DEVELOPING BEIRUT'S COAST | ICT INFRASTRUCTURE | GENTRIFYING MAR MIKHAEL

Executive

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BOOZ vs BOOZ

The battle for human capital

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RIDDLE ME THIS

For an entire month, our investigative reporters tried to answer a painfully simple question: is Lebanon using its fiber optic backbone for data traffic? The result — we still don't know. It's a mystery wrapped in a riddle inside an enigma! Even the *minister* might not know.

Instead, there are people hiding something, and I can only conclude that it's their own ignorance. It is 2015. We should have installed and started using fiber optics many years ago. Investing in information and communications technology (ICT) infrastructure is a proven GDP booster. Look at Ireland. The emerald isle's transformation from a failing industrial economy to a tech hub should be something both policy makers and the board of IDAL are ceaselessly trying to emulate. Instead, our country's leaders and chief promoter are letting opportunity after opportunity pass by, taking our best and brightest along for the ride.

So why is nobody presenting a strategic, long term national plan? Imagine the return on a serious investment in ICT infrastructure. Actually, you don't have to. According to a 2012 study by Booz & Company for the Ministry of Telecommunications, a properly invested and restructured ICT sector could bring economic gains of over $2 billion in just five years. For comparison, routing fiber to every home and business in the country would only cost some $300 million according to industry contractors.

This country has so much to offer, especially when it comes to human capital: from designers and production companies to consultancies like Murex and Strategy& (whose regional office, uniquely, is based here). With truly modern ICT infrastructure, just think of how many more companies we could lure here and of course how many of our most talented would stay.

Given this, it is infuriating how myopic our policymakers are. If only they would read an economic study once in a while. Or at least try to google one. Since they can't answer the most basic question about the country's internet infrastructure, let me pose a different one: how many even know what Google is?

Yasser Akkaoui
Editor-in-chief

Contents
#187

FEBRUARY **2015**

16

On the cover

Strategy & war

In consulting, human capital is everything. And the Middle East's scarcity in qualified consultants is taking the war for local talent to a whole new level: just look at the battle between two companies associated with the name Booz.

36

ECONOMICS & POLICY
Hospital waste

72

REAL ESTATE
Gentrifying Mar Mikhael

CORRECTIONS

In "Local market rules" in Facts & Forecasts 2014–2015, the lead photo's caption ("Venues are struggling to fill empty tables") improperly implied that Prune, the pictured restaurant, was struggling to fill its tables. This implication was improper to make.

In Facts & Forecasts 2014–2015, the article "In comes the money" mistakenly identified MEVP's 'ambassador' to Silicon Valley as Elie Khoury of Woopra. In fact, it is Elie Habib, formerly of Riyada Enterprise Development.

We regret the errors.


strategy&
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Lebanese security forces and emergency services respond to a suicide bombing in Jabal Mohsen, Tripoli

> An **Israeli airstrike** on Syria's Golan Heights on January 18 killed six **Hezbollah** members and a senior Iranian general. Among those killed was Jihad Mughniyeh, the 25 year old son of Imad Mughniyeh, a top Hezbollah operative assassinated in Damascus in 2008. Lebanese politicians have urged that, should Hezbollah choose to respond, they should do so in Syria.

> A **double suicide bombing** on January 10 in **Jabal Mohsen**, a majority Alawite neighborhood in Tripoli, killed nine people and wounded dozens. Later that month, Lebanon's top military court charged 28 people over suspected involvement in organizing the attack.

> **Islamist militants** fighting in Syria launched an attack on a **Lebanese Army** outpost near **Ras Baalbek** in the eastern Bekaa, killing five soldiers. Ensuing clashes between the army and militants led to the deaths of an additional three soldiers, as well as over 40 militants.

> Lebanon's Internal Security Forces carried out a raid in **Roumieh Prison's notorious Block B**, which houses Islamist detainees. The crackdown followed reports that some prisoners were connected to the twin suicide bombings targeting a cafe in Tripoli earlier in January.

> **Hezbollah** and the **Future Movement** have continued talks aimed at mitigating sectarian tensions brought about by the Syrian conflict. Discussions have focused on restoring security, with the two sides agreeing to the continuation of the government's security plan throughout Lebanon.

> Free Patriotic Movement leader **Michel Aoun** is set to meet with his longtime opponent, Lebanese Forces head **Samir Geagea**, in an effort to break the current political impasse. According to a statement by FPM MP Ibrahim Kanaan, the two will meet as soon as the agenda for their dialogue is finalized.

> Lebanese MPs failed to elect a **new president** on January 7, in the 17th attempt since April 2014. **Parliament** Speaker Nabih Berri postponed the election to late January as a result of a lack of quorum, as MPs from the March 8 coalition have been boycotting election sessions due to a lack of consensus on a candidate.

> During a speech delivered on January 9, Hezbollah Secretary General **Hassan Nasrallah** said that 'takfiri terrorist groups' had harmed Islam more than any cartoon or book, in reference to the Paris attacks against Charlie Hebdo that left 12 dead.

Syrian refugees often lack appropriate clothing for Lebanon's snowy winter

> General Security placed **new restrictions** on **Syrians** entering Lebanon. While travel between the two countries has been relatively unrestricted since Lebanon gained independence in 1943, Syrians will now have to obtain a visa prior to entering. UNHCR's representative in Lebanon Ninette Kelley announced that the number of new refugees in Lebanon dropped 44 percent in 2014 compared to 2013.

> Strong **winter storms** battered Lebanon with snow and rain during January, leaving 12 dead and hundreds of thousands in freezing temperatures. The storms hit the Syrian refugee population in Lebanon particularly hard, as many live in inadequate shelter without heating.

> Former Lebanese Prime Minister **Omar Karami** died on January 1, following a long battle with cancer. Thousands of mourners took part in a procession that departed from Beirut, making stops in various towns on the way to Tripoli.

> Lebanon's Grand Mufti **Sheikh Abdul Latif Derian** met with high ranking Qatari officials, in a trip aimed at promoting religious and political ties between the two countries.

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QUOTE OF THE MONTH

“FIGHTING CORRUPTION DOES NOT BEGIN WITH KABABJI, ROADSTER OR HALABI, BUT AT HIGHER LEVELS … THE VISIT TO THE GRAIN SILOS [CARRIED OUT BY MINISTER WAEL ABU FAOUR] TURNED INTO A MEDIA SHOW AND CIRCUS.”

Minister of Economy Alain Hakim

> According to a report issued this month by the ***Ministry of Finance***, rising tax revenues and receivables from treasury operations led to a reduction in the budget deficit from 31.89 percent in September 2013 to 21.93 percent in September 2014.

> The ***German Development Bank*** announced a donation of $39.6 million to support Syrian refugees in Lebanon. The grant is meant to assist UNICEF in “providing access to quality formal and non-formal education,” as well as to offer technical support to Lebanon’s Ministry of Education to build institutional capacities, according to a statement released on Reliefweb’s website.

> ***Human Rights Watch*** stated in a report released this month entitled “Unequal and unprotected: Women’s rights under Lebanon’s religious personal status laws” that women are discriminated against by Lebanon’s religious based personal status laws. There are bigger obstacles for women than men who want to end a marriage, making them more vulnerable, the report said.

> Despite general economic troubles, ***car sales*** in Lebanon rose by 4.55 percent in 2014 compared to the previous year, according to recently released data from the ***Association of Car Importers in Lebanon***.

> In its “Global Economic Prospects” report published in January 2015, the ***World Bank*** projects a GDP growth of of 3.6 percent in Lebanon in 2017.

> During an unofficial visit to Beirut to assess Lebanon’s labor market, a ***World Bank*** group delegation urged the country to adopt an integrated strategy to fight youth unemployment and stimulate job growth.

> Lebanon’s banking sector is expected to face a challenging year, after ***Moody’s Investors Service*** downgraded the long term deposit ratings of three Lebanese banks from B1 to B2.

> According to data from ***Byblos Bank***, Rafic Hariri International Airport released figures showing that numbers of passengers had increased in 2014 by 4.8 percent, compared to 2013.

> Angry residents of ***Naameh***, south of Beirut, blocked the entrance to the town’s landfill, calling on Minister of Environment Mohammad Machnouk to resign for not fulfilling his promise of closing the controversial site.

> With global ***oil prices*** at record lows, Lebanon has seen significant decreases in the price of petroleum products, with gasoline prices dropping by over LBP 11,000 ($7.33) per 20 liters since January 2014.

> During a meeting with the Lebanese-Chinese Businessmen Association, Minister of Industry ***Hussein Hajj Hassan*** said he planned to gradually impose duties on certain imports. According to the minister, the taxes would mainly target goods subsidized by their country of origin and serve to protect the Lebanese industrial sector.

> ***Miss Lebanon Saly Greige*** responded to criticism of a photo that emerged of her posing with Miss Israel Doron Matalon during the Miss Universe Pageant in Miami, claiming that Matalon had jumped into the photo at the last minute. The image sparked a heated debate in Lebanon, in light of the ongoing hostilities between the two countries.

