages, and ownership of private homes is as pronounced as the inclination to invest in domestic real estate.

But is real estate in Lebanon a good investment today? The ruling assumption for over 20 years in post-1992 Lebanon was that while investments in this asset class might not always appreciate in value, they would never be losing propositions. Property prices, so the assumption goes, might stagnate, but never drop. The investment conditions and views on real estate in 2019, meanwhile, have become more nuanced.

Nuances about the current state of property investing in Lebanon are, however, far from the message of Beirut-based real estate developer, businessman, and investor Georges Chehwane. "When it comes to any kind of investment in real estate, I, Georges Joseph Chehwane, do not advise anybody to invest a penny in Lebanon," Chehwane tells Executive. "In terms of investment and business, [Lebanon] is the worst place on earth."

In an outburst that appears almost calculated, the chairman of real estate developer Plus Properties and communications media venture Group Plus cites the lack of government support for property owners in Downtown Beirut, alongside persistent public corruption, slow permit processes, and increasing costs of dealing with public administration units. He further lambasts the rising interest cost of bank loans, which he says has risen to 13.5 percent per year for developers like him, and the lack of incentives that Lebanon offers to overseas investors in local real estate.

Chehwane then juxtaposes these with investment incentives for property buyers in Cyprus—specifically European residency advantages—and the reliability and transparency of permit processes for Cypriot real estate. Plus Properties currently owns and develops more than 25 apartments in Cyprus, and the country, according to Chehwane, is attracting Lebanese property investors. "I am selling many apartments in Cyprus to Lebanese who do not want to keep their money in the Lebanese banks," he says.

On the other hand, from the vantage points of the financial and wealth management profession in Lebanon, the picture is not fundamentally grim.

Toufic Aouad, general manager of Audi Private Bank, says that MENA investors remain keen to invest in real estate assets in general, and selectively in Lebanese real estate As he explains it, peculiarities of the local market, such as the tendency for real estate prices to adhere to a stairway trajectory of hikes and stagnations "can be explained by the scarcity of land, especially in Beirut, which puts a cap on new supply, and therefore acts as a floor for prices." He adds that more recent downside developments of property prices can bring benefits to alert investors, "The drop in real estate prices mostly concerned flats, not land, and has been a function of several factors—size, location, developer's financial situation, etc.," he tells Executive in an email. "Such conditions present attractive investments especially when dealing with a distressed seller. We remain open to selective opportunities in the real estate sector in Lebanon."

> "When it comes to any kind of investment in real estate, I do not advise anybody to invest a penny in Lebanon."

Fadi Osseiran, the general manager of Blominvest, assures Executive in person that "nothing is fundamentally wrong with real estate in Lebanon."

He continues, "Within the property space, one can discuss many investment plays, but one has to differentiate as some real estate is income generating, and some is not. [Investing in real estate] is a question of timing and of the cycle, a question at which point in time to enter and when to exit. Overall, the value of real estate is preserved over time."

When comparing Lebanon regionally in terms of attracting investment in real estate, Youssef Dib, general manager of private and investment banking at Saradar Bank, sees no alternative in the Arab world to Lebanese properties if an Arab or expatriate Lebanese investor seeks to find desirable locations with a sea view, not to mention the other numerous selling points. "In the medium- to long-term, I would definitely bet more on Lebanon than on Cyprus," Dib says, adding that while it is impossible to give wholesale advice on how much of an investor's total portfolio should be allocated to Lebanon, diversification is key. "Someone who is in Lebanon should, if he can afford it, look at real estate where the market today is a buyer's market," he says.

Mincing no words on real estate's potential is Jean Riachi, chairman and general manager of FFA Private Bank. "The problem with investments is that people tend to follow trends," he tells Executive. While he says there is no demand on real estate in Lebanon today, he notes, "It is a buyer's market. This means you have time, you have choice, and [you] can get very good deals. This is one reason to invest. The second reason is [that] I am contrarian. When everybody thinks that something is bad, it usually is a good sign that things are going to get better."

According to Riachi, observation of long cycles in Lebanese real estate investments show that despite manifold disruptions of the country's fortunes, from devaluations in the fourth quarter of the last century to wars and impacts of neighboring conflicts in this century, real estate values have tended to recover after every crisis and improve beyond their readings before the crisis. He acknowledges that recent years have seen the price of real estate in Lebanon go down in contradiction to assumptions that they never do—often heard well into the 2010s. Riachi attributes such losing bets to investor behaviors of succumbing to buying instincts, however. "Everybody wanted to buy real estate from around 2008 to 2011, but it was not the right thing to do," he says. "[The right move] is the contrary: Do what others are not doing."

NEW REAL ESTATE INVESTMENT PLATFORM BECKONS

Investors looking to seek out domestic real estate investment opportunities that come attached with a value proposition of beating the interest offers that banks have been extending to their big-ticket depositors do not need to despair. According to Wael Zein, chairman and general manager of Lucid Investment Bank, a new property investments "platform" (the structure is not a fund for reasons of legality in Lebanon) will offer just this opportunity very shortly under the name Legacy 1, for which Lucid is the financial administrator and lead placement agent.

Launched in the Lebanese market under this name in October 2018, a precursor concept of Legacy 1 was being kicked around in the real estate sector for several years and first alluded to by the idea's fathers, real estate developers and consultants Namir Cortas and Massaad Fares in a 2016 interview with Executive (see end-of-year issue). What, at the time, appeared to this magazine as a vague and rather unstructured plan has since been melded into a structure with two core constituents—an entity called Legacy Central as sponsor and investment manager, and Lucid—plus a complex organization entailing an investment committee, a board of directors, legal counsel, and an external auditor, in addition to a management team that includes known actors from the Lebanese real estate sector.

The platform was licensed by the Capital Markets Authority of Lebanon (CMA) with components of equity and debt bonds and a scalable range, Lucid's Zein tells Executive. It is designed for buying a number of apartments in Beirut and selling them to a market whose participants are mainly members of the Lebanese diaspora, but also local investors. "They want to buy from a credible platform. They want good prices and possibility for easy loan arrangements," he says. "We believe that this fund is very important because it will probably be the only sizeable movement on the [real estate investment] front."

Since Lucid joined the structure last year, developments in both politics and markets have made it prudent to adjust the business model to attract investors who are faced with the lure of high interest rates on deposits from Lebanese banks. The business model and value proposition of Legacy 1 thus has been upgraded, Zein explains. To hopefully achieve competitive returns, the platform is targeting a specific segment of the real estate market in Greater Beirut, namely two- to three-bedroom units in quality buildings where a majority of units have been sold and have people living in them. Such units, identified by Legacy 1, would be acquired in bulk after approval by the platform's investment committee. "This is a return-generating model, because you are buying at a discount and selling at prevailing retail price," Zein says. "The margin created by this practice should create a return to investors, and all the adjustments that we have made are basically designed to create a return to investors that can add a premium above what they are taking [in interest] from deposits. The timeline is raising money, buy, and then start selling. Fundraising will be in multiple phases and multiple closings, and we are shooting for the first closing in the third quarter of 2019 or a little bit later."

A TWISTED JUNGLE

However, despite the broad consensus among local wealth management professionals on the virtues of investing part of a portfolio in real estate and doing so in Lebanon, developer Chehwane has a point in being wary about real estate in this country. The story about Beirut being a buyer's market for real estate has been bandied around in this country for six or seven years, with growing insistence by those who tell it. Nonetheless, any stroll through the streets of areas such as the "golden triangle" in Ashrafieh or alongside the new complexes in the Downtown vicinity of Martyr's Square will lead the observer past residential mid- and high-rise buildings that have plenty of empty windows. (Chehwane, whose Plus Towers sits just to the south of Martyr's Square, says he has not sold a single apartment at the address in the past five years.)

Moreover, many fancy buildings in Downtown and the golden triangle exude all the ostentatiousness and charm of million-dollar ghettos. They do not breathe the air of urban productivity that Beirut would need. Similar vibes of emptiness and sub-optimal property designs waft freely through districts of Beirut that are less prominent and pricey than the aforementioned core districts. Furthermore, all the districts of Greater Beirut appear to remain cloaked in pollution and congestion, undesirable for any buyer or tenant when measuring this city by standards for a livable metropolis in the 21st century. The lack of green spaces and safe walkways, which are not just for improving the health of an urban environment but also make good sales arguments when dealing with conscious investors, is as overpowering as ever, and the new parks that could be developed exist merely as architectural landscape design studies.

On the fronts of urban planning and information on real estate prices and occupation rates, economic planners, real estate industry players, property investors, and information seekers remain in the dark of data deficiency and obfuscation (many numbers that Executive were given to questions about the real estate sector for this report were described as "estimates," just as they had been five and six years ago), infrastructural gray zones, and buildings that are hidden in shades skirting the law, ducked away from transparency and legal clarity.

> All the districts of Greater Beirut appear to remain cloaked in pollution and congestion, undesirable for any buyer or tenant.

All these problems, plus the sociopolitical diseases of administrative inefficiency and corruption, have been weighing down the minds of property owners, developers, and real estate investors for decades of post-conflict reconstruction and urban growth in Beirut. And for more than six years now, property owners, developers, and investors have been bearing these pressures mostly without the relief that comes from making an honest buck or a big sale.

It further stands to reason that not every landlord and investor with commitments in Lebanese real estate, never mind how determined a contrarian, is able to shrug off operational costs and temporary losses. FFA's Riachi concedes in his interview with Executive that real estate, while representing 10 to 15 percent of the group's revenues, currently produces a measurable drag on profits. “The consolidated profit is very good, but the real estate activity in Lebanon is losing a lot of money,” he says. “We are covering the losses [because] we are committed to service our clients. We therefore do not care [if we lose money on real estate operations for a time]. We make enough money in other areas of our business.”

Even if the scheme of Legacy 1 were to score high on its aim of providing a profitable platform for investors with the envisaged rate of return that can compete with deposit interests, it will only indubitably benefit those investors. According to Zein, the buildings targeted for acquisition of apartment units by Legacy 1 will number in the lower double digits—compared with a count of buildings examined for investment opportunities that is at least 20 times larger. “Legacy 1 have reviewed 504 buildings in the Beirut area and will select probably between 20 and 25 buildings [to buy units in],” he informs Executive. An enticing initiative and exhausting exercise, but small numbers indeed when hearing him say that estimates see vacant apartment units for sale in Greater Beirut as running into several thousands.

DISTORTIONS OLD AND NEW

From the history of the territory and communities in Lebanon, one can easily surmise that barriers against the formation of a halfway efficient urban real estate market in Beirut have long created distortions by ways of external pressures, bombardments, and invasions, as well as homespun biases and communal fragmentations. Wandering anywhere in the compact city of Beirut, moreover, strongly supports the judgment that distortions of the Beirut real estate market have been exacerbated over generations, and that these distortions at the current pace of market development will need further generations of conscientious detoxification before they will recede and eventually vanish.

In the perception of Blominvest’s Osseiran, speaking on this issue as an economist rather than a banker, a specifically fateful development in the Lebanese real estate market started as far back as the legislative intervention in the rental market that froze rents, and thereby gradually eliminated incentives for developing rental properties in the last century. “That created a distortion,” he says. “Later, because of what happened with the [rent] law, we substituted rent with incentives to buy housing. As an economist, I am of the view that this was wrong in the sense that [by incentivizing home buying] your target is to make everybody an owner.”

> “We definitely first need a housing policy that does not lead to [wrongly] subsidizing everyone who wants to buy a house.”

Considering the economic positioning of people in relation to real estate under a life cycle theory of economics, tilting of the market toward ownership in Osseiran’s analysis placed unnecessary burdens of seeking to buy larger homes on couples at very early stages of their economic lives. Young income earners were stuck over-paying for living space and led onto a path of increasing household debt. “Rental solutions are accepted all over the world, [whereas] we in Lebanon are substituting rental-based economy with one where the primacy is buying houses, which are not affordable,” he says. “If we want to solve problems in housing, we definitely first need a housing policy that does not lead to [wrongly] subsidizing whoever wants to buy a house or even several houses.”

This analysis leads back to the need of a housing policy, informed institutions, and coherent policy-making in the interest of a functioning society and functional economy, before the proposition of investing in real estate, however beneficial or risky for the investor, can be ascertained to be economically smart, or at least not be to the detriment of productivity and quality of life in the country.

The conference room in the management floor and its furnishings with an emphasis on functionality are the same. Even the espresso cup with colorful design looks very familiar. But the faces and, most strikingly, attitudes of those sitting down across from Executive to discuss the state of progress at the Lebanese company for the development and reconstruction of the Beirut Central District, or Solidere, appear different. These individuals no longer evoke reminiscences in this journalist of having been granted an audience with the lord of the manor or his majordomo of communications. They are talking and walking straight business here.

The opening topic of discussion on this late August morning is, logically, real estate prices in Lebanon. Factors behind the downtrend that real estate prices in Lebanon experienced in the past few years have mainly been caused by events in Syria and the broader region and have recently also been influenced by the ongoing escalation between Iran and the United States, says Ziad Abou Jamra, deputy general manager and secretary of the board at Solidere. “Moreover, the increase in interest rate in Lebanon has reached a level that competes with other investment opportunities. This has created somewhat of a liquidity squeeze leading to an immediate and direct negative effect on real estate prices,” he says.

“The good news is that when Solidere decided to lower the prices of the plots that are available for sale from its land bank in line with a board decision toward the end of 2018, the company rapidly attracted many buyers,” Abou Jamra tells Executive in a rare interview. “We thus achieved a large number of sales, amounting to $204 million in the first quarter of 2019 alone. Selling at discounted prices for a limited quantity of plots will continue for a short period.”

He assumed his position on the Solidere board of directors just over one year ago, when seven individuals were newly elected to the 12-member board headed by long-standing chairman of the company, Nasser Chammaa. Observers in the financial and governance scene say they regard the new board as more diverse and balanced in terms of communal allegiances of its members, although advocates for the advancement of more inclusivity on Arab corporate boards note that the new board is still composed entirely of males.

Besides renewing its board, the company, according to Abou Jamra, took steps to adapt to the worsening economic situation that had come to affect it both locally and regionally. This series of administrative changes led to a 14 percent decline in general and administrative expenses as compared between 2017 and 2018, in addition to which clients were granted discounts for repaying their promissory notes earlier than scheduled.

“The result of all this can be seen by the fact that we owed banks and financial institutions $529 million at the beginning of 2018, whereas today the level has been brought down to around $280 million,” Abou Jamra explains. “This represents a drop of slightly more than 47 percent mainly due to the sales achieved in the first three months of 2019. Subsequently, more sales were booked with the objective being to close the year with around $200 million in loans on our books. A further reduction of around $80 million in the amount of debt is expected between now and the end of 2019.”

He confirms that all sales achieved in the first quarter of 2019 were sales of land in the Waterfront district and goes on to emphasize that Solidere exclusively sells land to buyers who demonstrate the intention of developing them. “We are working to attract new land buyers who have the ability and the willingness to pay more than $20 million for a piece of land as this is more or less the minimum ticket. These are not small-ticket sales,” he adds.