Saly Greige represented Lebanon at the Miss Universe Pageant in Miami

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> **Consulting & human capital**

Questionable ethics

The ongoing talent war in Middle East consulting requires ethics, not just aggression

When Executive asked Joe Saddi, senior partner in PricewaterhouseCoopers' premium consulting arm Strategy&, and before that global chairman of predecessor firm Booz & Company, if there was a shared greatest challenge for Arab companies, he answered without a hint of hesitation: "There is. It is capacity building."

Our subsequent research into the defining challenges of consulting firms working in the Middle East and North Africa (see story page 16) led us to conclude that there was a more than slight whiff of irony to that answer. As evidenced by the regional consulting industry's ongoing talent war — which is a symptom of a shortage in human capital — the strengthening and development of human capital appear to be still an enormous need not only for the average Arab corporation but also, and perhaps more crucially, for any player in Big Consulting attempting to cover the region with competent services.

In a second finding of our brief research into regional consulting, we can again confirm that Lebanese talents, trained at our business schools and universities, rank with the top, if not totally at the top, of the region when it comes to supplying native management consultants across the entire advisory industry in the MENA region.

At the same time, however, as Executive encountered evidence for the need of improvement in human capital standards and ethics across the region's consulting ranks, a Lebanese element to these problems seemed unmistakable. When checking social networks for regionally based seniors and juniors of all consulting levels who had recently defected from Booz — by its own claims the region's dominant premium consulting firm — the resulting list of names reads like something from a directory of Lebanese university graduates, stretching from Abou Jaoude to Khoury and from Matar to Ziade. If a greater than usual human capital battle has recently been playing out behind the scenes of the regional consulting industry, Lebanese, it appears, were right at the center of the fray. The two basic findings of our investigation highlight a number of needs: first, the need to address the still persistent deficits in the number of superbly qualified local decisionmakers in regional corporations. This need requires that companies accelerate the formation of native Arab human capital.

But the fact that consulting firms appear to be embroiled in a regional talent war is also a reminder of more fundamental needs, beginning with the imperative that even wars need ethics. It would be silly to assume simple good vs. bad, black against white categories for antagonists in a talent war among top consulting firms. Consulting firms operate in the capitalist system and are subscribing by default to capitalist ideals of self fulfillment and gratification of greed amidst harsh competition, not to monastic ideals of denying world and self or socialist theorems preaching 'from each according to his abilities, to each according to his needs'.

Seeking control of vital resources is integral to the contemporary capitalist environment and all protagonists will follow the 'survive and succeed or be swallowed' logics of competition, including talent poaching and headhunting, and use every trick in the book of how to win clients and bring competitors down.

Even under those paradigms, however, rules of conduct and proven best practices must be respected if one does not want to lose the real war by destroying one's own assets of credibility and reputation. For example, if a consulting organization in the Middle East describes the audit conflict — the problem that destroyed huge economic value in the United States some 15 years ago — as mainly a matter of the jurisdiction where you operate and thus not applying to many countries in this region which don't have the requisite laws against overlapping consulting and auditing, the occurrence of a MENA Enron or Tyco case sounds like just a matter of time.

Under such a scenario, the self destruction of any implicated double provider of auditing and consulting would be pretty much guaranteed and not be a question of laws but of failure to learn existential business lessons.

The negative consequences of ethical failures apply by necessity to both organizations and individuals and the higher the visibility, the greater the consequences. A consulting organization will risk facing incredulity if it, for example, proposes to instruct a client company in employee training and talent retention, but cannot demonstrate a track record of providing a career path that motivates its own consulting workforce.

And by way of other purely hypothetical examples, management consultants who massage their own career histories can certainly teach lessons to managers. But will these be the right lessons? Strategic consultants who have a totally superior view of themselves and who calculate their billable time based on their own inflated sense of importance can also certainly convey messages on profit maximization and impart such lessons to corporations. But can such strategies be sustainable?

Consulting organizations of high repute of course swear by their ethics. For one pertinent example, the historic parent of both Booz Allen Hamilton and Strategy& had a code of ethics which, according to company timelines, was first written up in the 1930s. As one of its 10 points, this code required its undersigned to have "willingness to subordinate one's personal interest to that of the firm," said several promotional publications of the Booz Allen Group from different time points in the last decade.

Given that such a demand implies that a firm sees itself — and not a larger purpose beyond itself — as the principally desirable 'greater good', it is in itself worthy of critique, and ever more so if the demand for self subordination is not balanced by an equal emphasis on the firm's ethical commitments to society, environment and crucially, every single employee.

If a corporation, consulting or otherwise, affirms that human capital is its greatest asset, a very similar need for cautious examination arises. The term human capital is a value statement that is totally meaningless without affirmation of ethics and unalienable human dignity. If 'human' is not the ruling element in the concept's DNA, then this word combination is just a hollow euphemism and buzzword for the practice of deploying human beings as dehumanized parts of the economic equation.

The consulting profession has dealt in human capital before almost any other profession. It was a consultant at McKinsey who popularized the term 'talent war' first, back in the 1990s. Frankly though, it appears that the number of ethical failures in strategic and management advice throughout the first 100 years in the history of consulting can fill volumes of moral and economic bankruptcy stories.

HUMAN CAPITAL IS A VALUE STATEMENT THAT IS TOTALLY MEANINGLESS WITHOUT AFFIRMATION OF ETHICS

One urgent, albeit hardly new, need for the future validity of the highly concentrated Big Consulting and correlated Big Auditing industries is that the dominant players in this space have to become credible models for the insights and recipes they propagate.

A correlated need is that premium consultants are well advised to make every effort for building up stronger values that qualify them on universal terms and not only from business performance angles and profit principles.

Finally, from the knowledge that consulting will be in regional demand in the foreseeable future and that Lebanese can be a key current and future resource in regional consulting, business schools and stakeholders in such education are advised to prepare our young talents ever better for consulting career opportunities — and do that both in technical terms and by equipping them more abundantly with the moral tools that will assist them in future wars for their talents where they will face myriad black and white decisions.

> Waste management

Tsu-Naameh

Lebanon is facing a flood of garbage unless it commits to a solution

Typically, not much thought is given to trash once it's removed from the home — out of sight, out of mind. Not so in Lebanon. The problem of garbage disposal in the country has become a chronic and pressing issue. Every couple of years, the issue comes to a head: for one reason or another, trash isn't removed from the streets, a public outcry ensues and the government devises yet another plan to fix the problem once and for all. Yet somehow, these plans always go unimplemented. Instead, bandaid solutions are applied with the promise that a long term plan will be studied. And once public outrage subsides, the issue is pushed to the side and all but forgotten.

In the latest iteration of this cycle of inaction, last month the government outlined an amended plan for waste management through a short (and hence vague) resolution that organized the country into six regions and called on the finance and environment ministries to launch waste management tenders for trash collection, treatment and disposal in each of these regions within two months. Bidders are to propose treatment and landfill sites themselves; if the winning bids cannot secure the sites within one month of being awarded the contract, a much more bureaucratic process begins, involving the Council for Development and Reconstruction, the Ministry of Environment and the Council of Ministers.

THE GOVERNMENT CANNOT WAIT TO NEGOTIATE A NEW LONG TERM SOLUTION

This plan is therefore not ideal. But it has a chance of success if the government remains committed to it — and commitment is perhaps the largest problem in Lebanon's ongoing waste management fiasco.

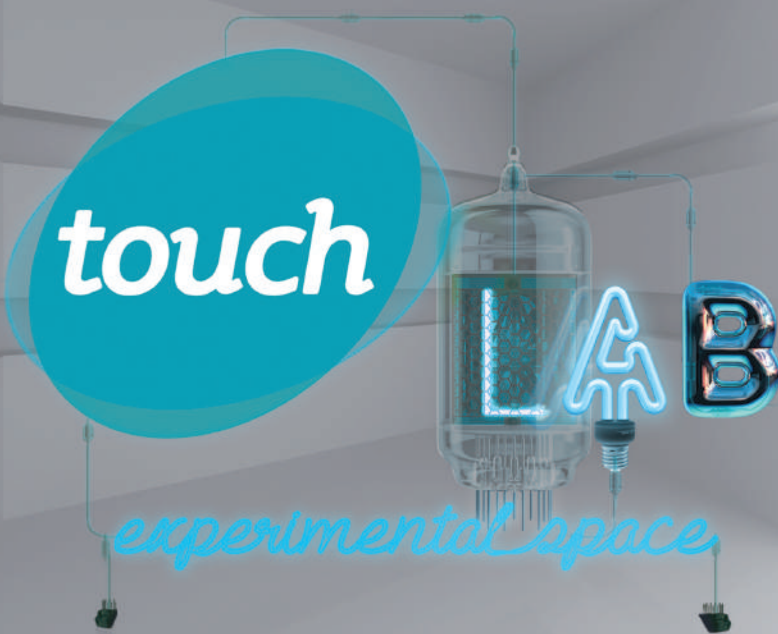
Remember?

Here's one example: the Naameh dump, in a valley south of Beirut, was intended upon its opening in 1997 to be an interim solution towards developing sanitary landfills across the country. After 17 years, the dump has quintupled its original capacity spilling toxic emissions onto its environ creating what was meant as a stopgap solution into a long term public health and environmental crisis.

The Naameh disaster is not an isolated incident, but the result of a pattern of bad waste management decisions. Lebanon's government has repeatedly promised that long term, sustainable solutions would be identified, outlined and delivered. These promises have gone unfulfilled. Instead, the government has consistently failed to implement any plans — even when they hold great potential.

To illustrate this point, let's quickly run through the country's catastrophic history of waste management. In 1997, the government produced plans to close the Normandy dump — where Biel sits today — while simultaneously constructing two composting plants, two sorting plants and two new landfills. In reality only one smaller composting plant was built, the service provider collecting waste expanded its area of coverage so that the sorting facilities operated beyond capacity, and when the landfills surpassed their planned lifespan, the rate of waste fluid seepage increasing while intensifying the release of odor and gas. In 2003, the Ministry of Environment devised another plan wherein sorting and composting plants and landfills would be built in each of the 26 districts in the country, with most of the chosen site locations for the waste management facilities rejected. In 2006, the plan was resuscitated and altered: 26 landfills became instead seven landfills spread around the country. This amendment was also rejected. In 2010, the government endorsed a plan to adopt waste-to-energy technologies, and in 2012 contracted a consulting firm to study the application of waste incinerators to produce electricity in urban areas. But in 2013, after months of preparation outlining a strategy to implement waste-to-energy incinerators, the government resigned. As part of that plan, the Naameh dump was to be closed this past January, a deadline that has not been met but rather extended for an additional three months with an option to further postpone its closing.

With no real commitment to a solution, residents have resorted to dumping garbage anywhere they can — there are now some 700-plus open air dumps in the country.



Innovative concept store to transform the mobile retail experience

touch, the leading mobile operator managed by Zain, inaugurated the touch lab, Lebanon's first telecom concept store, under the auspices of Minister of Telecommunications Boutros Harb.

Located in the heart of Beirut's Central District, this unique and innovative service center enables customers to experience, firsthand, the latest products and services via interactive service demos and tech installations.

In collaboration with various partners, the space also offers live broadcasts of the latest innovations in the world of content applications and technology.

touch lab is an innovative step in transforming the mobile retail experience, with touch once again keeping its customers at the center of its business strategy.

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Self-care facilities: Service activation and payment.

Tech Devices: Display of the latest wearable tech and smartphones.

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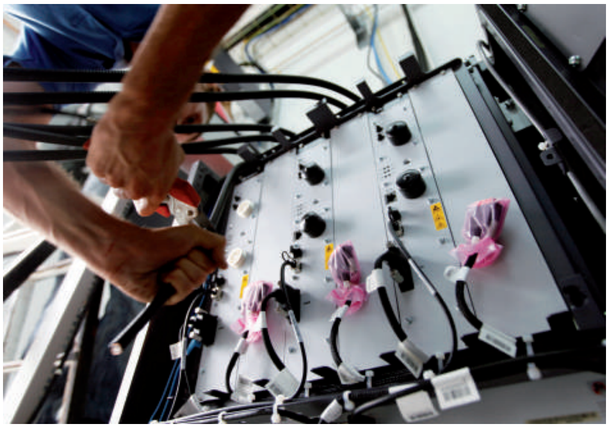
These dumps are not only ugly and smelly, they're ticking public health timebombs. Leaking — and potentially toxic — fluids and gases not only damage the environment by contaminating the soil and groundwater, but also threaten the health of residents living in the vicinity of the dump. According to a September 2014 report by the United Nations Development Program that assessed the environmental impact of the Syrian crisis on Lebanon, the most common health concerns to nearby populations of these open air dumps are eye irritation, tuberculosis, diarrhea, typhoid, dysentery, coughing and scabies. Open burning of waste at these sites releases toxic air pollutants such as carcinogenic dioxins and furans.

With evidence of public health and environmental concerns piled higher than the garbage itself, the Lebanese government cannot wait to negotiate a new long term solution. It must instead commit to its latest plan — and this time, follow through. Announce the tenders, award the contracts — but only in an open and transparent process — and push through the acquisition of new waste treatment and landfill sites. The current plan is not perfectly designed, but we can no longer allow the best to be the enemy of the good. Because if we do, Naameh and the open air dumps will only grow, and everyone will lose.

> ICT infrastructure

Dear Ms. X,

In search of the person who can answer the most basic questions about Lebanon's communications infrastructure



We in Lebanon love to complain about traffic. But when we tire of bemoaning our clogged roads, we often move on to another popular gripe: the poor state of the country's information and communications technology (ICT) infrastructure. Internet speed is slow, mobile data connections come and go as you move, and calls drop with annoying frequency. While both the current and former telecoms ministers have promised jumps in internet download speed, the country's speed ranking embarrassingly fluctuates near 170 out of 196 countries whose internet speeds are tracked by the Ookla Netindex. That's better than dead last — as was the case in October 2011 — but still not the lightning speeds that will usher in the billions in economic activity that we were promised. Given the fact that successive telecoms ministers have touted the goal of creating a 'knowledge economy', Executive set out to examine the actual state of Lebanon's ICT infrastructure — to better understand where we are now and what needs to be improved. We did not expect the answer to be so difficult to find.

IS LEBANON USING A FIBER OPTIC BACKBONE FOR DATA TRAFFIC?

ICT infrastructure — from our national data and telephone backbones to the copper wires that connect the backbone with users' homes to the base stations sending out mobile phone signals — is the property of the Lebanese government. But because these assets are built and maintained with taxpayer money, they also belong to the people. And the people have a right to know how their money is being spent, what they are purchasing and the status of those investments.

We reached out to Ogero, the state owned enterprise that monopolizes fixed line services, but were denied an interview. Back in June, when Telecommunications Minister Boutros Harb called Ogero's director general and booked a meeting on Executive's behalf, the director general promptly kicked Executive out of his office. Never to be deterred by such a refusal, Executive spoke with employees of the Ministry of Telecommunications, top market players and even a company that completed north of $50 million in contracting work on an ICT infrastructure project, but received divergent answers to the most basic question: is Lebanon using a fiber optic backbone for data traffic?

It is absurd and unacceptable that such a simple query cannot be answered with a Google search. Even more ridiculous — and indeed worthy of public outcry — is that government officials tasked with developing ICT infrastructure do not themselves appear to know. Executive will keep searching and will not stop our investigation until we have solid, verified answers. In the meantime, we believe the person with answers must be out there. That person has an obligation to the nation to honestly and transparently explain where we are and what is needed for further improvement. Will Mr. or Ms. X please step forward?

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& STRATEGY WAR

IN CONSULTING, HUMAN CAPITAL IS EVERYTHING. REAL EXPERTS ARE RARE AND HAVE LONG BEEN FOUGHT OVER, ESPECIALLY IN A GROWTH REGION LIKE THE MIDDLE EAST WHERE CULTURAL COMPATIBILITY IS A KEY NEED. NOW IT LOOKS AS IF THE REGION'S SCARCITY IN QUALIFIED CONSULTANTS IS TAKING THE WAR FOR LOCAL TALENT TO A WHOLE NEW LEVEL.

By Thomas Schellen

Their offices are located on what feels like the central corner of downtown Beirut. From their conference rooms and executive offices the view sweeps across the headquarters of Lebanon's largest bank and the premises of the nation's top couturier to the city's flashiest high end office addresses.

But what makes the presence of consulting firm Strategy&, formerly Booz & Company, at the physical core of the Lebanese business landscape truly noteworthy is not the location's air of money and corporate importance. It is the company's history of stay. It has been here since this part of downtown was rebuilt — which means operating a top tier Beirut office for more than a decade, even though the Lebanese consulting market is strictly little league.

When compared with the Gulf region, "we don't have many clients in Lebanon," acknowledges Joe Saddi, senior partner and chairman of Strategy&'s Middle East business. "In business focus, the firm follows GDP, from the biggest down," he says, and names the region's primary markets for consulting services as Saudi Arabia, followed by the United Arab Emirates and then Qatar and Kuwait.

Ask the top person at the Lebanese lair of this globally active consulting firm why they maintain an expensive presence in Beirut, and Saddi will tell you that they are here because of Lebanon's most valuable resource: "We are in Lebanon mostly because of the talent."

And while the name Strategy& may not yet ring a bell with people who look up a consulting firm only when they need to restructure or reinvent their company, this company has been plugged into the industry's spinal cord since its beginnings in the industrial environs of Chicago 101 years ago. Then, the company's name appears to have been "Business Research System", but it became known through a succession of later monikers which all included the term Booz, after its founder. Last year, however, Booz & Company made a big move by combining forces with another global services organization, PricewaterhouseCoopers (PwC), and had to drop anything 'Booz' from its official identity because of a contractual obligation (see box next page).

MAKING IT ON THE LOCAL STAGE

While other consulting firms with global repute — the likes of Boston Consulting Group (BCG), Bain & Company, McKinsey and so forth — have bypassed Beirut in recent decades and put all their regional offices into the GCC basket or perhaps into Egypt, the Strategy& organization's Beirut office has given the company an edge in recruitment and boosted its human capital.

George Sarraf, a Strategy& energy partner and veteran of its Middle East consulting activity reminisces on how the company has been accessing Lebanese talent ever since he joined its then regional base in Abu Dhabi in 1996. "Lebanon is an important source of talent for us and it always has been since we first opened an office in the region," he muses.