Separately, allowing land sales partially paid for using Solidere shares was discussed in the general assembly of 2018. “We thought at the time that it would be very interesting to offer lands for sale in exchange for a percentage in cash and a larger percentage in Solidere shares,” he says. “After discussing it several times in the board of directors, we decided that it is not in the best interest of the company and the shareholders to initiate such a scheme for the time being. The concept is on hold for now, but I think we will reconsider it after some time.” Abou Jamra adds that the current strategy of Solidere is to prioritize new land sales and complete the administrative changes that are all aimed at strengthening the balance sheet, boosting the liquidity situation, and reducing debt eventually to zero.

“The economy is weak and this is reflected in real estate prices. However, we saw a significant pick-up in demand when prices were lowered. This is a very good sign indicating that people continue to believe in Beirut, our company, and the Waterfront area,” Abou Jamra says. “Importantly also, additional land sales need not exceed $200 to $250 million as that will be sufficient to eliminate our debt. Once that is achieved, we will cease selling at discounted prices. At that point, the chairman and the board of directors will reassess the issue and increase prices to levels that we deem prudent in the interest of our shareholders. Such a price hike should, in my opinion, lead to a stabilization of land prices in the entire Beirut area.”

By Thomas Schellen

TO NOT GET FOOLED

Currencies, bonds, gold, and emerging assets

The mundane reality of human wealth advisories is keeping investors in the purgatories of risk. Thus, it seems proper for the investor to track the evolutions of asset classes in a world where comprehensive wealth narratives begin with traditional asset classes—gold, bonds, and cash—and also venture into non-traditional stories of investing in infrastructure, entrepreneurship, and environmental, social, and governance (ESG) assets.

Gold, bonds, and currencies are classics in representing the asset classes of commodities, fixed income, and cash. They differ widely in their characteristics, and being cogent of them is good for anyone interested in wealth management.

Whereas the asset classes of equities and real estate (see stories pages 20 and 26) can be reasoned to have significant local provinces for retail investors with interests in Lebanon, global trends determine investment strategies for commodities, fixed-income, and cash asset classes to such a degree that local wealth holders need to stay 100 percent observant of developments in the respective international markets.

GOLD

For gold bugs, but also for international commodities consultants, the outlook for gold prices has strong upsides that, as of the middle of 2019, are expected to be realized earlier than previously thought—in tandem with economists' recent expectations (see the National Association for Business Economics [NABE] survey coverage) that a global recession could be impending in 2020 or 2021. In a recent newsletter by German precious-metals firm Degussa, its head economist Thorsten Polleit says an increasing number of factors suggests that globally "the upward trend in prices of gold and silver" will continue, and he advises investors with long-term orientations to expand their positions. Lebanese wealth management professionals concur. "We believe in gold, and we think the upward trend of gold has started and is far from ended," Jean Riachi, the chairman and general director of FFA Private Bank, tells Executive.

"Many analysts believe today that gold will rise, and it does not have to be a doomsday scenario to believe so. Gold trend is up because of geopolitical risks and the issue of trade war," says Fadi Osseiran, the general manager of Blominvest. He notes that a fund product designed by Blominvest's asset manager a while ago with 30 percent bonds, 50 percent equities, and 20 percent allocation to gold has been outperforming because of gold.

Youssef Dib, general manager for private and investment banking at Saradar Bank, explains that three of the most highly used portfolio strategies in the bank's offerings today include relatively strong proportional allocations to gold at 5 percent.

CASH

When it comes to cash, often-cited data points to a near-term disappearance of physical banknotes and supports the interests of financial services corporations facilitating electronic transfers and other stakeholders that stand to benefit from physical money's decreased use. While expectations for the great cashless global society tend to ignore or downplay countertrends, the businesses of trading and speculating in currencies are not predicted to experience death until the world's end.

It is logically no shock that Lebanese wealth managers see strong prospects of currencies as an asset class for local investors. "In terms of currencies, I would again stress diversification," Dib says. "We are in a dollar-based country in Lebanon and also in a dollar-based [region] area of the world. But as one sees volatility in the dollar, one can [observe] that safe-haven currencies and [precious] metals are going up, and [diversify one's portfolio into] Swiss Franc, Japanese Yen, and gold."

Raja Abdallah, the investment adviser of Beirut-based currency trading specialist Royal Financials, says that currency trading offers sufficient sophistication and choices so that investors see currencies as an asset class in itself. "[As a banker working in Switzerland], I had clients who played nothing but currencies for managing their wealth, either in the form of speculation or hedging," he explains, adding that Royal Financials is in the process of launching a capital-protected structured product linked to foreign exchange. "We have a track record at our trading desk that has outperformed many indices for a long while; as this is our forte, [Royal decided] to offer a yield-enhanced structured product that can potentially beat the bank yield of deposits in Lebanon, and do so with capital protection," he tells Executive.

BONDS

The expectations for international bond markets appear to shift in ways not yet seen in this century. "On bonds, I think we are reaching the end of the long bull market that started in the early 1980s under [then Federal Reserve Chairman] Paul Volcker when he increased rates dramatically to tame inflation," Saradar's Dib says. "What followed was a cycle of almost 40 years during which the interest rates were coming down, a period of deflation trends, [to the point that] now there are $14 trillion [worldwide] of negative-yielding bonds. I would be careful with bonds now, especially given that liquidity [in bond markets] today is less than in 2007 and 2008."

For Charles Salem, assistant general manager and global director of private banking at Banque Libano-Française, there are pro-bond arguments due to their reputation as safe-haven assets despite their yields at historical lows across the board. In his view, investors could nonetheless leave this market for greener return pastures if turnarounds in the global Purchasing Managers' Index (PMI) and other signals point to improving growth. "With a continued slowdown in global growth on the horizon, the bond market is hovering around current levels," he says. "In the case of a reversal in the current downward trend of global PMIs and renewed confidence and growth occur, we would expect a shift from bonds to higher yielding equity markets."

Royal Financials' Abdallah sees the first and central question on bond markets in investors' need to gauge the state of mind at America's Federal Reserve. He argues this is because interest rates determined at the Fed influence bond pricing in many parts of the world, before he alludes to underdeveloped bond innovation potential among emerging markets issuers. "I would like to see emerging markets become more creative rather than offer [bonds] that are either very speculative or very boring," he says.

THE SIGNIFICANT OTHERS

Some asset classes other than the big ones mentioned above could suddenly rise to local prominence and help produce social benefits and good returns for investors in Lebanon. One that would require national reform before entering into the market is private investing in infrastructure projects.

Internationally, infrastructure investment is an asset class that has captured the imagination of investors in positive correlation with the tendencies of governments around the world to open infrastructure developments to private participation mainly through public-private partnerships (PPPs) but also via partnerships with multilateral development banks (MDBs). As a 2017 World Bank blog notes, the potential of unblocking private capital for infrastructure investments in emerging economies is great and, in the context of the UN's 2030 sustainable development goals agenda "an asset class approach could open a door to massively employing the financial markets to promote sustainable development, especially in rapidly-growing urban centers in emerging markets."

"As one sees volatility in the dollar, one can observe the safe-haven currencies and precious metals are going up."

With hoped-for PPP schemes for infrastructure investment projects in Lebanon, the future thus might see local and expatriate investors presented with infrastructure investment opportunities via financial markets and also see Lebanese investment bankers and wealth professionals rise to important facilitators in realization of the envisioned infrastructure assets in a country that sorely needs them.

The first two investment ideas to be assessed in the realm of private sector entrepreneurship are investments into the private equity/venture capital sphere and direct investments in knowledge economy enterprises and startups. A main consideration before investing is the riskiness of the activity. “Tech startups carry a high amount of risk, as fast burgeoning ideas do not always make it to operating profit and market expansion,” explains Toufic Aouad, the general manager of Audi Private Bank, noting a preference for diversified funds over direct investments due to the difficulty of determining success in the early stages of a startup. “The BDL Circular 331 initiative has encouraged the setup of new funds and has fueled job creation, with the objective of supporting private sector initiatives, especially tech startups,” he says. “We have been exposed to such managers who have managed to attract suitable clients able and willing to bear the risk, liquidity, and time horizon constraints of such investments.”

For Riachi at FFA, the path of investments in the tech ecosystem is not only less-trodden but should remain so. Lamenting the track record of tech investment, he notes: “Most companies in the ecosystem did not make it, and some [became] big messes. Investing in startups is not for everybody, and we do not recommend our clients invest in startups. We do not even recommend investing in venture capital funds as we do not think this investment is suitable for most people. Yes, if you are a huge family office with 100s of millions of dollars, you can allocate part of this to the area of venture capital and investing in startups. But otherwise, I do not think it is a good idea.”

Private equity and startup investing takes a nuanced approach for Blominvest head Osseiran. According to him, the bank generally sees the best way for such entrepreneurship investments for a rich person in Lebanon is in taking the route of specialized funds rather than placing direct investments, but there are some investors in Lebanon where an approach for direct investments is right. “We are not advising clients to invest directly in startups, but we are helping some startups in raising money,” Osseiran says. “As private banker I do not advise my clients to invest in startups directly, but as an investment banker, I go and look for investors. However, I only [seek out] very sophisticated ones who are more educated than private banking clients need to be.” He adds that such potential investors could be a family office with its own due diligence procedures to assess such an investment opportunity. “I can do that, but this is not an advice to a private [banking] client. For me, VC [investing] and startup equity has potential as an asset class in Lebanon, but this is still early,” he says.

ATTRACTING POTENTIAL

Fawzi Rahal is a stakeholder in the entrepreneurship ecosystem as managing director of Flat6Labs in Beirut, a startup program and seed fund of $20 million. In his experience, the idea of attracting investors to the funds in the ecosystem—prudent as the financing modalities created under the system of Circular 331 need increasing supplementation and replacement in the coming years—has so far seen first positive impulses of funding inflows through negotiations with MDBs. “To attract investor money into the Lebanese ecosystem would not be a proposition of an economic benefit for the investor, due to our situation in Lebanon, as much as a proposition for a business benefit because of the value that Lebanese startups are capable of creating,” Rahal says. He adds that it was feasible, in his experience, to channel what were small commitments for tech funds abroad into startup tech companies in Lebanon or organize contributions from international institutional investors into a fund like Flat6Labs’ Lebanon Seed Fund, but that some foreign investors encountered technical barriers and regulation-related difficulties when trying to deposit funds into an account of a startup in Lebanon.

> “Tech startups carry a high amount of risk, as fast burgeoning ideas do not always make it to operating profit.”

As Rahal explains it, diaspora investors and expatriate high-net-worth-individuals are not currently showing a lot of desire to invest in the Lebanon Seed Fund, but potential for attracting such investments could be developed further. Possibilities include initiatives such as a diaspora network of business angels, and credible, attractive return propositions. Presenting Lebanese entrepreneurship as an asset class could be worthwhile as the ecosystem is slowly maturing and would benefit from positive exit stories, such as a very recent one that was realized by Flat6Labs in Egypt, Rahal says. “We are giving commitment to our [limited partners] that we will give them anywhere from 20 to 25 percent [internal rate of return], and the way we do it is through the tried and tested model that we apply, which entails seed [funding of startups] and then follow up [funding]," he explains. "To use the example of the [mid-August] Harmonica exit: Harmonica is a matchmaking startup from Cairo and its acquisition by [US-based site] Match allowed Flat6 to get 16x returns—600 percent IRR."

CRYPTIC ON CRYPTOCURRENCIES

Most wealth management experts who Executive spoke with said that they are not touching cryptocurrencies for the time being. FFA's Riachi shared his skepticism by explaining that to him, the top entry in the crypto industry, Bitcoin, and similar concepts are not really currencies, and that the proposed cryptocurrency, Facebook-led Libra, is a payment system where it has to be seen what happens with it. "Why do you want to buy cryptocurrency? Go buy gold; it is the same thing. If you think that commodities will go up, then buy the commodity that exists since 3,000 years and that everybody knows, and where everything is clear about the way you transact and the way you safeguard [your investment]," he says.

"As for cryptocurrencies, we believe they are still at early stages. This nascent asset class should, however, become part of asset allocation in the next years," says Audi's Aouad. "So far, their complex nature coupled with regulatory authorities' rejection do not help wider adoption by the general public. Also, widely known companies such as Facebook are looking to enter the space (despite initial negative reactions by governments and officials), which is growing awareness about cryptos. It is though too early to have a proper basis for analysis, predictions, and recommendations at this stage."

Currency exchanges all over the world are facing new risks (Picture: Shanghai)

THE IMPACT BUDS

A final realm that seems historically and presently underrepresented in the portfolio strategies of local wealth managers is impact investing, which can take several directions. According to a brief description by the International Finance Corporation, this activity is described as investing "with the intent to contribute to measurable positive social, economic, and environmental impact alongside financial returns." In the perspective of Saradar Bank's Dib, microfinance in Lebanon can be regarded as an asset class in this very context of ESG commitments and their growing global appreciation. "We have a growing sensitivity to impact investing among the younger generation, and there is hope in microfinance. There is a need for microfinance that banks do not address. We have good experience in the area, and there is real added value and also strong impact on advancing women in the workforce," Dib adds, referring to microfinance activities that are supported under the umbrella of Saradar Group on whose website it is classified as a sister company to Saradar Family Office.

> Most wealth management experts who Executive spoke with said that they are not touching cryptocurrencies.

The BLOM Bank group is experimenting with impact investing through a startup entrepreneurship initiative and competition, the Hult Prize. According to Osseiran, the prize has two ESG dimensions by its being directed at university students and by its coordinated theme that is the same all over the world. "When one watches impact investing, it is important and growing all over the world, [including] Lebanon, but the field is also still early here," he says. "If VC investing in Lebanon is still small and early, I would say that impact investing is the same, and even more so. Impact investing might gain track in Lebanon because so many things are socially needed, and in this sense impact investing is not far from mainstream thinking, but the entire VC investing realm is still distant from Lebanon investment perspectives."

By Roxana Mohammadian-Molina

USING FINTECH TO UNLOCK SME FINANCING

The opportunity of peer-to-peer lending in Lebanon

Through conversations with Lebanese entrepreneurs, business owners, bankers, and politicians, I have had a number of eye-opening discussions into the challenges and opportunities faced by Lebanon's SME ecosystem. Given the country's long-standing tradition in financial services and its large banking sector, I believe fintech—with solutions such as peer-to-peer lending, machine learning to personalize insurance solutions, and the use of artificial intelligence for wealth management—stands as a serious contender to unlock the funding challenges faced by Lebanon's SMEs.

OPPORTUNITY FOR LEBANON

So, what exactly are the factors that could see fintech—in particular peer-to-peer lending—transform Lebanon's SME and digital ecosystem? Lebanon has several interlocking strengths, namely: its strategic location, its favorable tax system and free-trade zones, its entrepreneurial spirit, a good network of highly successful diaspora around the world, its local talent pool, and an educated and multilingual population.

SMEs, particularly micro-enterprises, are the main economic drivers in Lebanon. They constitute 95 percent of companies and account for 50 percent of employment. Yet, access to finance represents a major constraint; 42 percent of Lebanese SMEs struggle to get finance, according to the 2014 World Bank Enterprise Survey.

Despite having a relatively large financial and banking sector, credit in Lebanon is mostly channeled to a small number of large firms, while SMEs struggle to access finance. Bank loans represent a modest source of real financing to SMEs with only 17.5 percent having access to this funding channel, often against mortgages and guarantees required by Lebanese financial institutions. Since financing of SMEs via the stock market is nonexistent and informal loans are not commonly used, self-financing is the main source of funding for the short- and medium-term. As a result, a large number of SMEs have disconnected from the banking sector altogether, and by doing so have lost growth opportunities.