According to both Saddi and Sarraf, talent — and competition for talent — are defining issues in what they call the premium consulting industry, whose management and strategic advisors regularly have to interact with senior leaders in large corporate and public sector organizations. "The biggest challenge you have is access to talent and to maintain talent. This is the element that constrains growth the most and that is why there is a lot of fighting around talent within this industry," Sarraf explains.

In Saddi's words, Strategy& was able to draw in local talent more effectively than other premium consultancies over many years, but as he concedes, outbound talent migration at the top tier of partners in the company was part of the company's transition from a standalone firm to alignment with global giant PwC. While the majority of regional partners, according to him, voted in favor of the tie up with PwC in the fourth quarter of 2013, "around 10" partners left the firm between the vote and mid 2014. According to comments by Sarraf in September 2014, the issue was under control at that time, because the majority of partners remained with the organization, only a minority of departees from various ranks went to the competition and new hires came aboard. "[When looking at] the net — net of how many people have left and how many have joined during this period of time — I would not say it is a wash but it is a near wash," he enthused.

STRATEGY& HAS BEEN RECENTLY EMBROILED IN A VERITABLE TALENT BATTLE

A SMALL WRINKLE

But when wrapping up and rechecking its research into the regional human capital of partners and consultants in January 2015, Executive found signs suggesting that Strategy& has been recently embroiled in a veritable talent battle.

Comparing the lists of partners on Strategy&'s website and other sources from last month with a version of Booz's cached by nonprofit outfit The Internet Archive, one finds that 12 of 27 Middle East based partners left the company between December 2013 and January 2015.

While this sounds grave enough in a business where partners are crucial players for reputation, expertise and also for bringing in clients and contracts, the defections of partners over a slightly longer period from March 2013 until January 2014 seemed counter indicative to Sarraf's suggestion that "only" a minority hitched with regional competitors.

Of partners who vanished from Booz in that period to reappear elsewhere in the consulting industry, one moved to Ernst & Young in a global role; two others became partners at McKinsey in the UAE; and a fourth claimed on their LinkedIn profile that they moved from Booz to join A.T. Kearney in Dubai in January 2015 (however, their name had not appeared on the A.T. Kearney website as Executive went to press).

Taking the total count to eight, three partners jumped to BCG in the Middle East and one to BCG in Europe.

A TALE OF TWO EDWINS

Strategy& is an uneasy name for a consulting firm. Many will tell you — and opine — that the old name, Booz & Company, was so much more memorable as it carried the storied image of a full century of consulting dating back to one Edwin Booz who hung out his shingle as presumably the world's first commercial consultant in Chicago back in 1914.

However, in 2013 the global partners — and hence owners — of Booz & Company had no choice but to give up that brand in order to join forces with another storied name (and much bigger company): professional services corporation PricewaterhouseCoopers, today branded as PwC. The merger meant that a clause in an older deal between Booz & Company and sister consultancy Booz Allen Hamilton had to be obeyed — a stipulation of the demerger of the company that was operating globally as Booz Allen Hamilton until 2008. This demerger had established BAH as a US focused firm whose revenue stream originated more than 90 percent from defense, intelligence and other government work and provided Booz & Company with a hold over international markets. The newly segregated siblings were not to penetrate into each other's territory for three years, until late 2011, and if Booz & Company were ever to merge with another player, it would have to discontinue using the Booz brand.

Yet the new deal with PwC did not deprive Booz & Company of association with a time honored name. PwC's roots date back to the mid 19th century and to prominent London based accountants, including one Edwin Waterhouse.

Lastly, as the hammer in this game of rotation, consulting firm Booz Allen Hamilton (BAH), which started pushing into the Middle East after a noncompete agreement with former sibling Booz & Company expired in Q3 2011, in October 2014 presented three recently departed Booz seniors plus another Booz alumnus as new BAH partners and part of their new MENA leadership team — led by yet another Booz outbound migrant as the MENA team's new "executive vice president and managing director", according to the press release (see box next page).

Moreover, the migratory pressure has not been limited to the top tier of partners, vice presidents and so forth. For an informative, albeit not statistically representative assessment of migrations in the rank and file of the Strategy& and BAH organizations, and in an effort to find direct crossings from the former to the latter, Executive reviewed some 42 LinkedIn profiles of analysts, associates, senior associates and principals who indicated employment by either of the two companies in their online profiles.

According to their profiles, most of which were posted by persons with last names that indicate a possible Lebanese nationality, 20 individuals — almost half of the interconnected profiles which we accessed — left Booz–Strategy& between mid 2013 and end 2014. And all but a few of these individuals indicated that they moved without any intermediary employment to BAH.

That, one assumes, cannot be a boon for an organization whose defining capital is human.

IT MADE SENSE ON PAPER

From the C-suite narrative, there was a straightforward logic behind the decision which Booz's global layer of top stakeholders approved in December 2013 and that was formally sealed in April 2014. What happened was "a meeting of the minds" between PwC and Booz, says Saddi.

For Booz, the process started with introspection into the consulting industry and its future challenges. "It dawned on us that the industry was going through an inflection point in that clients were no longer asking only for strategic advice but also wanted you to [implement] and deliver tangible impacts. To deliver tangible impacts nowadays requires having much more capabilities," says Saddi. To gain those needed capabilities, the company's only choices were to either build them internally over time or find a partner that already had such capabilities, he adds.

Having opened the mental doors to the possibility of joining forces with a partner, the leadership of Booz responded to overtures which according to Saddi originated from PwC. The caveat was to engineer the partnership in a way that would have a greater chance of success than other such moves that had accompanied the turbulent growth of the accounting and consulting industries since the days of the Enron scandal. "We spent a lot of time understanding what would make such a partnering succeed," says Saddi.

Both of the two firms, PwC and Booz, had already lived through complicated exercises in searching for winning corporate formulas of the sort that they expect from their new alliance. PwC's experience in this regard was shaped by the divestment of its Management Consulting Services unit in 2002. The path of Booz had included the split in 2008 that created Booz & Company as an entity focused on international business and Booz Allen Hamilton as a consultancy initially working on US government contracts, many with military and security flavors. And in 2010 Booz & Company said it had aborted discussions with consultancy peer A.T. Kearney over a possible merger.

"I PREFER THE TERM 'COMBINATION' RATHER THAN THE WORD 'MERGER' BECAUSE IT IS MORE OF A COMBINATION THAN A MERGER"

In going with PwC, the deal was shaped in a very different way from any other in the consulting industry, "where the smaller company was merged and integrated into the operation of the bigger one," says Saddi. "This is not the case here. Both sides agreed that in a first step what was Booz & Company would remain intact as a structure. Legacy Booz is going to remain as an entity and have its own identity within the PwC family."

'Legacy Booz' is the term by which members of Strategy& frequently refer to their company since joining PwC. Not even the term 'merger' appears to express the way in which partners in the consultancy perceive their new identity. "I prefer the term 'combination' rather than the word 'merger' because it is more of a combination than a merger," explains Sarraf.

In addition to the client demand for implementation of strategy that Saddi had discussed, Sarraf mentions three other key benefits to legacy Booz, all related to the much larger scale of the PwC operation when compared with the old Booz & Company.

"In the consulting business you need to invest, and the combination has allowed us access to a much larger pool of investments because of the sheer size and financial strength of a global firm like PwC," Sarraf says, going on to cite access to new capabilities "that we didn't have and which we needed access to" and enhanced geographic reach as the second and third new advantage. "Although Booz surely was a global firm and had in excess of 50 offices around the world, there were many countries where we were not present. If you today want to serve in areas like Africa, as an example, the wide geographic presence of a firm like PwC is a big plus," he explains.

The 'bigger is better' argument is well supported by numbers. According to its annual figures for its fiscal year ending June 2014, PwC achieved $33.95 billion in global revenues of which just under 3.5 percent were generated in the Middle East and Africa (MEA). In terms of total revenues, PwC was the world's number two in the advisory–accounting–consulting multiverse, just behind Deloitte, which reported $34.2 billion in revenues for the 12 months ending May 31, 2014.

PwC's revenues growth rate for MEA was shown at 9 percent versus 5.8 percent globally. Unpleasantly, as with other global corporate reports, the growth rates shown in the annual overview don't give details on the performance of MENA markets by themselves. However, the report says that the growth rate for MEA was 15.9 percent at stable exchange rates — which makes it unlikely that growth in the dollar pegged markets of the region, such as the GCC, was as strong as growth in markets against whose currencies the dollar appreciated over that period.

A WORLD IN NEED … OF CONSULTANTS

Unlike PwC, Booz as a private partnership organization did not report global or regional revenues but the size differential is shown in the human capital accounts. According to Saddi, Booz had "hundreds of partners and thousands of employees" worldwide before joining forces with PwC; PwC, according to its online data sheet, accounted for 10,000 partners and over 195,000 total staff by the end of June 2014. On a global level, then, Strategy& will rely on PwC's strength to tap into the lucrative and growing market for consulting services.

Big consulting is at home in the United States and Europe, where top players achieve varying but generally dominant portions of their turnovers. Data from the US market, still the mother lode of consulting activities, say that revenues of management consulting firms grew from $120 billion in 2009 to $138 billion in 2013 and $143 billion in 2014. These figures were compiled by information portal statista.com from US Census data on industry.