Peer-to-peer lending could be the solution to the financing problems faced by Lebanese SMEs. In the US and the UK—the two largest peer-to-peer markets in the world by volume—the emergence of the peer-to-peer lending sector has been in response to difficulties in accessing finance in the aftermath of the global financial crisis. The model is a way to allow people to invest in small businesses belonging to their friends and peers. By comparison, the Middle East has one of the highest savings rates in the world, yet people do not use a lot of credit, and there are not many investment opportunities. The peer-to-peer model has the potential to place Lebanon at the receiving-end of savings to be channeled into a dynamic and exciting SME and startup ecosystem.

While Lebanon has more than its fair share of complex and long-term challenges, I truly believe that the country holds the potential to become the "Silicon Valley" of the Middle East. Of course, serious work still needs to be done. Lebanon still needs to continuously improve and enhance its business environment (mainly in infrastructures, world-rankings, ease of doing business, and legal system transparency).

The government has to play a pivotal role in further advancing the startup industry with measures such as: tax cuts for tech companies, removing bureaucratic obstacles to encourage hi-tech mergers, the creation of public-private partnerships to support homegrown venture capital, and high-tech incubator programs to support the sector. Entrepreneurial education is also an important component, and Lebanon's top universities need to increasingly focus on running entrepreneurship programs to look internationally for talent and target underrepresented local populations. Other initiatives, such as a visa pilot for foreign entrepreneurs, must also be considered.

Yet, underpinning it all is the emergence of a peer-to-peer lending sector that represents a serious opportunity to provide much-needed oxygen to Lebanese SMEs and help build a world-leading startup ecosystem. It also represents a practical solution to some of Lebanon's funding challenges.

Roxana Mohammadian-Molina is chief strategy officer and board member at fintech company Blend Network and advises fintech companies in MENA.

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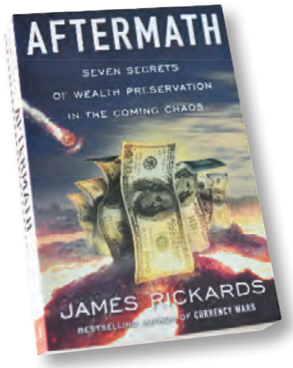

American apocalypses for all seasons

James Rickards: Aftermath, Seven Secrets of Wealth Preservation in the Coming Chaos,
Hardcover: published by Portfolio July 23, 2019, 336 Pages, ISBN 978-0-735-21695-2, $29.00
Paperback: published by Penguin Random House Jul 26, 2019, ISBN 978-0-241-30408-2, GBP 14.99

American economic writer James Rickards has delivered his fourth book on dystopian economics in a series that started in 2011 with the publication of *The Currency Wars*. *Aftermath*, released in July, promises to fortify readers for coming economic and societal chaos with not-so-esoteric economic knowledge of seven secrets of wealth preservation.

The author presumes that some content of Aftermath will "shock the most seasoned readers" but also equip them against the events of the coming years. Moreover, he declares that his quartet of books on the international monetary system has thematic resemblances to the four horsemen of the Apocalypse.

This makes it actually quite simple to summarize Aftermath in terms of its central myth—"Doom is now"—and the narrative options it serves up. Besides the biblical allusion to the four horsemen, a reader can immerse themselves into varied imaginative scenarios, including: Odysseus' journey; a debt history of the US and its predicted debt apocalypse; a Frankensteinian description of bad nudging; a scenario of passive-investments-driven markets meltdown; specters of bad monetary theories; a vision of a global monetary conference hosted by President Trump; a Godzilla moment that theorizes monstrous banks breaking down under their own weight and destroying finance; and an ever-more gaping wealth disparity horror that decimates the middle classes.

ECONOMIC NARRATIVE OF DOOM

Aftermath is an engaging read of dystopian economics, and, at certain points, very timely. The sum of Rickards' economic doomsday prophecies is that everything done by the Federal Reserve in the past 10 years was a result of the Great Recession, but that the Fed was not able to achieve its three existential targets: to avert collapse of capital markets, to revive self-sustaining growth in the US economy, and to end its own interventionism. Because the Fed failed in these presumed tasks, the Great Recession has never really ended. "All the Fed proved in recent years is that they really couldn't exit extraordinary policy intervention without disruption," Rickards writes. "The Fed has been storing up trouble for another day. That day is here."

However, this day of trouble in Rickards' narrative is better read as an imprecise prediction of an economic tipping point that will arrive at some time, possibly.

Despite the book's overall length that does not suffice for an in-depth examination of the issues raised, but at the same time is far too long for the essay-worthy discussion, Aftermath, throughout its first pages and last two chapters, is a timely and unsettling op-ed. Its narrative and message on the American economy is not necessarily less credible, but definitely far more entertaining than the worn narrative construct of a "favorable place" that Fed Chairman Jerome Powell delivered at the end of August in his message to the Jackson Hole crowd of central bankers and global economists. Although saying that the American economy is in this favorable place, Powell assured everyone that the Fed is working to sustain those conditions "in the face of significant risks we have been monitoring."

However, when one juxtaposes such official talk with the historic reality of bad calls in the economic professions, any elaborate prophecy of economic doom, like the one presented by Rickards, is a welcome departure.

Reading Aftermath from the perspective of a reader in a small economy and country that has no power to influence Fed decisions and American debt trajectories, puts the dimensions of Lebanon's economic problems into better perspective. It is weirdly comforting to see evidence that the problems of the biggest economies are not all that different from the turmoil felt by the weakest. Moreover, reading it with Lebanese realities in mind, an exploration of Aftermath is a great opportunity to ponder the question—exaggerated in local debates—if Lebanon is really the worst place on earth to live from the perspective of preserving personal wealth and/or the worst place ever to commit trust and investments to. In the views of this journalist, it is neither.

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By Thomas Schellen

Shock absorbent and shatterproof

New ABL chair talks adjustments to state budgets and his views on banking

As the banking sector is, for the umpteenth time in the last quarter century, the litmus test for Lebanon's economic survivability and hopes of prosperity, Executive sat down with Salim Sfeir, chairman and chief executive officer of Bank of Beirut and chairman of the Association of Banks in Lebanon (ABL).

E *At the time of Parliament's vote on the budget in July, you spoke in an interview to* Reuters *of positive sentiments about the budget coming from the market. Some time has passed and the budget has been published in the Official Gazette. At this point, what is the position of ABL on the budget? What are your expectations?*

Our expectations are positive. The process of this budget should lead to a much better budget for the year 2020 that offsets the weakness of the present budget. Although this budget is positive by decreasing the deficit from 11.5 to 7.5 [percent of GDP], it has a long way to go in order to be better accepted by the international [entities] interested in assessing the economic situation in Lebanon. However, decreasing the deficit from 11.5 to 7.5 is an achievement.

E *But isn't this reduction a target figure? Wouldn't you agree that the decrease is not yet guaranteed?*

It is not guaranteed, but the vision, the outlook, the good will, and the aim to achieve [this deficit reduction target] are not only in the air, but [affirmed] in the program of those who are in command. Thus, we are now looking forward to see a much better budget in 2020, also substantially decreasing the deficit of the budget.

E *You mentioned that you see weaknesses in the present budget. Are there specific points that you want to see addressed and implemented in the 2020 budget?*

[There are points that the budget] should amend. This [2019] budget relies a lot on the banking sector, but it is not to the advantage of the government to put too much weight on [it]. Each step in one or other direction has an impact on the [economic] rewards. The weakness of this budget in my view is threefold. The first [weakness] is how [the budget makers] emphasized reliance on the banking sector. Emphasizing reliance on the banking sector [for financing the budget through taxation] has an impact on the extent to which the banking sector is committed to assist the private sector.

The private sector is the engine of the economy, of welfare in the country, and the engine of employment in the country. We now have 40 percent unemployment among our youngsters. We [the banks] cannot serve the private sector to our full extent as 50 to 60 percent taxes on our income are being imposed on us. The politicians have a negative assessment [view] of how the profits of the banks are distributed. The profits of the banks are distributed to best serve the economy of this country. At the end of it, what goes into the pockets of our shareholders does not exceed 4 to 5 percent [of profits], and the rest is distributed over the economy and to what I would call the welfare of the economy.

E ***So you are seeing a tradeoff between the bank's mandate to serve the private economy and the government obliging the banks to contribute more in service to the fiscal balance and public finance?***

Yes, indeed.

E ***From your perspective, is it then correct to say that the banking sector is more than any other sector in the economy taking the brunt of the burden linked to the new budget, which seems to me to have been designed as very basic exercise in scarcity management?***

This [observation] is right in terms of numbers, in terms of outlook, and in terms of easiness. Despite all the economic, security, and political challenges, my wish is to see the government prioritize the economy. For the past 25 years, we have been serving the country. We are here to reinforce and strengthen our private sector that is behind the economic vitality of the country.

E ***You mentioned three weaknesses in the budget and talked about the first one, over-reliance on the banking sector. What are the other main weaknesses in the 2019 budget in your assessment?***

The other major weaknesses are that [the budget makers] have neglected the recommendations by the IMF, which represent the recommendations of the international regulators, rating agencies, and the international community. As Lebanon, we are not independent in today's environment. We belong to an international market, be it political, environmental, or financial, and be it in terms of credibility.

E ***What should be different in the 2020 budget?***

My personal wish for the 2020 budget is to see our decision-makers taking the international recommendations into consideration, [implementing them] if not from day one then at least over a period of two to three years.

E ***How about expectations of the Lebanese people? The sentiment on the street on the 2019 budget seems indifferent or mostly negative. One rarely hears positive comments, whether about the budget or about the banking sector and the profits of banks. Should there be efforts to change this perception, and is this sentiment a problem?***

No, it is not a problem. Historically speaking, the banking sector has been on the defensive. It has never dealt with the fact that it has to preserve its image. It went without saying that [banking] was a service industry that existed to best serve the interests of its customers. Whoever wanted to criticize the banking industry had a very easy task, day after day, and month after month. The positive [public view] of the banking sector disappeared; the image of the banking sector [has changed to a negative view] that it is taking advantage of its customers and of the people of Lebanon.

> "As Lebanon, we are not independent in today's environment. We belong to an international market."

With due respect to our customers, who are our friends, our family, and our supporters, the reality of our sector is that almost 70 percent of our profits are distributed to our customers, according to the percentage to which they participate in the activity of the bank. So we have to be clear on this and perhaps now clarify the picture that we are a service industry working to the best benefit of the people of Lebanon.

E ***Cost of capital has been a concern of bankers in the past. What is the outlook for cost of capital and profitability distribution to shareholders in the current environment?***

If you compare Lebanese banks with the banks in the region, and even to the international banks, and then decide in which bank you should invest, our ratios, our liquidity, our [ratio of] deposits versus our loans, our Cook ratios (a solvency ratio dating from Basel I and defined as capital to risk-weighted on-balance sheet assets plus off-balance sheet exposures) are the best. We are the only liquid banking industry in the region.

E ***Are you worried that the profitability of Lebanese banks will stay the way it is?***

We are worried about the way in which [the government] are dealing with our profitability without our [consent] because they have implemented triple taxation. This is hurting the future investments of the banks very badly. We are hoping that in the 2020 budget, the government will take into consideration the double taxation.

E ***One aspect of the last few months seemed to be that the government reduced payments or deferred payments to contractors, service providers, and suppliers. Is this creating stress for banks because the government is changing their payment morale?***

If we want to be fair, we should compare the behavior of our Ministry of Finance (MoF) in Lebanon in terms of payment with [that of] each ministry of finance in the region. The situation [of deferred settlements by governments] is a common practice. There is always a delay for several months, and in other countries [of the region] even a couple of years. However, our Lebanese government and MoF have failed at no time to pay their dues. It is not the time to criticize it now. It now is time to strengthen what is strong in the economy.

E ***When one looks beyond Lebanon, stories from global markets testify to many challenges for banking. Just in some of the latest unsettling developments, interest rate decisions in the US saw Wall Street disappointed with the Fed's cut as limited to 25 basis points, and then there were the trade tensions between the US and China that have this summer germinated into talk of currency wars. From Brexit to global scenarios, it seems that the world is not a supremely secure place right now for investment decisions. What does this mean for Lebanese banks?***

Allow me to correct the last part of your statement. The world remains a secure place for investment. However, there is a change in the economic structure of the world. The world is getting more competitive for the first time in our contemporary history. Nations are challenging each other for their rate of growth and the impact of their growth rate on their own economy versus competitors who were their friends in the past. This is positive, not negative. My personal wish is to ask our politicians to acquire the feeling [of competitive vigor] that other heads of state have for their economy versus other economies. People in charge of the economies of each and every country are in competition with each other. Thus, their first challenge within their nations is to reinforce their economy and their private sector, which is not the fact in Lebanon.

E ***In going back to the discussion on the Lebanese specificities, there have in recent months, and even years, been rumors about the currency, rumors targeting the sustainability of the Lebanese lira and the dollar peg, along with rumors about politics. Is the investor community of Lebanon as unfazed by those rumors as it sometimes appears when one looks at the size of monetary flows, or are people very nervous and call you in the middle of the night because they are worried about their wealth and money?***

The rumors are the viruses of the economy and each body is affected by virus [attacks]. The effect of the virus is the heavier, the stronger this virus is, and nobody is immunized.

E ***So there is an effect on the investors and their confidence?***

There is a negative effect on everybody, and I would only hope that the people of Lebanon would focus on their own personal and individual productivity more than dwelling on their nation's productivity.

E ***Do you have a recommendation to what course and method the government and MoF should pursue when it comes to issuance of debt instruments? Discussions about zero-interest bonds or one-percent bonds and similar shenanigans seem to have been going in circles and are not constructive. What is the best way for Lebanon to handle their need for issuance of debt?***

My wish is to see our politicians in charge of finance and the economy of this country to be more focused on the values of the international community when it comes to economics and finance, rather than focus on what the people would think. Managing the financial sectors of the economy, managing of the economic indicators of a country, should be independent from public opinion. It should belong to an international value system, because we are part of an international world, especially financially, especially banking-wise, credibility-wise, and compliance-wise. All those matters should be considered [with regard to] international values.

E ***You had told me in an interview a few years ago that you are not interested in politics and said the best thing people could do was pray for our politics. Do you have any advice about politics?***

The best advice I can give on politics is that the people managing the finance and the economy should be independent and technocrats.

E ***Today, many models for organization of a society are being put on the table again for discussion globally, from liberal democracy à la Americaine to nationally focused ones. Is there an economic and political economy model that, in your view, Lebanon should orient itself on to go through the coming years of austerity and change?***

Lebanon is Lebanon. We are independent and liberal by nature. However, I think Lebanon is thirsty for peace and thirsty for opening its atmosphere to our real wealth. Our real wealth: that is our intellect, our innovation, our creativity, our ambition, our resilience.

We are tired of defending our values. We want our values to be implemented. For that purpose, we need to give to Lebanon an economic stability and an economic strength that would guarantee the economic welfare of our citizens. In order to reach this we need to focus more and strengthen our economic indicators. Whatever system you will apply, if it respects those values, it will be the right system for Lebanon.