In another statistical view on the international consulting industry, a company called Source Information Services found in the autumn of last year that big consulting groups, meaning firms employing more than 50 consultants, achieved revenues surpassing $41 billion from the US market in 2013. The same company, which acts as an analyst and consultant on the consulting business, said on several recent occasions that Southeast Asia and the Middle East and North Africa region — or more exactly the Gulf Cooperation Council bit of it — offer the best growth prospects for big consulting firms.

The Southeast Asia region benefited from political stability and the ASEAN economic area was projected to achieve 5 percent annual growth for the next five years, it said but acknowledged that among the two consultancy growth regions, the GCC market generates higher revenue per consultant and also has a higher propensity to buy consulting services.

While Source Information Services described the GCC consulting clienteles in unflattering terms as fidgety by comparing typical GCC client behavior to that of a "petulant teenager" and also named MENA markets with $2.2 billion in 2013 in consulting turnover as rather small revenue generators for big firms, it highlighted that the Saudi and Emirati consulting markets have been leading the world in growth rates, respectively registering 26 and 16 percent expansion in 2013.

With such growth rates, it is no wonder that the GCC market is an arena for the ambitions of global consulting firms such as the aforementioned four firms plus Accenture, as well as the consulting units of the globally leading 'Big Four' audit firms: Deloitte, KPMG, Ernst & Young and PwC.

WHERE THEY WENT

As of December 10, 2013 — a mere fortnight before Booz & Company partners took the final vote to join PwC — the company's website listed 27 partners in the Middle East. As of mid January 2015, here's where each of them were.

Strategy&
Olaf Acker
Samer Bohsali
Alessandro Borgogna
Gabriel Chahine
Georges Chehade
Bahjat El-Darwiche
Chucrallah Haddad
Hilal Halaoui
Andrew Horncastle
Fadi Majdalani
Joe Saddi
George Sarraf
Richard Shediac
Chady Smayra
David Tusa

No affiliation
Tarek Elsayed

Boston Consulting Group
Jad Bitar
Leila Hoteit
Christian Reber
Peter Vayanos

Booz Allen Hamilton
Walid Fayad
Raymond Khoury
Ramez Shehadi

McKinsey
George Haimari
Mazen Ramsay Najjar

Ernst & Young
George Atalla

A.T. Kearny
Sean Wheeler

Source: The Internet Archive, firms, individuals' LinkedIn profiles

AN AGRESSIVE CHALLENGER

With bountiful profit potentials in the Middle East, it is basic business logic that premium consultants will compete fiercely not only for new business — BAH for example triumphantly announced the win of a $22.3 million contract with the Royal Saudi military on the occasion of its first anniversary of its "reemergence in MENA" back in August 2012 — but even more for the scarcest and most vital resource: human capital.

In theory, this shouldn't be a problem over the long term as international experience shows how such enhanced demand motivates more young talent to aspire to consulting careers. *The Economist* reported in October 2014 that consulting has now surpassed investment banking as the primary career choice among newly minted MBAs. The publication cited studies showing that almost 30 percent of MBA graduates from 'elite business schools' in North America and Europe take employment at consulting firms. The tendency to seek work at consulting firms increased by six to seven percentage points between 2007 and 2013 among graduates from the likes of London Business School and the University of Chicago's Booth School of Business. At the latter school, four big consulting firms — McKinsey, Bain & Company, BCG and A.T. Kearney — hired 19 percent of the 2013 MBA class.

THE LOSS OF SO MANY PARTNERS LOOKS, BY THE SIZE OF THE REGIONAL CONSULTING INDUSTRY'S PARTNER RANKS, LIKE A MASS DEFECTION

But in the immediate term, what matters is experience and reputation. No fresh MBA graduate has that — instead, it is the added value provided by partners, whose primary job often isn't to consult, but rather to bring in clients and business. Saddi and Sarraf concede that the loss of tier one human capital has been significant, but both emphasize that Strategy& had immediately embarked on refilling the partner ranks. "We elect partners every year or every six months. Frankly, within one year, we expect to be back at full deck," says Saddi.

Sarraf points out that the PwC deal was similar to any such transaction in the corporate world in leading to "its own wave of departures. It is frankly very common that people either have the desire to change or are not satisfied with the transaction itself," he says. High turnovers in personnel were moreover a common occurrence in the premium consulting industry due to high performance pressure, he argues, claiming that only a minority of departees would join a competitor as most left for reasons such as joining their family business or setting up their own companies. And in tune with Saddi's perspective, Sarraf downplays the outmigration after October 2013 by emphasizing that Strategy& was on course to replenish its partner ranks.

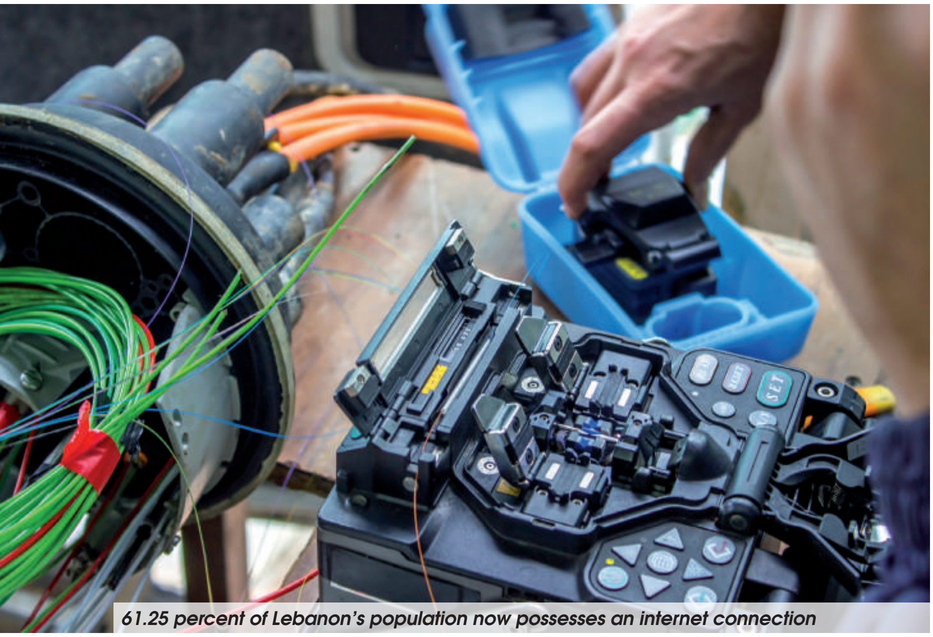
As the Strategy& partners page has been replenished to 25 and while the outmigration provided new career opportunities to ambitious risers from within legacy Booz, the loss of so many partners — and with them, decades of experience — looks, by the size of the regional consulting industry's partner ranks, like a mass defection whose consequences for Strategy&'s position in the Middle East consulting market are yet to become clear. BAH, which two years ago had announced that it would be "actively recruiting" regionally based specialists to increase its "traction" in MENA, in particular appears to have used every opportunity to snatch up human capital, right down to new analysts whose prior experience was an internship with the erstwhile 'sister Booz' in Beirut.

The picture of legacy Booz–BAH migrations suggests that the combination of the former's sale and name change with the latter's aggressive hiring approach — anecdotal evidence is that BAH's new hires in their majority were fitted with fancier positions than they had held at Booz — created a specific, and for the acquirer BAH presumably very expensive migration. Another BAH-friendly factor in this particular case may have been the ring of the old name, which BAH cheerily exploited by using its bragging rights to the Booz Allen Hamilton brand legacy of 100 years in consulting, and also the joint history of the two now-competitors until 2008. Some of the most experienced career migrants in the scenario had already worked under the BAH brand before 2008 and a couple of these veterans, known as Booz & Company people in numerous conference bios and publications, curiously purged their career histories in LinkedIn profiles by posting histories of working uninterruptedly with BAH since 1999 and 2002.

This emergence of new competition from known people under an established name must be more than an inconvenience for Strategy&. Yet Saddi and Sarraf emphasize with joint vigor that the aim of the PwC–Strategy& merger was to reach faster growth than Booz could have achieved on its own. That long term goal may yet play out if Strategy& can stem the outflow of talent and use this experience to take their team members' self confidence and trust in the organization to a new level. But it is clear that the future of Strategy& will require overcoming not just internal challenges such as the stratification of premium and value consulting, but also market challenges faced by the globally evolving consulting and auditing profession and, on regional terms, dealing with growing competition over clients. In the meantime, any coming battles over talent and clients in the Arab consulting space will be welcome news to the market — as long as this increased competition remains within the realms of human decency and does not deteriorate into full fledged, dirty commercial wars.

Playing to your strengths

Lebanon's ICT industry could compete on a global scale ... if only the pace of reform picked up



61.25 percent of Lebanon's population now possesses an internet connection

When you're barreling back down towards Beirut on the Nahr al-Mot highway, staying in the right hand lane means a workout for your car's shocks as you hit sewer cover after sewer cover. Smoothing out the ride means either driving in the left hand lane as faster motorists drive on your back bumper or zoom past you on the right, or making a 'middle lane': half left lane, half right lane or half right lane, half shoulder (where it exists). Once you've found a way to avoid the sewers, there are only the potholes and globs of dried cement that fell from leaking trucks to maneuver around. This, of course, is to say nothing of the hairpin turns. The highway suffers from both design problems and a lack of maintenance.

Then again, the construction and maintenance of pristine roads is arguably not Lebanon's strong suit. The same goes for the electricity and water networks and pretty much every other piece of physical infrastructure save for the air and sea ports. For information and communications technology (ICT), however, this was not always the case. With both mobile phone and internet infrastructure, Lebanon in the early to mid 1990s was a regional leader. And all the complaints about dropped calls, slow connection speeds and high prices aside, the country's ICT infrastructure is still its most advanced — aside, as mentioned, from the two international transportation gateways, Beirut Port and Rafik Hariri International Airport.

BENCHMARKING

While there may have been doubters 30 years ago, it has become gospel truth to those who measure such things that investment in ICT infrastructure, as well as increasing mobile phone penetration and broadband internet access, are absolute necessities for a country keen on global competitiveness. In 2009, the World Bank took an econometric model it had developed based on "the experience of 120 countries between 1980 and 2006" and applied it to Lebanon. It found that "a 10 percentage point increase in broadband penetration in [the country] would result in a recurring point estimate of 1.38 percentage point increase in the growth rate of GDP per capita, equivalent to $400 million per year." Additionally, the study says the "fiscal contribution resulting from this additional growth is estimated at a recurring $90 million per year." According to the International Telecommunication Union's most recent data for Lebanon (which comes from 2012), despite 61.25 percent of the population having an internet connection, there are only 451,000 broadband connections. There is clearly plenty of room for growth.

ALL COMPLAINTS ABOUT DROPPED CALLS, SLOW SPEEDS AND HIGH PRICES ASIDE, THE COUNTRY'S ICT INFRASTRUCTURE IS STILL ITS MOST ADVANCED

On the Networked Readiness Index, produced as part of the World Economic Forum's Global Technology Report, Lebanon ranked 97 out of 148 in 2014, a three spot drop compared to 2013. In addition to ranks, the index assigns countries a value between 1 and 7, with Lebanon clocking in at 3.6, slightly better than its score of 3.5 in 2013. The index comprises 10 pillars, each subdivided into between three and nine indicators. On pillar three, infrastructure and digital content, Lebanon's rank jumps to 77 of 148 with a value of 3.9, just shy of the upper middle income group average of 4.

Of the five indicators used as part of pillar three, however, the country's rank is dragged down by "accessibility of digital content," for which it ranks

115 out of 148. The value for this particular indicator comes from the WEF's Executive Opinion Survey as a result of the answer to the question: "In your country, how available is digital content via multiple platforms (e.g., fixed-line internet, wireless internet, mobile network, satellite)?"

On the other indicators for pillar three, Lebanon was much higher: electricity production measured by kilowatt hours per capita (59), mobile network coverage as a percentage of the population (56), international internet bandwidth based on kilobytes per second per user (71) and the number of secure internet servers in the country per million people (61). Perception bias of the executives surveyed could be dragging the country down on the infrastructure pillar as the other numbers, which point to actual physical equipment, suggest Lebanon should be above the upper middle income group average.

THE GLORY DAYS

Before the Civil War erupted in 1975, three subsea cables designed to carry telephone traffic connected Lebanon to France, Egypt and Cyprus, and the country also hosted three earth links, beaming communications to satellites operated by Intelsat. The country had more than 400,000 fixed line telephone subscribers. Years of conflict severely damaged the cables and the earth links, as well as most of the country's telephone infrastructure. That said, development of the sector did not come to a complete halt during the war. In 1982, Taha Mikati, whose brother Najib served as prime minister briefly in 2005 and then again from 2011 until 2014, began offering radio and satellite communications in Lebanon through Inteltec, which two years later became part of Investcom. Given the infrastructure damage and continuing hostilities, business was booming, and Investcom went on to set up Lebanon's first mobile phone network. It was a 1G (first generation) analogue system that began operating in 1991. Three years later, the government was in full rebuilding mode and signed two build–operate–transfer (BOT) contracts to develop new, 2G mobile networks using the Global System for Mobile Communications (GSM) standard. Around the same time (some sources say 1991, but pinning down an exact date has proven difficult) Sodetel, a company held in equal partnership between the Lebanese government and Orange (then known as France Telecom), introduced the internet to Lebanon. The American University of Beirut was using this network, called Libanpac, by 1993. According to a research paper from 1994 written by Nabil Bukhalid, then AUB's director of network services, the institution was paying $58,000 per year for a monthly quota of 20 megabytes delivered at a speed of 1.2 kilobites per second. Commercial users began logging on in 1996 when the government started licensing private sector ISPs.

WHILE PRIVATIZATION IS STILL THE LAW OF THE LAND, THERE HAVE BEEN NO SERIOUS EFFORTS TO IMPLEMENT IT SINCE 2007

MUST BE THE MONEY

The Mikatis' Investcom, in partnership with Orange, won one of the BOT contracts through a joint venture commonly known as Cellis, and a company called LibanCell, majority owned by the Dalloul family along with Telecom Finland (today Sonera), won the other. The government cancelled the contracts, set to expire in 2004, two years early.

In 2002, LibanCell and Cellis signed management agreements with the government as plans first floated in 1999 for privatization of the networks began looking like they might come to fruition. Despite a new telecom law (431) in 2002 laying the groundwork for privatization and a failed bid round for the networks in 2004, selling these assets has still not happened. The government signed management contracts in 2004 with Kuwait's MTC (today known as Zain) and Fal-Detecon, a Saudi–German partnership. Zain still manages one network under the brand Touch, while former Telecommunications Minister Gebran Bassil cancelled the management contract with Fal-Detecon for the network branded as Alfa in December 2008. In early 2009, Egypt's Orascom Telecom won a management contract for the Alfa network, although in 2012, the company's name changed to Orascom Telecom Media and Technology after a merger between Orascom Telecom's parent company, Wind Telecom and Russia's VimpelCom.

While privatization is still the law of the land, there have been no serious efforts to implement it since 2007 and the current Minister of Telecommunications, Boutros Harb, wants to rework the management contracts but still not fully privatize the networks (see box on mobiles). Beginning in 2008, however, the government, which has control over the mobile managers' CAPEX, invested in both 3G and long term evolution (LTE or 4G) technologies.

THE INTERNET AND OGERO

While the mobile network saga has produced plenty of mudslinging, it pales in comparison to the accusations of intransigence and law breaking you hear when asking those supposedly in the know about the development of the internet in Lebanon. While the half government owned Sodetel first brought the internet to Lebanon in the early 1990s, it wound up in the hands of Ogero in 1994. That year, the government gave rights to manage all of the


Private sector ISPs complain that Ogero is holding back bandwidth to keep its market share

Ministry of Telecommunications' infrastructure to Ogero — also a state owned firm, first founded in the 1970s to manage telegraph lines owned by a now defunct French company called Société Radio Orient. The 1994 decision was meant to last five years and help a struggling ministry rebuild the fixed line telephone network. Since then, Ogero has operated the country's fixed line phone network as well as most of its internet infrastructure.

Unlike the mobile phone market, however, the internet market is liberalized. Private sector internet and data service providers have been operating since the mid 1990s, however they rely on Ogero both for access to bandwidth they resell to customers and for access to 'centrales' spread across the country that link individual users to the actual internet. Several private sector ISPs have been complaining for years that Ogero is purposefully holding back bandwidth to keep its market share, as Ogero is also an ISP.

The president and CEO of Ogero, Abdel Moneim Youssef, is also the director general of operation and maintenance at the Ministry of Telecommunications, which Youssef's critics argue is illegal. In his role at the ministry, Youssef also signs for any telecom equipment imported into Lebanon, which private sector ISPs argue he takes his time doing. Youssef is notoriously difficult to interview, even though some who know him described him as able to charm people. When Executive was admitted to Youssef's office in June for an interview appointment, he said he knew nothing and referred us to Toufic Chebaro, director of IT at Ogero. In a brief exchange before having this journalist ushered out of his office, Youssef told Executive at the time that private sector ISPs didn't need more bandwidth. Chebaro, who refused an interview request for this report, said in June the ISPs were selling bandwidth to illegal service providers as well as the two mobile network managers, alleging that the networks used it to supplement bandwidth they were buying from Ogero to offer 3G services.

FALLING BEHIND

While Lebanon was a regional leader in building both mobile phone networks and internet infrastructure in the 1990s, the country did not stay on top for long. The Ministry of Telecommunications has an ownership stake in three submarine cables completed in 1995 and 1997, capable of carrying both voice and data traffic, but Lebanon did not make another investment in extra international capacity until signing a 2008 agreement to build the IMEWE (India–Middle East–Western Europe) cable that runs from India to France. Similarly, Cellis and LibanCell introduced an early version of mobile internet — GPRS, also known as 2.5G — in 2001, but 3G didn't arrive in Lebanon until 2011.

That said, the 3G investment was more forward looking as it included an LTE component. While 3G coverage is almost nationwide, only Beirut has access to LTE. Gilbert Najjar, head of the owner supervisory board at the telecom ministry, tells Executive that the board — which acts as a bridge between the government that owns the networks and the private companies that manage them — is in talks with the network managers to increase LTE coverage in 2015. Najjar says he anticipates that the managers will each invest $100 million to expand coverage.