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By Lauren Holtmeier

SORT IT OUT

Lebanon's struggle to implement a coherent waste management strategy

Calls for a sustainable solid waste management plan in Lebanon have not abated over the four years since the last garbage crisis left Beirut's streets littered with trash in 2015. Its presence is very much still felt—or at the very least, smelt. Such calls, in fact, date to when the first series of emergency measures were implemented beginning in 1997—see timeline page 50—but successive attempts over the past decades have failed to find a solution to Lebanon's trash problem. This last year has seen renewed efforts with the passage of Law 80 (2018) on integrated solid waste management, a law that had stagnated in Parliament for six years prior. Just 11 months after passing Law 80—which mandated the environment ministry to develop a national waste management strategy, albeit within six months—Minister of Environment Fady Jreissati's proposed 10-year solid waste management roadmap was adopted by cabinet on August 27 (see box page 47).

Any tangible progress is a long way off, even allowing for the minimum time needed to start implementing the new roadmap, measures of which at the time of writing had not been agreed on in full. The impetus for the special meeting of cabinet that approved the roadmap was the threat of another crisis that Jresissati had warned could start as soon as September 1, if concrete steps were not taken—it remains to be seen how agreeing on his roadmap will impact things on the ground within the space of days.

Experts tell Executive that the time is ripe to implement a sustainable, long-term plan whereby public and private actors work in tandem to properly manage the country's waste, and that the current system of approaching waste management as a crisis situation and implementing stopgap measures must be binned. While this new roadmap seems like a solid step in that direction, these experts question its feasibility. One of the sticking points in the roadmap was its attempt to implement a new financial recovery mechanism to reduce the debt incurred by the sector, which has been passed by the cabinet to the ministries of finance and environment to study over the next month. For now the sector remains, like the streets and coasts, a mess.

> One of the sticking points in the roadmap was its attempt to implement a new financial recovery mechanism to reduce debt.

INCINERATOR DEBATES

When initially presented to Prime Minister Saad Hariri in June, Jresissati's roadmap was met with some minor protests as it calls for environmental impact assessments (EIAs) on two locations for proposed incinerators. The idea of incinerators has sparked heated debate in Lebanon since they were first proposed in 2010 as part of the last efforts to implement a long-term plan.

Primarily the debate around incinerators focuses on Lebanon's garbage composition. Those opposed to their use say that if a country has high levels of organic waste, like Lebanon, incineration is often not the best choice because the waste composition is incompatible with incineration. Others have made objections on the level of governance, arguing that Lebanon does not have the capacity to properly regulate incinerators. Samar Khalil, an environmental management specialist and member of the Waste Management Coalition in Lebanon tells Executive that further concerns include Lebanon's already high levels of air pollution—in May, levels double EU limits for air pollution were recorded in Beirut—and the logistical challenges associated with exporting or disposing of hazardous waste produced from the incinerators.

The net amount of energy that could be gained from incineration, if gains are even possible, also seems negligible, according to those Executive spoke with. Incineration occurs at temperatures above 850 degrees Celsius, and because of the wet nature of Lebanon's garbage—it has a moisture content of 60 percent—the amount of fossil fuel required to raise the temperature to that degree may be more than what would be recovered, says Anwar al-Shami, solid waste management expert and data analyst at American University of Beirut Nature Conservation Center (NCC).

Regarding governance, concerned experts, such as Najat Saliba, director at the NCC, point to stringent and layered regulatory mechanisms in places like the EU that ensure hazardous materials that can be emitted

The current system of approaching waste management as a crisis situation and implementing stopgap measures must be binned.

during incineration are properly handled. Khalil concurs, pointing to the general ineffectiveness of government regulation in Lebanon. A Ministry of Environment (MoE) official, who asked to remain anonymous, says that the EIA contains guidelines on implementing proper legislation and adds that they are proposing a compliance monitoring system in which other stakeholders would be engaged. In June, Jreissati had asked the EU to inspect emissions from proposed incineration facilities. In an email to *The New Arab*, EU political section attache Elin Danielsson said "The European Union as of today [June 27] does not support incineration solutions in Lebanon, not least due to the absence of a satisfactory regulatory and institutional framework. It is not the role of the European Union to oversee or regulate sectoral policies in third countries." The EU delegation to Lebanon confirmed this statement was accurate to Executive.

Though one of the main sources of debate, EIAs on incinerators are the last aspect of this four-part roadmap. It first calls for more immediate measures, like the 25 sanitary landfills to be established in each *kaza*—only 10 of which are already established—and tenders to be issued for maintenance and operations of waste management facilities. Environmental engineering experts Executive talked to say that without recent EIAs—the last comprehensive study was done in 2006—there is no way to be sure of the feasibility of these proposed locations. Currently, there are nearly 1,000 informal dumps scattered across the country that, combined with landfills, receive 75-80 percent of generated garbage. The roadmap sets an ambitious target of just 20 percent to be landfilled in 10 years, one which the MoE official says may be unattainable without incineration.

Why such an ambitious target? There are no international standards that Lebanon is currently mandated to follow. Khalil explains that some countries landfill only 2 percent, but those rely on heavy incineration and have less organic waste. A 2018 World Bank report reads, "Incineration is used primarily in high-capacity, high-income, and land-constrained countries." Lebanon meets only the latter of these criteria. It notes that upper-middle income countries, which Lebanon classifies as, have the highest percent of waste in landfills, at 54 percent (which seems like a more reasonable target for Lebanon than 20 percent).

"It is not the role of the European Union to oversee or regulate sectorial policies in third countries."

SORT AT SOURCE

Another way to reduce waste is from sorting at source, a process in which citizens are responsible for dividing waste into various categories; only 6 percent of waste in Lebanon is

MINISTRY OF ENVIRONMENT'S WASTE MANAGEMENT ROADMAP

The waste management roadmap endorsed by cabinet on August 27 contains four elements, three of which were approved. Cabinet gave the ministries of finance and environment one month to study the funding element. Executive obtained a copy of the roadmap and the Council of Ministers decision from August 27.

Twenty-five sanitary landfills to be established or expanded in Lebanon, one in each kaza

The landfills will help eliminate illegal dumping in Lebanon. There are currently around 1,000 open dumps. A map obtained by Executive shows proposed locations of each landfill. The most recent comprehensive environmental impact assessment (EIA) for placement was done in 2006. Since then, several smaller scale studies have been conducted. According to an Ministry of Enivironment (MoE)/ United Nations Development Programme pamphlet, EIAs are valid for two years. Ten of these landfills are already operational. Municipalities that will be host to the remaining 15 landfills were given one month to study the locations and propose an alternative. The proposed locations are: Deir Amar (Dinniyeh), Mejdlaya (Zgharta), Ghosta (Keserwen), Naameh (Chouf), Baasir/Dahr al-Mghara/Jiyeh (Chouf), al-Marwaniyeh (Saida), Mazraat Bsafour (Nabatiyeh), al-Kfour (Nabatiyeh), Chakra (Beint Jbeil), Baraachit (Beint Jbeil), al-Majidiyah (Hasbaya), Majdel Anjar (Zahle), Kousaya (Zahle, Btedai/Deir al-Ahmar (Baalbek), and Hermel (Plot number 3100 Hermel).

Prepare tenders for maintenance and operations of waste management facilities, improve sorting at source

The Council for Development and Reconstruction (CDR) will invite bids for operations, rehabilitation, and where needed, construction of waste management facilities in the 12 service zones within three months. Separate tenders will be launched for sweeping and collection. This is meant to decrease the proportion of waste that is required to be landfilled. The target for landfilling is 20 percent, but may be raised to 30 percent.

A decree committing the government to enforce mandatory sorting at source, like Circular 7/1 (2017), was issued that will increase recycling and composting, reducing the amount landfilled. Residents will be required to separate garbage into recyclables, organic waste, and refuse. Municipalities will be responsible for providing bins, collection of separate loads, and transfer to appropriate treatment centers. Environment Minister Fady Jreissati proposed a flat fee imposed on each household to cover the additional costs, but it was not approved by cabinet.

Four-part financing mechanism

The sector as is carries an accumulated deficit that could be as large as $2 to $3 billion, according to a MoE official, who preferred to remain anonymous. The roadmap proposes passing this financing element that was cut from Law 80 (2018), the integrated solid waste management law. Without implementation decrees, exact financial details remain unknown. The roadmap designates the ministries of finance, environment, industry, and economy and trade as responsible for setting taxes and fees.

- Restructuring the municipalities' debt that is currently being repaid via money collected through fees paid into the independent municipal fund.
- Introduce fees that will help municipalities cover costs for collection and proper sorting and fees that will go to the government for treatment and landfilling. If a municipality independently manages its waste, the latter fees will be returned to the municipality. Fees on certain products, such as plastic bags, will also be imposed to encourage responsible behavior. [The roadmap does not elaborate on these fees, the MoE official mentioned the potential implementation of household fees.]
- The third element relates to taxation, and mentions implementing direct taxes on local entities, direct taxes on imports that produce waste, and indirect taxes that were not specified.
- Introducing financial compensation to municipalities that host a solid waste facility. Proposed implementation details remain unclear.

Cabinet did not approve the financial element, instead saying it was to be studied over the next month, but it approved a budget of $5 million for the MoE for a five-year period for "training, awareness, and communication campaigns for five years to activate the implementation of the principles of Reduce, Reuse, and Recycle."

Environmental impact assessments to be conducted for two incinerators

CDR will conduct environmental impact assessments for two incinerators, one in northern Deir Ammar and one in the south, either in Jiyeh or Zahrani; the location is yet to be finalized. The central government will facilitate—exactly how has not been specified—the efforts of Beirut municipality, which handles its waste management independently as per Law 80, in establishing an incinerator inside its boundaries. Prequalification rounds will be launched for international companies on a build-operate-transfer period for 25 years.

RELEVANT LEGISLATION

Laws

Law 444 (2002): Environmental protection
Law 251 (2014): Appointing prosecutors and investigative judges for environmental affairs
Law 80 (2018): Integrated solid waste management

Decrees

Decree 8213 (2012): Strategic environmental assessment (SEA) of policy, plan and program proposals in the public sector
Decree 8471 (2012): Environmental compliance of establishments
Decree 8633 (2012): Fundamentals of environmental impact assessments (EIA)

Circulars

President of the Council of Ministers (PCM) Circular 28 (2012): To all public administrations, institutions, municipalities, and unions of municipalities on adherence to SEA for policies, plans, and programs; and EIA for projects
Ministry of Environment (MoE) Circular 9/1 (2014): Reminder to attach planning and classification certificates and other legal documents to the EIA and initial environmental examination (IEE) reports
MoE Circular 6/1 (2015): Required fees for EIA and IEE, value of guarantee and its return
MoE Circular 7/1 (2017: Amended Circular 8/1 (2015), guidelines concerning the integrated management of domestic solid waste
MoE Circular 10/1 (2016): To the proponents of all public and private projects subject to the provisions of Decree 8633 (2012)

Only 6 percent of waste in Lebanon is currently sorted in homes.

currently sorted in homes. A decree in the roadmap commits the government to enforce mandatory sorting at source. According to the decree, bins are to be provided by municipalities, who will also be responsible for collection and transfer to treatment centers. But all this costs money, and details on proposed financing remain murky (see box page 47). Past efforts to implement sorting at source have gone awry due to municipalities' inability to finance them.

The funding issue lies on two levels: the state level and the municipality level. Law 80 encouraged decentralization, putting the impetus on the municipalities to fund and implement solid waste management policies, but most lack the funds to take up the helm. In a survey conducted by the MoE in 2018, nearly all municipalities who responded favored partial decentralization—but these represented only 30 percent of all municipalities. Whereas Beirut—which has its own plans for an incinerator—can be considered a wealthy municipality, others, according to the MoE official, are so lacking in funding that they struggled to buy proper bins to implement a MoE circular (No. 7/1, designed to encourage municipalities to sort at source). And with funds being withheld from the independent municipal fund, it remains unclear how municipalities can be expected to finance this measure in the near future.

Immediately following the end of Sukleen's waste management contract in 2015, the central government started withholding around 40 percent of fees municipalities paid into the independent municipal fund, a move it said was to pay the debt incurred from the Sukleen era. Sukleen, a subsidiary of Averda, was the country's largest waste manager from the early 1990s until 2015. Disbursements from the fund, which is comprised of revenue from taxes and fees—like levies on

telecommunications and electricity—are intended to provide local services, help run local administrations, and fund local development projects. These disbursements are distributed by the Ministry of Finance (MoF). In 2016, the United Nations Development Programme estimated that around 70 percent of municipalities receive 90 percent of their total annual income from the fund, if the funds are received. Municipalities did not receive their allotments in 2017 and 2018, and The National News Agency reported in April that Finance Minister Ali Hasan Khalil said municipalities would receive the 2017 funding in May. This did not happen. On August 26, Khalil said the 2017 funds would be released by the end of the month—at time of this writing it remains to be seen if this will be the case. Allocations from the fund are based on the size of local population and contribution to the pool; the size of the fund is unknown, but is said to be worth billions. According to a 2018 article in UAE-based daily *The National*, the independent municipal fund's deficit in October of that year amounted $2 billion after cabinet used it for measures aimed at fixing the waste problem. With so much of a municipality's annual revenue derived from the fund, and the disbursements irregular and stalled, municipalities have little means to implement their own waste management solutions.

NEED TO BREAK THE MOULD

At the state level, the 2018 draft law had a section on finance included in the text; when Parliament passed the law, it cut the financial recovery provision section, says the MoE official. Without this provision, the sector risks becoming a drain on state coffers, like the electricity sector that accounted for 40 percent of the country's fiscal deficit at the end of 2019, she adds. The MoE official had no data on how large the waste management sector's current deficit accounted to, telling Executive to approach the MoF. When asked, a MoF employee told Executive they were not responsible for this information. Whether or not there is someone within the government aware of the size of the deficit generated by waste management remains to be seen.

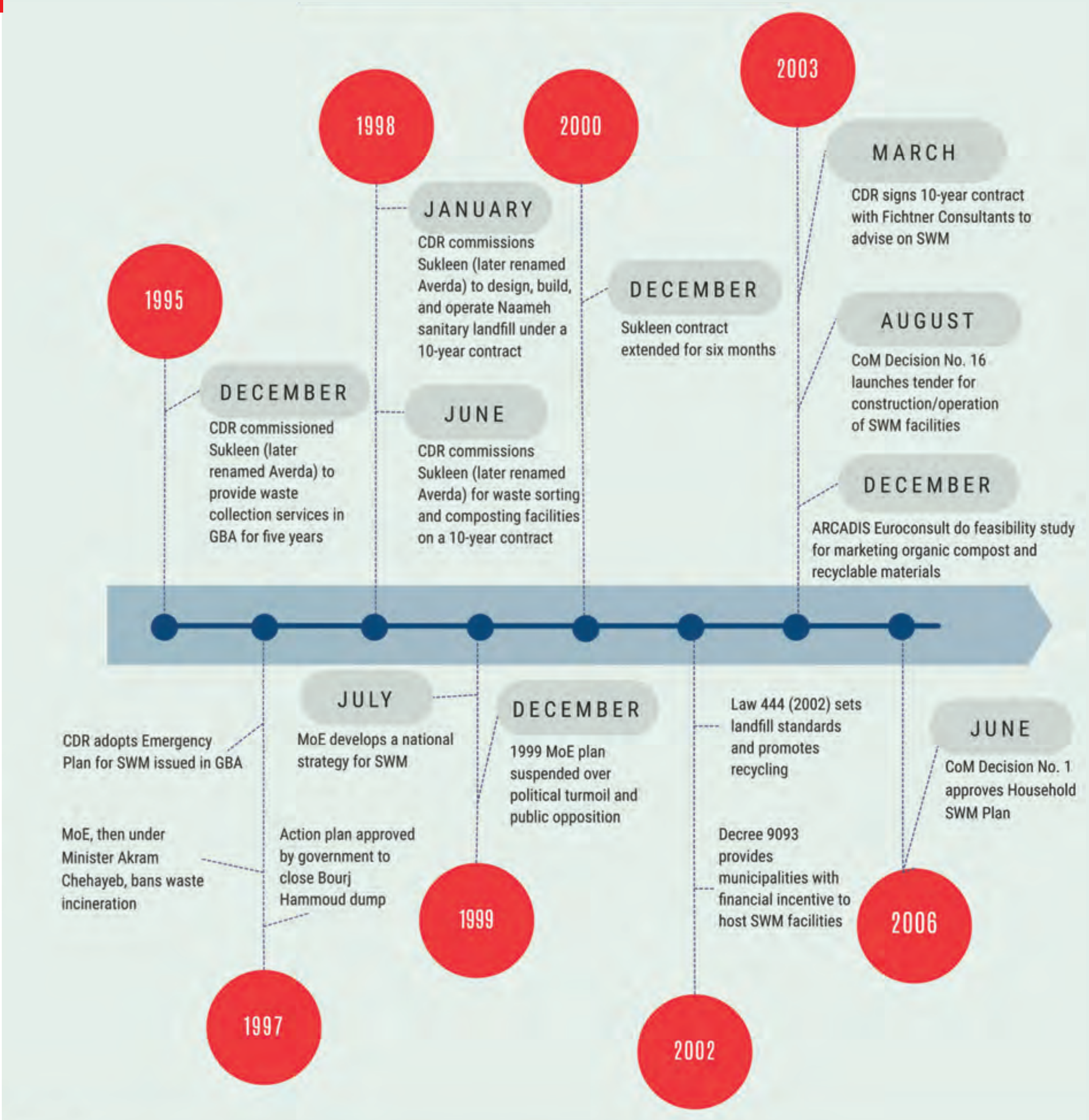
> Whether or not there is someone within the government aware of the size of the deficit generated by waste management remains to be seen.

Without funds to decentralize and seek privately operated waste management or even local government solutions, municipalities must rely on the central system for treatment and disposal, which is and has been for decades rife with problems.

Only time will tell if this new roadmap will be implemented or if, like the 2006 master plan that divided Lebanon into four service areas and left municipalities responsible for their own waste management—including bearing the cost—it will be discarded and rendered ineffective. The 2006 plan fell to the wayside due to political turmoil at the time, set off in part by the assassination of former Prime Minister Rafic Hariri the year prior, says Khalil. Recent delays in cabinet meeting because of political bickering, while not as strongly reminiscent of 13 years ago, are still indicative of a government more concerned with party squabbles than much needed reform and progress, and this will likely affect the implementation of this roadmap.

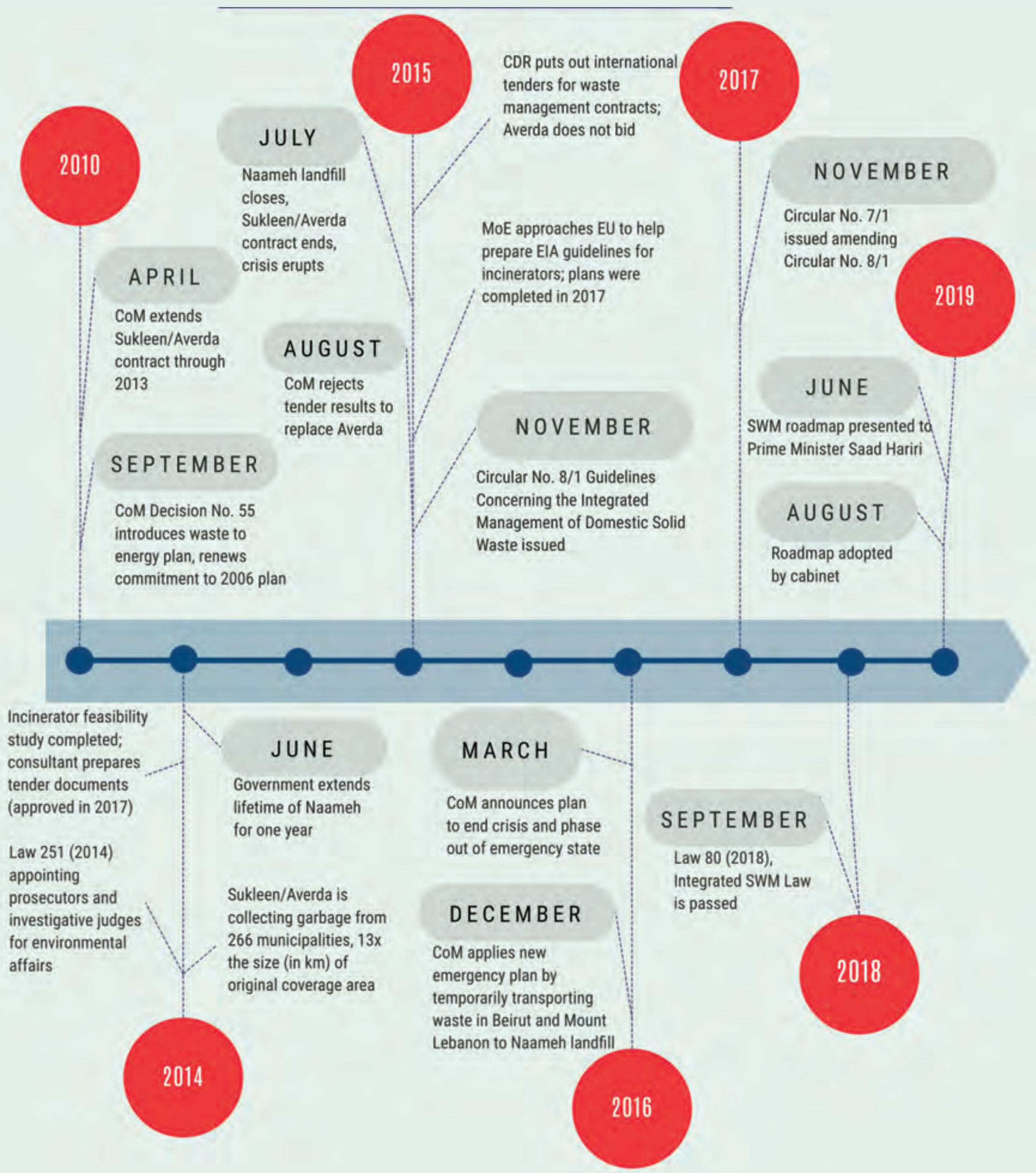
If the plan's loose ends are tied up, i.e. the second incinerator location set, the landfill locations confirmed, and the financing mechanism reevaluated by their allotted deadlines, this would indicate perhaps more serious government intentions than past efforts have seen. But whatever this roadmap may be able to achieve, one certainty is that an overhaul is long overdue, and the decades-old pattern of patching a broken system as crises arise must be abandoned.

WASTE MANAGEMENT 1995-2019



Terms used:
CoM: Council of Ministers
GBA: Greater Beirut Area
CDR: Council for Development and Reconstruction
EIA: Environmental Impact Assessment
MoE : Ministry of Environment
SWM: Solid Waste Management

Source:
Executive archives and MoE online reports


2010
APRIL
CoM extends Sukleen/Averda contract through 2013
SEPTEMBER
CoM Decision No. 55 introduces waste to energy plan, renews commitment to 2006 plan
2014
Incinerator feasibility study completed; consultant prepares tender documents (approved in 2017)
Law 251 (2014) appointing prosecutors and investigative judges for environmental affairs
JUNE
Government extends lifetime of Naameh for one year
Sukleen/Averda is collecting garbage from 266 municipalities, 13x the size (in km) of original coverage area
2015
JULY
Naameh landfill closes, Sukleen/Averda contract ends, crisis erupts
AUGUST
CoM rejects tender results to replace Averda
CDR puts out international tenders for waste management contracts; Averda does not bid
MoE approaches EU to help prepare EIA guidelines for incinerators; plans were completed in 2017
NOVEMBER
Circular No. 8/1 Guidelines Concerning the Integrated Management of Domestic Solid Waste issued
2016
MARCH
CoM announces plan to end crisis and phase out of emergency state
DECEMBER
CoM applies new emergency plan by temporarily transporting waste in Beirut and Mount Lebanon to Naameh landfill
2017
NOVEMBER
Circular No. 7/1 issued amending Circular No. 8/1
2018
SEPTEMBER
Law 80 (2018), Integrated SWM Law is passed
2019
JUNE
SWM roadmap presented to Prime Minister Saad Hariri
AUGUST
Roadmap adopted by cabinet

By Lamia Moubayed Bissat

A cornerstone for transparency and citizen engagement

Lebanon releases the 2019 citizen budget

The 2019 budget law was subject to long debates that left citizens wondering about the ways the budget would affect their lives. It is a daunting task to make sense of the 1,000 plus black and white pages filled with complex tables, numbers, and graphs.

To help non-specialists understand the information in the budget law, for a second consecutive year, the finance ministry has committed to releasing a "citizen budget" that breaks down the country's fiscal situation. The 2019 document is scheduled to be accessible as of early September on the Ministry of Finance's website and the website of the affiliated Institut des Finances Basil Fuleihan. It is also available in hard copies in Arabic, French, and English at the institute's Library of Finance.

The citizen budget presents the following four core considerations in easy-to-understand language: economic assumptions underlying the 2019 budget—expectations about economic growth and inflation, and predictions about whether the budget will run a surplus or deficit; revenue collection—where the government's money comes from; spending allocations—how the money is being spent and why (shown from three different angles, administrative entities, e.g. ministries; economic sector, e.g. salaries and benefits; and function, e.g. education and health); and significant policy initiatives and projects—an explanation of sizable increases or decreases in revenue or spending and of main projects planned.

The document also includes information about the budget calendar, how the budget is formulated and executed, and who is responsible at each stage. Practically speaking, this is the only document developed by the government exclusively for the public on this particular theme.

VALUE OF A CITIZEN BUDGET

For governments, citizen budgets are an opportunity to enhance public knowledge about key financial information, communicate policy, improve budget transparency, and engage public participation, all with a view of strengthening the relationship of trust between the citizen and the state. For citizens and civil society, citizen budgets significantly enhance participation in policy debates around tax policies, fiscal decisions, and the spending habits of their governments, and they hold them accountable for how public money is managed.

This is particularly important for Lebanon, which scores just 3/100 on the budget transparency index published in 2017 by the International Budget Partnership (IBP), compared to a global average of 42. Citizen budgets are one way to improve this ranking, as seen in Egypt which moved from a score of 13 in 2012 to 41 in 2017 following the introduction of a citizen budget.

Improving Lebanon's ranking is not the ultimate goal, however. By favoring more transparency, the government seeks to strengthen the credibility of the country's fiscal plans and boost confidence. The government committed to undertaking major financial governance reforms in order to unlock funding pledged by international donors at CEDRE last year. Fiscal transparency is one instrumental pillar in moving forward on the commitments made.

The International Monetary Fund (IMF)'s 2019 fiscal transparency code states that "fiscal forecasts and budgets should be presented in a way that facilitates policy analysis and accountability." Many international organizations, including the IMF and the Organization for Economic Cooperation and Development promote access to budgetary information and financial literacy as key elements of transparency, accountability, and good financial governance.

This accountability requires commitment. Minister of Finance Ali Hassan Khalil's ministerial decision to publish a yearly citizen budget (No. 1/110 dated March 4, 2019) reaffirms the commitment made to improve citizens' access to information, promote transparency, and enhance accountability.

This task was delegated to the Institut des Finances Basil Fuleihan. Translating such a complex document and financial jargon into accessible language was a daunting challenge to our team who learned by observing, doing, and comparing to international practices. The learning facilitated by the IMF's Middle East Regional Technical Assistance Center and IBP was instrumental. Visualizations and illustrations helped us articulate key information.

The challenge for the period to come is for citizens and civil society to make the most of this work, and to partner with us to disseminate the Citizen Budget 2019 as widely as possible, across all forms of media, so that Lebanese citizens are aware of and have access to information fundamental to their understanding of how the state is financed.

Lamia Moubayed Bissat is president of the Institut des Finances Basil Fuleihan at the Ministry of Finance. She is a member of the United Nations Committee of Experts on Public Administration.

By Lauren Holtmeier

Operating behind the scenes

Profiles of two facilities management companies in Lebanon

Buildings do not run themselves. Lights must be changed, air conditioner units must be fixed, accounts kept in order, invoices sent, and so on. The list is long and tedious, and, in some cases, outsourced to a facilities management company. Facilities management is not just about lights and air conditioner units, however, it also encompasses the more complex aspects of energy management through identifying potential ways to reduce energy costs and increase efficiency. Globally, the sector "is forecast to record good growth, particularly in the Middle East and Asia-Pacific," according to the 2018 Global Facilities Management Market Report (GFMM). The report estimates the total global facilities management market to be worth $1.15 trillion, with the outsource facilities management market at $466.5 billion. However, the GFMM does not include Lebanon, surveying only stronger Gulf economies, such as Saudi Arabia and the UAE, and attributing their growth to increased construction and an outsourcing culture. A report by the London-based market research company Technavio estimates the Middle East market specifically will grow by $29.9 billion from 2019 to 2023. Questions of how much sector growth can be expected in Lebanon arise when recalling the country's real estate sector saw a decline at the end of 2018. (Real estate transactions dropped by 17.44 percent in 2018 compared to 2017. In Q1 2019, they fell 5.05 percent from the previous year). Other factors include the general sluggishness of Lebanon's economy and expected growth rates under a single percentage point this year. From Executive's own research, evaluating the potential market penetration of facilities management companies that would seek to enter the Lebanese market is complicated by the fact that both companies surveyed below derive their business from captive units.

Facilities management in Lebanon is not a new trend. A 2014 BankMed report noted that there was a "rising demand for complex services including facilities management," while companies like Operators and Sodeco Gestion have been around since the early 2000s. But to this day, the facilities management market remains relatively small, with many buildings still managed informally with a *natour* or concierge handling day-to-day operations. What has changed in the past five years, is that those companies that are operating formal facilities management have begun to integrate sophisticated technology, like drones and the Internet of Things into their operations.

> Those who can effectively utilize the latest tech will have a competitive edge over their less advanced competititors.

The companies Executive surveyed focus primarily on retail and commercial spaces. In terms of maximizing efficiency, these companies, and companies globally, look at ways to monitor and reduce energy use, and so have developed and integrated sophisticated technology to help them monitor, manage, and facilitate transactions and maintenance requests online.