THE PRESIDENT AND CEO OF OGERO IS ALSO THE DIRECTOR GENERAL OF OPERATION AND MAINTENANCE AT THE MINISTRY OF TELECOMMUNICATIONS

On the internet side of ICT infrastructure, the private sector led the way in developing new ways to bring customers faster connection speeds than the dialup service, which is all Ogero offered until 2007. Private data and internet providers were making use of satellites and various wireless technologies before Ogero slowly began rolling out a digital subscriber line (DSL) service, which uses copper wires instead


You see a family recreating art.
At Fidus,
we see a USD 57 million
Van Gogh masterpiece.

FAILED REFORM: IT'S ALMOST A TRADITION

On July 23, Telecommunications Law 431 will turn 13, by virtue of its publication in The Official Gazette on that day in 2002. The law has three major components: privatize the two existing state owned mobile phone networks; establish an independent regulator/supervisor for the telecommunications sector; and create a private company called Liban Telecom to operate the fixed line telephone network and develop a third mobile phone network, as well as offer internet services, among other things.

While provisions of Law 431 regarding the establishment of the regulator were implemented and privatization of the existing mobile networks was attempted, the project of Liban Telecom never even came close to implementation. Consequently, the law, hailed at the time as a modern one which promised to be a foundation for astounding economic growth, has yet to be implemented.

After the law's passage, the government invited bids for privatizing the two mobile phone networks whose ownership had been reclaimed by the state a while earlier. However, the privatization attempt was aborted as all received bids were judged too low. The government instead opted to sign management contracts with the very same operators which had developed the two mobile networks under build-operate-transfer contracts. Another attempt at telecommunications reform and privatization was made in the context of the 2007 Paris III donor conference for Lebanon but it also failed due to a lack of political will to sell state assets.

That said, in 2007 the government did appoint board members to the Telecommunications Regulatory Authority, which the regulator Law 431 called for, but a 2011 decision by the Shura Council, a consultative body that rules on the constitutionality of laws, stripped the TRA of its powers, handing them back to the Ministry of Telecommunications (although the TRA still has an office and paid staff, even though its board's "non-renewable and non-extendable" term ended in 2012).

Throughout the past 13 years, no serious effort has been made to create Liban Telecom, which would replace Ogero, the state owned fixed line operator which also controls most of the country's internet infrastructure.

Potentials for implementing Law 431 in the foreseeable future sound vague at best. Gilbert Najjar, head of the owner supervisory board which liaises with the two mobile operators on behalf of the government, tells Executive that new Telecommunications Minister Boutros Harb is not pushing for privatization, but does want to revise the contracts with the network managers. Najjar cautions, however, that the networks are actually the property of the government, not the ministry, so the minister can make recommendations, but ultimately the full cabinet must make a decision.

As Najjar describes it, Harb aims at a revision and gradual expansion of the two mobile networks' management contracts, which are up for renewal in April. In a first revision, the contracts would return responsibility for the networks' operating expenses (OPEX) from the government to the managers, reversing a change initiated by then Telecommunications Minister Nicolas Sehnaoui in 2012. The contracts had previously only called for the government to pay capital expenditure (CAPEX) for the networks.

For the longer term, Najjar says the current idea is to renew management contracts in April for a two year period. After these two years, a tender for new, longer-term management contracts would invite bids and the terms of these contracts would "liberalize" but not privatize the sector, he adds. Pressed on what the difference is, he offers that instead of a full sale of telecommunications assets Harb's plan involves signing contracts valid for "15 years, 20 years, 25 years," where the winners would "rent" the frequencies and equipment, which would still be owned by the state.

At the same time, Najjar says, Harb wants to tackle the other two stipulations of Law 431 by appointing a new TRA board and by bringing in a new consultant to corporatize Ogero, essentially turning it into Liban Telecom. He estimates all of this should happen within two years. That said, if a new president is elected, the constitution mandates that a new government must be formed. How Harb's plan will sit with the next minister is an open question.

of existing phone lines, in 2007. Rumors of an imminent DSL roll out began spreading five years before the service was actually offered.

One element in the delay, according to news reports from the time, was fear that widespread and fast internet would lead to more Voice Over IP (VOIP) activity, particularly for international calls. With the government having a monopoly on telephone calls in Lebanon, VOIP has long been a feared revenue thief and remains officially banned. Following the introduction of DSL, the next major investment in infrastructure was the 2011 contract awarded to construction firm CET to install a fiber optic backbone for both voice and data traffic. As Executive went to print, however, we have not been able to verify whether or not the backbone is actually being used.

THROUGHOUT THE PAST 13 YEARS, NO SERIOUS EFFORT HAS BEEN MADE TO CREATE LIBAN TELECOM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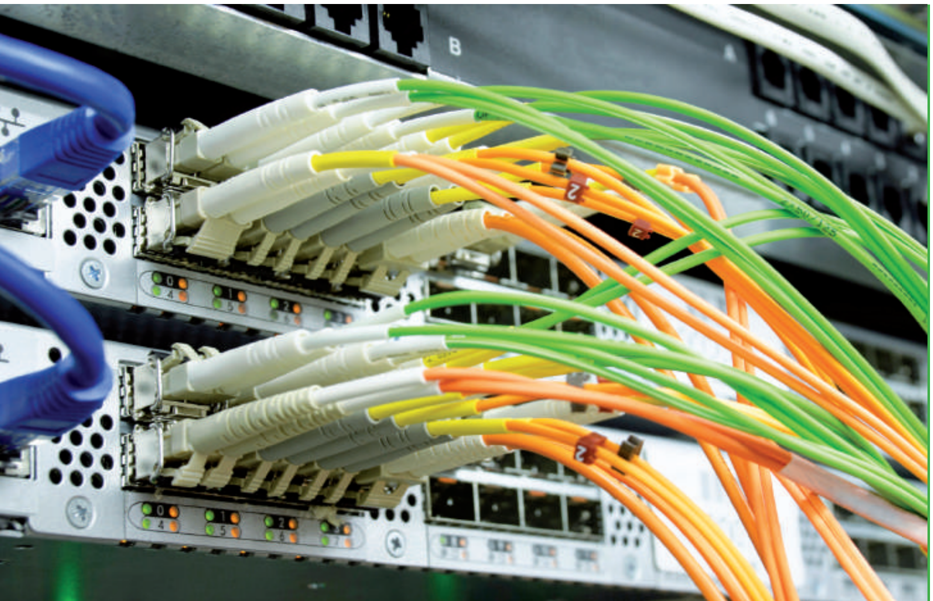
LES GAULOIS

Big fish, small pond

ICT hardware companies are stomaching short term problems as they look to long term gains



All those bytes and gigs need to be routed the right way

Sitting in a room where two rotating cylinder lenses track you and project a blown-up high definition image of you to your colleague sitting in Jordan, and vice versa, may be disconcerting for any number of reasons, but for Hani Raad, general manager for the Levant region at networking giant Cisco, it is a time saving routine and just another day of business meetings conducted over Internet Protocol (IP) telephony.

According to Raad, while products as state of the art and futuristic as the IP telecommunications have somewhat of a fan base among certain business segments in Lebanon, the country is missing a sizeable market for, and investment in, the more mundane market of networking infrastructure.

Routers, modems, switches and fiber optic cables are certainly one of the less hyped lines of business, but they do make up the backbone of the internet, which is not of negligible relevance to a country that wants to call itself modern.

And while sexy topics such as the internet of things come to the forefront of piquing one's interest in Information and Communications Technology (ICT), even with the municipality of Beirut participating in the Arab Future Cities Summit in Dubai last November, judging by current investment levels in ICT infrastructure Lebanon seems far off from having smart highways where cars and speed limits talk to each other.

It is not that there are no sophisticated technologies in Lebanon. Just by entering a mall your very own mobile devices can sell you out to the marketing campaigns of a store near you. As Raad tells Executive from one of Cisco's teleconference rooms, "Don't think we don't know what you're doing. Don't think we don't know where you're walking." Indeed, every person these days is rather easily traceable through their mobile devices. This, Raad explains, is a symptom of the internet of things in Beirut.

But while not all things in our world feel the need to be connected, the majority of the people do, and having the networking infrastructure to achieve this is crucial for our modern day and often long distance communication needs. This provides the opportunity for foreign companies the likes of Cisco, Huawei, Ericsson and Alcatel–Lucent to come and carve out a share in what is, admittedly a rather meager market, but one whose people share a strong desire to be connected.

PUBLIC SECTOR STINGINESS

Whether it is spiffy new technologies or basic backbone infrastructure, the pervasiveness of these technologies depends on the willingness of client organizations to invest. And unlike our Gulf neighbors, many of whose governments have made lavish investments in ICT, the Lebanese government is not an ideal client to provide a Lebanese company's bread and butter through deals in the networking hardware market.

Lebanon has already witnessed companies being put in a shaky situation if they can only rely on the government as a customer. With a government budget upwards of $50 million supposedly allocated to the internet backbone, two companies, local civil works company Consolidated Engineering and Trading (CET) and multinational networking equipment giant Cisco, admitted to Executive that they had not been paid in full for projects they had delivered.