TECH SEEPING IN

Technology for the companies surveyed below has already begun to replace some human capital costs as drones now perform inspections, and the presence of maintenance request apps eliminates the middleman. Given the lack of data available, it is impossible to gauge a sector ratio between the cost of low-skilled labor and high-skilled staff, such as engineers, and cost of tech. While technology can include high initial investments, these companies tell Executive that they have seen good returns. Technology never tires, and it is more lucrative to have one employee making sure drones are flying or monitoring the condition of air vents through the Internet of Things than it is to have four or five workers checking and maintaining these things on a scheduled basis. With technology seeping into every aspect of modern life, it is no surprise it has found its way into facilities management, and as it continues to reshape how humans live their lives and how business is done, technology will likely continue to mold the facilities management industry—and those who can effectively utilize the latest tech will have a competitive edge over their less advanced competitors.

Founded: Created in 2002 as a joint venture between Majid Al Futtaim, a company that owns and operates malls and retail outlets in the region, and Veolia, a resource management company focused on water, waste, and energy management
Number of employees: Around 60 employees and about 150 permanent contractors in Lebanon
Business model: B2B, B2B2C
Economic targets: Expand number of projects in current markets and currently exploring new markets

ENOVA

Enova, based in Dubai and operational in seven countries in the region, has three major contracts in Lebanon including City Centre Beirut, Carrefour, and WaterFront in Dbayeh. In Lebanon, nearly all of Enova's portfolio is comprised of companies at least partially owned by Majid Al Futtaim, which operates Enova. Facilities management demands a heavy hands-on presence to make sure day-to-day operations run smoothly, but Operations Director Amin el-Najjar tells Executive that Enova has invested heavily in technology that helps eliminate human capital costs and streamline the workflow in the field. While he declined to specify how much has been invested in new technology, he says that they expect to see a return on investment in two to two and a half years. Through the Hubgrade monitoring system, all facilities are observed at one central location in Dubai. When a request is made through the central system, a technician receives a notification and is dispatched to perform maintenance. Even for certain maintenance aspects once performed by contractors, Enova relies on technology. For example, thermal imaging drones are responsible for ensuring solar panels are properly functioning. Part of facilities management is identifying areas to reduce costs, and this often includes energy costs. "The cheapest energy is unused energy," says Najjar. He says that during audits they first identify ways to reduce energy use, and then try to supplement use with green energy—and in this region solar is often the answer. Enova has begun implementing condition-based maintenance, a type of maintenance in which repairs are only made when indicators show wear-and-tear rather than scheduled fixes. Najjar says that this is done by connecting their systems through Internet of Things and has reduced maintenance costs significantly. On the costs associated with integrating such advanced technology he says, "Technology drastically reduces the number of people required to do a job, and it makes it easier for us." From monitoring to maintenance, technology is an integral part of Enova's operations. Further, a digital dashboard gives building administrators access to data online that includes a building's energy use and open requests. For tenants, an app is available on which they can request maintenance projects and cleaning services.

LIFEQUO

For three generations, the Mouawad family has been active in the construction and development sector. Paul Mouawad, LifeQuo's founder, says his grandfather started the family line of business during reconstruction after the Lebanese Civil War. The second generation followed with real estate development, and the youngest of the three Mouawads took over the facilities management side of operations. "We had to think of long-term sustainability, so we developed a facility management [aspect] to take over the projects the previous generations built," Mouawad says. Originally, the facilities management service was part of Mouawad Investment Group, but LifeQuo was a natural splinter from its sister company under the Moawad Investment Group holding company and is owned in full by the youngest Mouawad. Currently, they manage around 15 properties in the Beirut Central District, of which nearly 80 percent are buildings that the Mouawads built. Mouawad says that while they are actively expanding their portfolio, they are being selective in their projects and seeking to have more clients in Downtown. He says this is in part because he knows clients in this area will make payments on time, and this target market is more familiar with the concept of facility management than in some other areas. The other part, he says, is that LifeQuo is focusing on providing high-quality services and boosting recognition, rather than focusing solely on making money. He says that by building a solid reputation, this will hopefully, in turn, help in raising profits in the long term. LifeQuo is split into three parts that include management of the entire building, the umbrella of the organization, service provision, and a real estate brokerage component. Mouawad says where other companies make money on the services provided by hiring subcontractors, LifeQuo has an internal servicing company to do maintenance directly. Maintenance requests are handled through an app, launched in 2016, that Mouawad says he developed when trying to identify how to give his company a leg up on others in the field. He adds that while the app is currently for LifeQuo's clients' use, they are devising a marketing campaign and intend to make it public.

Founded: 2014
Number of employees: Around 50-60
Business model: B2B, B2C
Economic targets: Take on two to three new projects a year, make app public

By Lauren Holtmeier

Still missing pieces

VCs call for more updates to regulations and legislation to attract foreign investment

It has been six years since Banque du Liban (BDL), Lebanon's central bank, announced Circular 331, designed to boost investment in the knowledge economy. Now entrepreneurs seeking seed-stage funding, and those operating VC funds in the country tell Executive that while more capital is available for startups seeking follow-on funding, seed or early stage funding is harder to come by. While some investments are being made to seed and early stage startups, the number of deals has slowed. Following the mid-2018 collapse of Bookwitty, which had received funds guaranteed under Circular 331, rumors swirled that its failure had caused financial flows facilitated by 331 to slow. Players in the entrepreneurship scene now place a new emphasis on attracting private capital to keep the startup ecosystem on its feet and moving forward.

When BDL announced Circular 331 in August 2013, it was designed to inject a potential $400 million into the Lebanese enterprise market; it was raised to $650 million in 2016. Measuring its impact is difficult, however, as, despite Executive having asked, there is still no consolidated figure on how much banks channeled into VC funds, and how much of this money was deployed, lost, or is still active. The VC fund CEOS and managers that Executive spoke with cited a positive aspect of Circular 331 as being the growth of the ecosystem and its relative security over these past six years. However, they say much must still be done to make Lebanon more investment friendly, and in turn see a maturation of the ecosystem that would hopefully drive increased confidence of foreign investors. Those Executive spoke with highlighted, among others, the need for further updates to the legal framework, and for the government to cut down the red tape required to set up a business in Lebanon.

One of the biggest hurdles to attracting foreign investment is creating a modernized legal framework—and some steps have been taken recently to address this, such long-awaited updates to the code of commerce that went into effect July 1. Measures such as allowing people to set up a single partner limited liability company (SARL) and allowing companies to issue preferred shares are small steps to ease doing business in Lebanon—in 2018, Lebanon's ease of doing business rank deteriorated to 142 from 133 in 2017.

MORE CHANGE NEEDED

Other legislation recently passed that aims to ameliorate some challenges include the judicial mediation law, Law 82 (2018), which was published in the Official Gazette on October 18, and mandates judges to offer for would-be court proceedings to be handled in mediation and should help clear the backlog of cases and speed up adjudication processes.

Currently being studied in Parliament's finance committee are laws on insolvency and secure lending, the latter of which is important for SMEs, says Yasmina el-Khoury Raphael, head of business environment and innovation at the Office of the President of the Council of Ministers, as it will allow companies and SMEs to take out collateral on movable assets. Currently only immovable assets, like land or buildings, can be used as collateral. Finally, a law on private equity and venture capital presented by Prime Minister Saad Hariri has been approved by cabinet and is waiting to be presented to Parliament.

But more still needs to be done. While Law 81 (2019) helped make gains in modernizing the digital infrastructure by introducing e-transactions and data protection, those Executive spoke with point to what is still lacking, such as e-identification. Walid Hanna, CEO of Middle East Venture Partners says that introducing e-identification would be a big starting point for modernizing digital infrastructure, as many other countries have it. Beyond this, efforts for continual development should include the greater automation in administration and governance, such as digitization of documents.

VC fund and investment managers point to a slew of challenges still faced, despite recent modest progress on these fronts. Further cries for updates include the need for an economic free zone to ease business, the way a VC fund is legally defined (all are registered as holding companies), the lack of bankruptcy laws and challenges with closing a business, and the high cost of launching a business (startups start paying taxes as soon as they launch), and the lack of a sandbox (a sort of digital testing space for fintechs). The list goes on.

Khoury Raphael acknowledges that there is much to be done, and tells Executive that a ministerial committee, headed by Hariri, was established to oversee the digital infrastructure file. Currently, it is forming a roadmap for the digital economy in Lebanon. The intent is to have something official on this front by the end of 2019.

> While the private sector waits for modernized laws and regulations, some are losing faith in the government.

TAKING STEPS

Positive steps can also be seen in attempts to tackle one of the most-oft heard woes of Lebanese entrepreneurs, the time and effort required—think trips to multiple ministries—to set up a company in Lebanon. Khoury Raphael says her department is working on setting up a "one-stop shop to register a company at the commercial registry" that will eventually be able to be done online. However, the timeline on this is 18 to 24 months before it is operational, she says, meaning companies will have to muddle through the current system for a while longer.

While the private sector waits for modernized laws and regulations, some are losing faith in the ability of the government to effectively aid the sector. "In Lebanon the government has never been there," Corine Kiame, investment manager at IM Capital says. "The private sector always picks itself up. The government knows exactly what they need to do, but they're not moving their feet."

Those Executive spoke with seem motivated to get the ecosystem running on its own. If they can move forward in parallel with the government, with a couple of exits to improve perception, modernized regulation, and digital infrastructure, this will help attract foreign capital flows inward. But only time will tell if the government can make the necessary changes in the near future. For now, nascent startups and those seeking follow-on funding should expect to face continued challenges attracting foreign funding, at least in the short term.

4P EAST MED:
PACKED WITH POSSIBILITIES

advertorial

Global population growth coupled with increased urbanization and rising international trade, are some of the numerous factors contributing to robust processing, packaging, printing, and paper markets around the world.

Zooming in onto the MENA region, similar patterns prevail across these industries. The region's packaging market is expected to hit **$71.5 billion by 2022,** while the printing market is poised to reach $54 billion in the same year, according to the latest findings from Smithers Pira.

Recent studies anticipate the region's paper output to increase to 2.76 trillion A4 sheet equivalents in 2022, representing a 2.8% annual growth rate. On the other hand, process automation in the Middle East and Africa is expected to register **5.15% CAGR between 2018 and 2023,** according to Mordor Intelligence.

Capitalizing on immense business opportunities in these flourishing industries, IFP Group (International Fairs and Promotions) is launching 4P East Med; the International Exhibition for Packaging, Processing, Printing, and Paper, this year in Lebanon.

With a regional focus and an international reach, the exhibition zeros in on expanding industries and highlights business growth opportunities that are molding the region's industrial sector.

Held at the Seaside Arena in Beirut from **15 to 18 October 2019,** 4P East Med provides a highly-targeted business platform for local and international industrialists to meet decision-makers, generate leads, and showcase the latest technologies, processes, equipment, and products that are shaping the future of paper, printing, and packaging industries in Lebanon and the East Mediterranean region. It will also highlight key trade and investment opportunities as well as the latest trends and developments in these growing sectors.

The exhibition encompasses a Hosted Buyers Program that will bridge the gap between buyers, vendors, and traders from across the region to facilitate business undertakings, maximize return on investment, and allow guest buyers to explore a diverse range of products and negotiate contracts on the spot.

Another significant feature of the exhibition is the awards ceremony that recognizes innovative product development and sustainable solutions for the industry.

4P East Med is supported by the Ministry of Industry, the Association of Lebanese Industrialists, LibanPack, the World Packaging Organization, and the Arab Federation for Paper, Printing, and Packaging Industries.

For more information about 4P East Med, visit www.4peastmed.com

BUSINESS ESSENTIALS

Company Bulletin

The **Green for Growth Fund** has invested $15 million in Lebanon's biggest green lender, **Bank Audi**, to support its lending portfolio in the areas of energy efficiency and renewable energy.

Hyundai Motor Group has developed the world's first Active Shift Control transmission technology. The innovation optimizes transmission efficiency by monitoring gear shifts 500 times per second, precisely adjusting the transmission rotation speed for faster shift times.

Bank Audi announced the delivery of an additional fleet of motorbikes in the context of the Moto Ambulance project pertaining to the Directorate General of the **Lebanese Civil Defense**, launched in collaboration with the **UNDP**'s Live Lebanon initiative, **CHAMPS Fund**, the **Ministry of Interior and Municipalities**, **LBCI**, and the **National Road Safety Council** in Lebanon.

The Beirut office of **Leo Burnett** completed its three-month Leo Academy program this August, designed to provide undergraduates and graduates with a rigorous learning experience about the insights of the communication industry in a globally-acclaimed agency. Coming from different fields and backgrounds, interns complete a four-week program where they work with an assigned mentor on different high-profile projects.

Byblos Bank issued the results of the **Byblos Bank Real Estate Demand Index** for the second quarter of 2019. The results show that the index posted a monthly average of 46.5 points in the second quarter of 2019, constituting a decrease of 17 percent from 56.1 points in the first quarter of the year, and an increase of 6.4 percent from 43.7 in the second quarter of 2018. Further, the index's average monthly score in the second quarter of 2019 came 64.5 percent lower than the peak of 131 points registered in the second quarter of 2010.

BLOM PMI has recorded its highest reading for nearly 2.5 years. During the month of July, Lebanon's purchasing managers' index recorded its highest reading in 2.5 years, with the index standing at 47.7 points, still below the neutral mark of 50 points separating economic contraction from growth.

Consolidated assets of **Bank Audi** remained stable in the first half of 2019 reaching $47.5 billion as of end-June 2019, sustaining the bank's leading positioning among Lebanese banking groups and among the top 20 Arab banking groups. In parallel, consolidated assets under management, encompassing assets under management, fiduciary deposits, and custody accounts, rose to $12.5 billion as of end-June 2019, raising total consolidated assets and assets under management to $60 billion.

In collaboration with the global reinsurer **Munich Re**, **AROPE Insurance** hosted a special gathering for insurance brokers to officially launch EXPAND AROPE's latest international healthcare solution.

At the Monterey Car Week 2019 and the Pebble Beach Concours d'Elegance, **MINI** celebrated the brand's 60th birthday with a review of its history and an outlook on the future. On America's west coast, MINI presented a series of historically important vehicles and provided an initial look at two new models: the brand's most powerful series vehicle ever produced and the first all-electric powered MINI.

Arab Bank Group announced its results for the first half of 2019, reporting a growth of 4 percent with net profit after tax reaching $453 million as compared to $436 million in 2018. Total loans increased by 3 percent to reach $26.2, and deposits increased by 3 percent to reach $34.1 billion. Group equity stood at $8.7 billion.

Hyundai Motor launched the Sonata Hybrid equipped with world's first Active Shift Control technology and solar roof system.

Samsung Electronics Levant recently announced the official launch of its 2019 Soundbar lineup in the Lebanese market, offering consumers a truly exceptional audio experience.

LG Electronics announced that **Apple** AirPlay 2 and HomeKit had been available since July 25 on its 2019 AI TV lineup, making LG the first global TV manufacturer to support HomeKit.

Careem launched its in-app alert button as an additional security feature to support its Captains in case of emergency in Lebanon and other markets in the region. This feature allows Careem Captains to report situations like accidents, medical issues, or threats that may occur.

Samsung Electronics Co., Ltd. announced the next step in its long-term, strategic partnership with Microsoft to bring seamless productivity experiences across devices, applications, and services. Starting with exclusive Microsoft integrations in the new Galaxy Note 10, users will now have a simple way to work fluidly between a smartphone and a PC.

LG Electronics and **LUMI United Technology**, an Internet of Things (IoT) and smart home solution provider, have signed a memorandum of understanding to develop an ecosystem that goes beyond basic appliance management to deliver a more complete IoT solution for the home. The partnership will focus on developing innovations using AI and advanced sensors that can detect changes in indoor environments, such as humidity level, temperature, and movement of doors.

Effective September 1, Fadi Pharaon was appointed senior vice president and head of market area Middle East & Africa at **Ericsson** and member of Ericsson's executive team, reporting to the CEO. Fadi Pharaon previously held the position of vice president, networks & managed services within Ericsson's market area Europe & Latin America.

Huawei Consumer Business Group received an award from the **European Image and Sound Association,** a group comprising 55 of the world's most respected consumer electronics magazines. HUAWEI's P30 Pro was named "EISA Best Smartphone 2019-2020" by the association, the second year in a row that Huawei has won this category.

The Arab Quarter, in the heart of **Souk Okaz** in Saudi Arabia, was being presented for the first time, held under the umbrella of "Taif Season," which ran throughout August. The gate of the Lebanese Pavilion in the heart of the Arab Quarter in Souk Okaz took visitors on a journey to Beirut, where they could visit its famous landmarks, buy its beautiful products, enjoy the delicious cuisine, and experience its arts.

Phoenicia Beirut and the **Lebanese Food Bank**, a non-profit organization established to reduce malnutrition in Lebanon, have recently launched a new partnership in a signing ceremony which took place at the hotel on August 6. Foods such as pastries, dried goods, and items that are non-easily perishable will be donated by Phoenicia Hotel in a process monitored by the food and safety manager in coordination with the kitchen chef and the head waiter, all of whom are HACCP certified for food hygiene and safety.

Keess, a Lebanese designed fashion-conscious range of reusable shopping bags, not only helps people reduce single-use plastic, but also invests 10 percent of its proceeds toward fighting water pollution across the country.

On the occasion of Eid al-Adha and in partnership with **King Salman Humanitarian Aid and Relief Center** in Saudi Arabia, **Ajialouna Organization** celebrated the launch of the project "Adahi Al Eid 2019" on Au-

BUSINESS ESSENTIALS

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gust 11 at the Ajialouna headquarters in Tallit-al-Khayat in Beirut, and on August 12 in both Tripoli and Bar Elias in the Bekaa. Approximately 1,116 sacrificial meat packages were distributed to beneficiaries of Lebanese, Syrian, and Palestinian nationals in the three regions.

After being awarded by **Fashion TV International** for two consecutive years as the best fashion event organizers in the Middle East, **L.I.P.S. MANAGEMENT** has now been appointed as the sole representative of Fashion TV International in Beirut as of August 5. L.I.P.S. MANAGEMENT will be launching FTV in Beirut, Lebanon, as of October 8, during L.I.P.S. MANAGEMENT's event – Designers & Brands.

Rasamny Younis Motor Company (RYMCO), exclusive dealer of **Nissan** in Lebanon, has launched the Nissan Intelligent Choice – Certified Pre-Owned program in Beirut at its RYMCO headquarter in Chiyah. Nissan Intelligent Choice combines the peace of mind of dealing with a trusted industry leader and the value for money, to give customers the best of both worlds.

Stemming from its mission to create a favorable environment for children and improve their living conditions on all levels, **UNICEF**, in partnership with the municipality of Qab Elias-Wadi el-Dalm, organized a stakeholder workshop titled "Developing a strategy for a bright future for children" at the Kadri Hotel in Zahle on August 1.

On June 21, the **L'Oréal Levant** team united its force, energy, and enthusiasm to illuminate the faces of 130 children of Friends of the Disabled Association, a local NGO which, since 1978, has been offering advocacy and rehabilitation services to children with intellectual disabilities.

Under the patronage of Jamil Jabak, minister of public health, the **Ministry of Public Health** launched its national campaign aimed at raising awareness on the dangers of obesity. The campaign titled "Your health has a limit, take weight off of it," was announced through a press conference that took place in the ministry on July 31 and was attended by representatives of different organizations and entities who are part in this campaign, in addition to various media stakeholders.

In line with its commitment to provide exclusive services and unparalleled banking experience to its Clientele, **Bank of Beirut** and **Visa International** have announced the launch of the Visa Infinite Privilege Card to be offered exclusively to the Bank's prime customers. This card will allow cardholders to access a world of exclusive privileges and will be available only by invitation, based on key criteria established by Bank of Beirut.

A.N. Boukather Motorcycles organized the third stage of the 390 Cup at Karting Mania Kousba, with the support of **TOTAL** and **Commercial Insurance** and in tribute to late ANB Motorcycles club member Jean Azar.

In line with the "Inter-ministerial Substance Use Response Strategy for Lebanon 2016-2021" strategic objective to pilot and explore the scale-up of evidence-based prevention intervention for youths, the **National Mental Health Program** at the **Ministry of Public Health** organized, in collaboration with **Soins Infirmiers et Developpement Communautaire**, and **UNICEF** together with **UNODC**, a training session for trainers on "Line Up Live Up," an evidence-informed training program on life skills.

BLOM BANK and **Visa** proudly launched the most exclusive Visa Affluent product, available by invitation only to a select group of ultra-high net worth individuals.

Amid a persistently challenging operating environment, **Byblos Bank** posted a net profit of $60 million in the first half of 2019, a drop of $7 million or 10.8 percent as compared to the same period of 2018. These results are explained by a sharp drop in the net interest margin that is a result of a volatile market in Lebanon in the first six months of 2019 and of the bank's continued commitment to a conservative risk management strategy confirmed by high liquidity ratios.

A partnership agreement was established between **AUBMC** and the **Civil Defense** on their National Public Access Defibrillator Program.

As part of its continued commitment to safety, **Uber** has made significant steps to improve safety in recent years by making it a top priority and putting it at the heart of everything the company does. Uber rolled out Check Your Ride in-app reminders and push notifications to all riders across the region where it operates, inlcuding Lebanon.

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Events

CONFERENCES

	ORGANIZERS	CONTACT	WEBSITE
LEBANON			
13 Sep	**DIGITAL LEBANON CONFERENCE** Al Iktissad Wal Aamal Group	+961 1 780 200; forums@iktissad.com	www.iktissadevents.com
18 Sep	**5TH GLOBAL CYBER SECURITY FORUM** Explore Exibitions and Conferences	+91 80 4224 7078; info@exploreexhibition.com	www.exploreexhibitions.com
20 Sep	**OIL AND GAS EASTMED FORUM** Al Iktissad Wal Aamal Group	+961 1 780 200; forums@iktissad.com	www.iktissadevents.com
24 Sep	**LEBANON AGRICULTURE DEVELOPMENT CONFERENCE** Al Iktissad Wal Aamal Group	+961 1 780 200; forums@iktissad.com	www.iktissadevents.com
25-27 Sep	**INTERNATIONAL BEIRUT ENERGY FORUM** MCE Group	+961 9 900 110; events@mcegroup.net	www.mcegroup.net
3-4 Oct	**ANNUAL FORUM FOR HEADS OF AML/CFT COMPLIANCE UNITS IN ARAB BANKS AND FINANCIAL INSTITUTIONS** Union of Arab Banks	+961 1 377 800; uab@uabonline.org	www.uabonline.org
14-15 Nov	**ENVIRONMENTAL EDUCATION IN ARAB COUNTRIES** Arab Forum Environment and Development	+961 1 321 800; sasaad@afedonline.org	www.afedonline.org
27 Nov	**THE IMPACT OF GLOBAL MONETARY POLICIES ON ARAB AND INTERNATIONAL ECONOMIES** Union of Arab Banks	+961 1 377 800; uab@uabonline.org	www.uabonline.org
27-29 Nov	**THE ANNUAL BANKING CONFERENCE FOR 2019: "BACK TO BANKING"** Union of Arab Banks	+961 1 377 800; uab@uabonline.org	www.uabonline.org
27 Nov-1 Dec	**TRIPOLI INTERNATIONAL CONFERENCE & EXIBITION** IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
4 Dec	**ANTI-CYBERCRIME FORUM** Al Iktissad Wal Aamal Group	+961 1 780 200; forums@iktissad.com	www.iktissadevents.com
DUBAI			
1 Sep	**THE PRIVATE SECTOR'S UPGRADING STRATEGY CONFERENCE** Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
1 Sep	**GLOBAL ONLINE SHOPPING PORTALS EFFECTS ON GCC RETAIL INDUSTRY CONFERENCE** Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
1-5 Sep	**GCC MUNICIPALITIES AND INTEGRATED AND SUSTAINABLE CITIES CONFERENCE** Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
2 Sep	**5G TECHNOLOGY CONFERENCE** Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
3 Sep	**CITY BRANDING EXCELLENCE DEVELOPMENT CONFERENCE** Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
3 Sep	**CITY'S ECONOMIC AND REVENUE STRATEGY CONFERENCE** Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
3 Sep	**CITY'S SMART SERVICES AND CUSTOMER HAPPINESS CONFERENCE** Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
5 Sep	**GLOBAL PROPERTY CONSULTANT SUMMIT** Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
5 Sep	**ASSET MANAGEMENT GOVERNANCE CONFERENCE** Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
5 Sep	**EPAYMENT STRATEGY CONFERENCE** Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
9-10 Sep	**AI WEEK MIDDLE EAST** IQPC	+030 2 091 3274; info@iqpc.de	www.iqpc.ae
9-10 Sep	**DIGITAL TRANSFORMATION & EMERGING TECHNOLOGY MIDDLE EAST 2019** IQPC	+030 2 091 3274; info@iqpc.de	www.iqpc.ae
17-18 Sep	**CUSTOMER EXPERIENCE WEEK** IQPC	+030 2 091 3274; info@iqpc.de	www.iqpc.ae
23-25 Sep	**CMO AND FUTURE OF MARKETING MIDDLE EAST** IQPC	+030 2 091 3274; info@iqpc.de	www.iqpc.ae
23-25 Sep	**GOVERNMENT FORSEIGHT SUMMIT** Messe Frankfurt Middle East GmbH	+971 4 389 4500; sarah.phillips@uae.messefrankfurt.com	www.governmentforseight.com
24-25 Sep	**TELECOMS WORLD MIDDLE EAST** Terrapinn	+971 4440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
30 Sep-2 Oct	**ANNUAL ENTREPRISE RISK MANAGEMENT CONFERENCE** IQPC	+030 2 091 3274; info@iqpc.de	www.iqpc.ae
6-8 Oct	**DATAMATIX GITEX CONFERENCE** Datamatix Group	+9714 332 6688; info@datamatixgroup.com	www.datamatixgroup.com

	ORGANIZERS	CONTACT	WEBSITE
8 Oct	**GOVERNMENT AND BUSINESS LEADING CEO CONFERENCE** Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
14 Oct	**DESTINATION X INFRASTRUCTURE SUMMIT** Messe Frankfurt Middle East GmbH	+971 4 3894500; sarah.phillips@uae.messefrankfurt.com	www.destination-x-infrastructure.com
16-17 Oct	**PROCUREMENT STRATEGY SUMMIT** Fleming	+421 257 272 100; info@fleming.events	www.fleming.events
21-22 Oct	**CULTURAL TOURISM AND MUSEUM DEVELOPMENT MIDDLE EAST FORUM** IQPC	+030 2 091 3274; info@iqpc.de	www.iqpc.ae
21-22 Oct	**ISLAND AND MARINE DEVELOPMENT MIDDLE EAST** IQPC	+030 2 091 3274; info@iqpc.de	www.iqpc.ae
21-22 Oct	**FUTURE TRAINING DEVELOPMENT AND LEARNING LEADERS** IQPC	+030 2 091 3274; info@iqpc.de	www.iqpc.ae
24-26 Oct	**PATIENT SAFETY** Informa Middle East	+971 4 407 2528; patientsafety@informa.com	www.patientsafety-me.com
28-29 Oct	**WOMEN IN LEADERSHIP ECONOMIC FORUM** Naseba	+971 4 581 4300; prachid@naseba.com	www.naseba.com
29-30 Oct	**NEXT-GEN SPACE & GIS** IQPC	+030 2 091 3274; info@iqpc.de	www.iqpc.ae
30-31 Oct	**DIGITAL CFO FORUM** Naseba	+971 4 581 4300; prachid@naseba.com	www.naseba.com
1-2 Nov	**INTERNATIONAL CONFERENCE ON MANAGEMENT, ECONOMICS & SOCIAL SCIENCE** Researchfora	+91 88 9518 8531; info@researchfora.com	www.researchfora.com
1-2 Nov	**INTERNATIONAL CONFERENCE ON SCIENCE, ENGINEERING & TECHNOLOGY** Researchfora	+91 88 9518 8531; info@researchfora.com	www.researchfora.com
4-6 Nov	**HRSE SUMMIT AND EXPO** Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informa-mea.com
5-6 Nov	**THE GLOBAL FRANCHISE MARKET** INDEX Conferences & Exhibitions	+971 4 520 8888; info@globalfranchisemarket.com	www.globalfranchisemarket.com
7 Nov	**NEW PRODUCTS AND SERVICES DEVELOPMENT CONFERENCE** Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
7 Nov	**GCC MANUFACTURERS AND SUPPLIERS SUMMIT** Datamatix Group	+9714 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
18-19 Nov	**EDEX MENA** Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informa-mea.com
19-21 Nov	**INTERNATIONAL OPERATIONS AND MAINTENANCE CONFERENCE IN THE ARAB COUNTRIES** Exicon	+961 1 821 421; info@omaintec.com	www.omaintec.com
25-26 Nov	**DESIGN THINKING** IQPC	+030 20913 -274; info@iqpc.de	www.iqpc.ae
25-27 Nov	**GOVERNMENT EXCELLENCE WEEK** IQPC	+030 20913 -274; info@iqpc.de	www.iqpc.ae

ABU DHABI

2-3 Sep	**INTERNATIONAL CONFERENCE ON MANAGEMENT, ECONOMICS & SOCIAL SCIENCE** Researchfora	+91 88 9518 8531; info@researchfora.com	www.researchfora.com
2-3 Sep	**INTERNATIONAL CONFERENCE ON SCIENCE, ENGINEERING & TECHNOLOGY** Researchfora	+91 88 9518 8531; info@researchfora.com	www.researchfora.com
2-3 Sep	**INTERNATIONAL CONFERENCE ON LAW AND SOCIETY** Researchfora	+91 88 9518 8531; info@researchfora.com	www.researchfora.com
16-17 Sep	**BUILDING CAPABILITY AND FUTURE CAREERS 2019** Advanced Conferences & Meetings	+971 4 563 1555; mailing@acm-events.com	www.acm-events.com
19-21 Sep	**THE INTERNATIONAL PATIENT FLOW CONGRESS** Messe Frankfurt Middle East GmbH	+971 4 389 4500; sarah.phillips@uae.messefrankfurt.com	www.ipfcongress.com
23-26 Sep	**ANNUAL PROCESS SAFETY SUMMIT** IQPC	+030 2 091 3274; info@iqpc.de	www.iqpc.ae
24-25 Sep	**NATIONAL SECURITY MIDDLE EAST** IQPC	+030 2 091 3274; info@iqpc.de	www.iqpc.ae
29-30 Sep	**FUTURE DRAINAGE & STORMWATER NETWORKS 2019** Advanced Conferences & Meetings	+971 4 563 1555; mailing@acm-events.com	www.acm-events.com
14 Oct	**FIRE SAFETY SERIES** IQPC	+03 0 2091 3274; info@iqpc.de	www.iqpc.ae
27-28 Oct	**INTERNATIONAL CONFERENCE ON MANAGEMENT, ECONOMICS & SOCIAL SCIENCE** Researchfora	+91 8895188531; info@researchfora.com	www.researchfora.com
29-30 Oct	**ABU DHABI SMART CITY SUMMIT** Advanced Conferences & Meetings	+971 4 563 1555; mailing@acm-events.com	www.acm-events.com
10-12 Dec	**FUTURE CYBER SECURITY LEADERS IN ENERGY & GOVERNMENT** IQPC	+030 2 091 3274; info@iqpc.de	www.iqpc.ae

BUSINESS ESSENTIALS

Events

CONFERENCES

	ORGANIZERS	CONTACT	WEBSITE
SAUDI ARABIA			
16-18 Sep	**SAUDI INTERNATIONAL OIL FIRE SAFETY CONFERENCE** Riyadh Exhibitions Company (REC Expo)	+966 1 454 1448; info@recexpo.com	www.recexpo.com
29-30 Oct	**COMPENSATION AND BENEFITS FORUM** Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informa-mea.com
3-5 Nov	**SAUDI LAW CONFERENCE** Exicon International Group	+961 1 821 482; info@exicon-specialist.com	www.exicon-specialist.com
4-5 Nov	**WET INFRASTRUCTURE SUMMIT** Advanced Conferences & Meetings	+971 4 563 1555; mailing@acm-events.com	ww.acm-events.com
4-5 Nov	**3ED SMART PARKING KSA** Advanced Conferences & Meetings	+971 4 563 1555; mailing@acm-events.com	ww.acm-events.com
4-5 Nov	**FUTURE LANDSCAPE AND PLAYSPACES KSA 2019** Advanced Conferences & Meetings	+971 4 563 1555; mailing@acm-events.com	ww.acm-events.com
11-12 Nov	**ANNUAL RETROFITTECH KSA** Advanced Conferences & Meetings	+971 4 563 1555; mailing@acm-events.com	www.acm-events.com
3-4 Dec	**ALD SAUDI ARABIA CONFERENCE** Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informa-mea.com
13-14 Dec	**INTERNATIONAL CONFERENCE ON MANAGEMENT, ECONOMICS & SOCIAL SCIENCE** Researchfora	+91 88 9518 8531; info@researchfora.com	www.researchfora.com
13-14 Dec	**INTERNATIONAL CONFERENCE ON SCIENCE, ENGINEERING & TECHNOLOGY** Researchfora	+91 88 9518 8531; info@researchfora.com	www.researchfora.com
EGYPT			
3-4 Sep	**SHARED SERVICES AND OUTSOURCING FORUM MIDDLE EAST** IQPC	+030 2091 3274; info@iqpc.de	www.iqpc.ae
17-18 Sep	**MEDIATION AND ARBITRATION IN ARAB BANKS AND FINANCIAL INSTITUTIONS CONFERENCE** Union of Arab Banks	+961 1 377 800; uab@uabonline.org	www.uabonline.org
26-28 Sep	**DIGITAL TRANSFORMATION IN BANKS AND THE FUTURE OF FINANCIAL INTERMEDIATION** Union of Arab Banks	+961 1 377 800; uab@uabonline.org	www.uabonline.org
KUWAIT			
16-18 Sep	**ANNUAL MAINTENANCE KUWAIT SUMMIT** IQPC	+030 2 091 3274; info@iqpc.de	www.iqpc.ae
25 Sep	**CUSTOMER ENGAGEMENT TECHNOLOGY CONFERENCE** Pinnacle Middle East	+971 4 241 6054; info@pinnaclemiddleeast.com	www.pinnaclemiddleeast.com
13-16 Oct	**KUWAIT OIL & GAS SHOW AND CONFERENCE** Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informa-mea.com
21-22 Oct	**KUWAIT ROADS, BRIDGES AND HIGHWAYS SUMMIT** IQPC	+030 2 091 3274; info@iqpc.de	www.iqpc.ae
5-7 Nov	**NEW KUWAIT SUMMIT** dmg Events	+971 4 438 0355; info@dmgevents.com	www.dmgevents.com
12 Nov	**IFN FORUM KUWAIT** REDmoney Events	+603 2 162 7800; infoevents@redmoneygroup.com	www.redmoneyevents.com
13 Nov	**PRIVATE INVESTORS FORUM** REDmoney Events	+603 2162 7800; infoevents@redmoneygroup.com	www.redmoneyevents.com
BAHRAIN			
14-16 Oct	**MIDDLE EAST PROCESS ENGINEERING CONFERENCE & EXHIBITION** Middle East Energy Events	+971 4 427 0739; info@mee-events.com	www.me3-events.com
14-16 Oct	**WORLD PETROLEUM COUNCIL DOWNSTREAM CONFERENCE** Middle East Energy Events	+971 4 427 0739; info@mee-events.com	www.me3-events.com
14-16 Oct	**3RD LEADERSHIP EXCELLENCE FOR WOMEN AWARDS AND SYMPOSIUM** Middle East Energy Events	+971 4 427 0739; info@mee-events.com	www.me3-events.com
15-16 Oct	**NATIONAL SECURITY MIDDLE EAST 2019** IQPC	+030 2 091 3274; info@iqpc.de	www.iqpc.ae
15-17 Oct	**CRISIS MANAGEMENT & EMERGENCY RESPONSE SUMMIT** IQPC	+030 2 091 3274; info@iqpc.de	www.iqpc.ae
28-30 Oct	**BAHRAIN INTERNATIONAL DEFENCE EXHIBITION AND CONFERENCE** Clarion Events Middle East	+973 1 755 8800; info@btea.bh	www.btea.bh

	ORGANIZERS	CONTACT	WEBSITE
19-21 Nov	**ARAB INTERNATIONAL ALUMINIUM CONFERENCE** BME Events	+2 02 2 5644116; info@bme-global.com	thebmegroup.com
3-5 Dec	**PRODUCTION OPTIMISATION BAHRAIN** IQPC	+030 2 091 3274; info@iqpc.de	www.iqpc.ae

JORDAN

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IRAQ

24 Sep	**IRAQ MIDLAND OIL & GAS SUMMIT** Global Event Partners Ltd	+971 4 332 2283; -	www.gep-events.com

QATAR

11-12 Dec	**COMBATING FINANCIAL CRIMES: COMPLIANCE WITH EVOLVING GLOBAL AML/CFT STANDARDS** Union of Arab Banks	+961 1 377 800; uab@uabonline.org	www.uabonline.org

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21-23 Oct	**DIGITAL REFINERIES OMAN** IQPC	+030 20913 -274; info@iqpc.de	www.iqpc.ae
27-29 Oct	**GCC POWER** CIGRE	+971 4 332 2283; info@cigre-gcc.org	www.cigre-gccpower.com
TBD Nov	**MIDDLE EAST HEALTHCARE INSURANCE CONFERENCE** Middle East Insurance Review	+65 6224 5583; conference@meinsurancereview.com	www.meinsurancereview.com

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19-22 Sep	**BEIRUT DESIGN FAIR** Cedralys	+961 76 497 453; gth@beirut-design-fair.com	www.beirut-design-fair.com
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24-28 Oct	**ROYAL WEDDING FAIR** Wedding malls	+961 3 824364; info@weddingmalls.com	www.weddingsmall.com
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14-16 Nov	**SALON DU CHOCOLAT** Hospitality Services	+961 1 480 081; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb
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20-24 Nov	**ART OF LIVING** S.P.M. Fairs	+961 3 627 607; spmfair@inco.com.lb	-
27 Nov-1 Dec	**TRIPOLI INTERNATIONAL CONFERENCE AND EXIBITION** IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com

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3-5 Sep	**MATERIALS HANDLING MIDDLE EAST** Messe Frankfurt Middle East GmbH	+971 4 389 4500; materialshandling@uae.messefrankfurt.com	www.ae.messefrankfurt.com
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30 Oct	**INTERNATIONAL REAL ESTATE SHOW** Dome Exhibitions	+971 2 674 4040; domexh@emirates.net.ae	www.domeexhibitions.com
30 Oct-1 Nov	**NAJAH - THE UAE'S LEADING HIGHER EDUCATION EVENT** Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informaexhibitions.com
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11-14 Nov	**ADIPEC OFFSHORE & MARINE** dmg Events	+971 4 438 0355; info@dmgevents.com	www.dmgevents.com

BAHRAIN

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24-26 Sep	**CHINA MACE MACHINERY FAIR** Pinnacle Communications	+973 1 721 5665; info@pinnaclebh.com	www.abc-bahrain.com
24-26 Sep	**ITECH FOR INDUSTRY** Pinnacle Communications	+973 1 721 5665; info@pinnaclebh.com	www.abc-bahrain.com
30-2 Oct	**GLOBAL HSE 2019** Pinnacle Communications	+973 1 721 5665; info@pinnaclebh.com	www.abc-bahrain.com
6-9 Nov	**GULF PROPERTY SHOW** Hilal Conferences & Exhibitions	+973 1 729 9123; info@hilalce.com	www.hilalce.com
5-7 Dec	**BAHRAIN INTERNATIONAL PROPERTY EXHIBITION (BIPEX) 2019** Bahrain Society of Engineers	+973 1 755 8800; info@btea.bh	www.btea.bh

EGYPT

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9-12 Sep	**SAHARA EXPO** Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informaexhibitions.com
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SAUDI ARABIA

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8-12 Dec	**SAUDI INTERNATIONAL MOTOR SHOW** Al Harithy Exhibitions	+966 2 654 6384; ace@aceexpos.com	www.acexpos.com
9-10 Dec	**MANUFACTURING AND INDUSTRIAL TECH SHOW** Advanced Conferences & Meetings	+971 4 563 1555; www.acm-events.com	www.acm-events.com
KUWAIT			
16 Sep	**GULF EXPO-KUWAIT CITY** International Student Network Inc	+215 525 4855; expo@isnexpo.com	www.isnexpo.com
13-16 Oct	**KUWAIT OIL AND GAS SHOW AND CONFERENCE** UBM AEM	+971 4 407 2528; info-mea@informa.com	www.informaexhibitions.com
JORDAN			
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13-15 Oct	**HORECA JORDAN** Hospitality Services	+961 1 480 081; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb
IRAQ			
30 Sep - 3 Oct	**PROJECT IRAQ** IFP	+961 5 959111; info@ifpexpo.com	www.ifpexpo.com
30 Sep - 3 Oct	**ERBIL INTERNATIONAL FAIR** IFP	+961 5 959111; info@ifpexpo.com	www.ifpexpo.com
QATAR			
23-25 Sep	**THE BIG 5 CONSTRUCT QATAR** dmg Events	+971 4 4380355; info@dmgevents.com	www.dmgevents.com
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22-24 Oct	**CITYSCAPE QATAR** Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informaexhibitions.com
12-14 Nov	**HOSPITALITY QATAR** IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
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2-4 Sep	**WORLD HEAVY OIL CONGRESS & EXHIBITION** dmg Events	+971 4 4380355; info@dmgevents.com	www.dmgevents.com
23-25 Sep	**OMAN HEALTH EXHIBITION** Omanexpo LLC	+968-24660124; info@omanexpo.com	www.omanexpo.com
TBD	**CLEANING & FACILITIES MANAGEMENT** Oman International Trade & Exhibitions (OITE)	+968 2465 6000; info@oite.com	www.oite.com

LAST WORD

By Gaby Kassab

Part of a global crisis

The dangers of e-waste disposal in Lebanon

Electronics are becoming more disposable. Indeed, built-in obsolescence, high cost of repair, as well as leaps in technology have shortened their lifespan. The Global E-waste Monitor 2017, a study on electronic waste (e-waste) undertaken through a collaboration of the United Nations University, the International Telecommunication Union, and the International Solid Waste Association, found that in 2016 there were 44.7 million metric tonnes (Mt) of e-waste globally—the equivalent to 4,500 Eiffel towers worth. By 2021 it predicted there would be 52.2 million Mt of e-waste globally. The shortened lifespan of electronics has brought about a whole new environmental crisis.

UNKNOWN FATES

E-waste can be categorized into six groups, according to the study: cooling and freezing equipment, such as freezers or air conditioners; screens/monitors, such as TVs and laptops; lamps, such as fluorescent or LED lamps; large equipment, such as washing machines or electric stoves; and small equipment, such as vacuums and calculators. Each product has potential environmental and health impacts if recycled improperly. Unfortunately, that is more often the case than not. Based on the study's findings, only 20 percent of global e-waste is even recycled, and data on how e-waste is disposed of is lacking. "The fate of a large majority of the e-waste (34.1 Mt) is simply unknown. In countries where there is no national e-waste legislation in place, e-waste is likely treated as other or general waste. This is either land-filled or recycled, along with other metal or plastic wastes," the study reads. "There is the high risk that the pollutants are not taken care of properly, or they are taken care of by an informal sector and recycled without properly protecting the workers, while emitting the toxins contained in e-waste."

This is reflected here in Lebanon, one of the 34 percent of countries that have no legislation to tackle e-waste. The 2015 garbage crisis—which was never actually resolved and looks set to return—gave rise to more informal recycling efforts in the country, but these are not monitored. The informal processing and improper recycling of e-waste can lead to toxic chemicals and heavy metals leaking into the soils in landfills and other "unofficial" dumping grounds, and the accompanying disintegration will generate ground water, surface water, and air pollution.

HEALTH IMPACTS

When e-waste is discarded into landfills or incinerated, it has disastrous effects on its surroundings. Scavenging for materials on the electronic board level releases highly dangerous toxins that directly impact human health. Modern electronics can contain up to 60 different elements; many are valuable, some are hazardous, and some are both. The most complex mix of substances is usually present in the printed wiring boards (PWBs). Unfortunately, PWBs are the main target of local recyclers, due to their high concentration of heavy metals. However, to extract these requires highly sophisticated chemical and controlled heat processes that are not available in Lebanon. So those who attempt to do so use methods that release all sorts of poisonous toxins in the air, soil, and water.

Most developing countries lack a standardized framework for treating e-waste as well as the environmental awareness of how to treat it. In Lebanon, solid waste companies are neither mandated, nor do they have the capability to properly dispose of e-waste, which often ends up crushed at scrap facilities with no environmental safety measures. In order to raise awareness of the dangers of e-waste disposal, our non-profit organization, ECOSERV, was established in January 2018. Our aim is to lead by example on how to safely dispose of and recycle e-waste.

To that end we are working on an initiative to change e-waste disposal habits in Lebanese communities through increased social awareness at universities, schools, and municipalities. On the individual level, we have set up over 50 drop zones across Lebanon where people can bring their e-waste to ensure it will be properly disposed of, and recycled where possible.

ECOSERV aims to create a sustainable social impact on the national level. Proper processing of e-waste is essential to ensure that toxic materials are not released into the environment. We need collective action from all stakeholders—municipalities, private and public institutions, universities and schools, and households—in dealing with the e-waste challenge.

Gaby Kassab, president of ECOSERV, has a long-standing career in telecommunications and IT and has experienced first hand the challenge of e-waste treatment.


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