CET won the bid in 2011 for the milestone project to lay down Lebanon's fiber optic backbone infrastructure, connecting exchanges together as well as heavy users such as the army. With a $55 million budget mostly allocated to the civil works part of the project, CET dug one million meters of trenches to lay down the 4,000 kilometers of fiber optic cables, according to Dany El-Horr, CET's vice president. The work of purchasing and pulling the cables was subcontracted out to Alcatel–Lucent as part of a strategic partnership, which, the VP explained, acquired the cables from Samsung.

But whereas this project was carried out, CET has not yet been paid all of the money owed to them. Though the project did increase in size from the one originally contracted, El-Horr claims that as much as 25 percent — about $15–20 million dollars — has not been paid.

This does not bode well for CET, whose tender was the cheapest "by far" compared to those of the dozen others that were presented to the government whose inability to pay has ended up "in a total loss" for the company. Indeed, El-Horr estimates that the price came to about $12 per meter of cable. "It was very dangerous for us to get into that project with very low prices," he says. They were expecting to break even, to make or lose 1–2 percent. Though El-Horr admitted that their primary goal wasn't making profits, but rather for the prestige and know-how, he laments that with these amounts "who can sustain that?"

The Lebanese government also has outstanding accounts with Cisco, according to Raad. But for the multinational, the money owed to it by the government does not seem to be an amount it can't swallow. Cisco is one of the multiple vendors taking part in Lebanon's internet infrastructure as far as anything related to routing, switching, international gateway, etc. Though the size of the company ensures that it can better sustain losses, Cisco's loss would likely have been smaller in value and, as Raad expresses, "our projects are not those megaprojects."

Not only is the Lebanese government bad at paying the outstanding accounts to its telecommunication infrastructure providers, but it is also quite dysfunctional when it comes to installing new equipment in general. Even a Cisco donation of two of their treasured IP videoconferencing screens to the government through their involvement in the Partnership for Lebanon, an initiative to modernize Lebanon's communications infrastructure, were never installed according to the GM. "They couldn't agree where and how and the process to install them," he says.

EDUCATED GUESSWORK

While the image of gleaming state of the art Cisco equipment sitting in boxes uninstalled makes for a nice anecdote, it is the symptom of a much larger problem which is the inability of the Lebanese government to make and implement policy for the sector, which has hindered it particularly in terms of managing capital expenditures. In a world where government investment can shape the telecoms market, Lebanon is at somewhat of a disadvantage.

In fact, Raad states that the Lebanese market could not even grow to become a tenth of any given Gulf economy. "We don't have the money for that," he says, citing the similar projects in many GCC economies, whereas in Lebanon there are no transformational projects underway, just the good old timid upgrading and expanding plans for organizations.

"DON'T THINK WE DON'T KNOW WHAT YOU'RE DOING. DON'T THINK WE DON'T KNOW WHERE YOU'RE WALKING"

With public sector projects "few and far between," Raad is somewhat optimistic, citing the donations this year — such as Saudi Arabia's pledge — as hope that the public sector will move a little bit in the coming year. But all in all not even 10–15 percent of what Cisco does goes to public sector clients "because they don't spend," according to Raad. Their public sector clients include the Ministry of Finance, Ministry of Interior, and the Internal Security Forces, though he qualifies that most of these infrastructure projects come from grants from international organizations such as the European Union and the World Bank.

Though the government is not a big spender, state run fixed line network operator Ogero controls much of the infrastructure and the internet service providers (ISPs) and data service providers (DSPs) have a minority share of the market. "The service providers sector is not as dynamic and, lets say, lucrative as it should be," says Raad, who likens the acceleration of the ISP segment to "blood flowing in the veins" of the company.

Unsurprisingly, Cisco's main line of business in Lebanon is the financial and enterprise sector, a natural choice given the prominence of the banking sector. Raad claims that top banks, as well as top universities, hospitals, and service providers are Cisco clients for everything related to switches, routers, wireless, security, IP telephony and video.

While no single company Executive spoke with could give a precise number for the market size for networking hardware, it can be assumed with some certainty that it is a small number. "In reality, the fact [is] that we don't have data and we don't have things to track this data, I only can assume," says Raad. "When we look globally, I know where I am. When I zoom to Lebanon, I don't know where I am."

Though it is difficult to measure the total worth of the units that are being used, one number that has been thrown around for over a decade now for the ICT market is the figure of $250–300 million. More recent numbers from Investment Development Authority of Lebanon (IDAL) pegged the IT market size at $337 million in 2012. Raad assumes that if about 45 percent belongs to personal computers and hardware, a company in the networking hardware industry is left with a market size somewhere north of $150 million and south of $200 million.

But such low figures, already barely an educated guess, could quickly become irrelevant with one deal. “We stopped a long time ago at Cisco to look at market share,” says Raad, who claims they track their performance instead based on growth, employee productivity, number of accounts and service provider environment. Cisco works with more than 300 customers a year in Lebanon, according to the GM, and he claims they have had growth or at least flat year on year performance in every year since 2000.

The next big government project would be the fiber-to-the-home, or the last mile, which would require a budget of roughly $300 million according to El-Horr — the same number given by a former official from the Telecommunications Ministry who spoke on condition of anonymity. Most of that expense, like the laying of the fiber optic backbone, would go to the civil works part of the project, about 70 percent, according to Roger Ghorayeb, who oversees several countries for Alcatel–Lucent including Lebanon, Syria, Kuwait and Bahrain.

STIFF COMPETITION

But despite the slight market size, doing business in networking hardware in Lebanon has attracted several international companies. Just as they compete globally, the usual suspects Alcatel–Lucent, Huawei, Ericsson, HP, Cisco and smaller companies like Juniper are continuing the onslaught in Lebanon.

Raad claims that Cisco has benefitted from being the first entrant to leap into the world of routers and switches in the Lebanese market since the inauguration of their Beirut headquarters in 2000. He adds that their majority stake in the market for internet hardware infrastructure has only dropped slightly, from a quasi monopoly to a current estimate of over 80 percent — though he qualifies that this is a guess at best. He claims that since most projects in Lebanon center on upgrades and expansion, and that Cisco already has the installations, it is harder for a competitor to come in and sweep up a considerable market share.

Competitors like Huawei may have some advantages when it comes to their ability to set their prices at a slightly more appealing rate. Raad claims that while Cisco currently dominates the enterprise space, Huawei could get there “at some point,” though it is not out of character for GMs of ICT companies to downplay the current activities of their competition.

“WHEN WE LOOK GLOBALLY, I KNOW WHERE I AM. WHEN I ZOOM TO LEBANON, I DON’T KNOW WHERE I AM”

Even smaller fish like Juniper have historically posed a threat to giants like Cisco on the global scale, such as when in 1999 they released their first product and took a sizeable piece out of Cisco’s market share in network routing. Cisco’s GM of the Levant says that the present competition from Juniper is rather negligible, though the latter does sell its products through Lebanese company Crystal Networks.

As technology changes, of course, there will be new competitors in the market. But the big ICT companies of our day continue struggling not only against each other, but also to stay relevant. Many giants of the networking hardware world are focusing their operations to be more specific. Alcatel–Lucent launched its ‘shift plan’ in 2013 to refocus their main lines of business on IP networking, cloud technologies and ultra-broadband access after the company ran losses for several years. While their operations are now back in the black, the process demonstrates that these giants have enough resources to withstand years of negative cash flows.

So as far as long term strategy goes, at least in Lebanon, not all incentives may be based on immediate profits. Ghorayeb explains that Alcatel–Lucent may engage in projects with limited profitability but that may bring value in the long run, value which he describes as that which “can be a reference, better perspective on long run or profitability, several things.” Their clients in Lebanon include the Ministry of Telecommunications, Ogero, Alpha, Touch, DSPs and ISPs, as well as EDL, Solidere and the Beirut Central District’s broadband network. “When we win a project, we are convinced it is vital for [the] country and company. Even if the contract is losing from a profitability point of view, we take it if [it] can bring value in [the] medium or long term to [the] country or company,” he says.

It is hard to be hopeful for the market for networking hardware in Lebanon. As long as nothing changes in the ability of the Telecommunications Ministry to come up with a spending plan and stick to it, the market will continue to operate under the same constraints. The most severe being, according to Raad, the lack of an ICT vision with tangible plans, outcomes and execution. “Today if I want to point you to Lebanon’s national ICT plan for the next five years, I can show you the Jordanian one,” he says. “I haven’t seen one for Lebanon.”

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Israel's cold shoulder

Israel is requested to pay Lebanon $856 million for oil spill damages inflicted during the July War

By Jeremy Arbid

In December 2014, the United Nations General Assembly endorsed a request to Israel to compensate Lebanon for environmental damages to the latter's coastal and marine territories following an oil spill. While the endorsement does not provide binding measures, it is the first time that the General Assembly has included a compensation figure — eight previous resolutions had not. In reaching this point, Lebanon has worked to identify its legal options justifying Israel's responsibility for the spills — its next step will be to determine the scope of its argument and in which jurisdiction to pursue it.

Workers clean up after the attack on the Jiyeh power station in 2006 (MoE/CIDA/UNDP/EPE)

RESOLUTIONS AND POLITICS

The first such decision, asking Israel to compensate Lebanon for an interim figure of $856 million, resulted in the General Assembly voting 170–6 in favor of the resolution — Israel, the United States, Canada, Australia, Micronesia and the Marshall Islands all voted no. The compensation request is in regard to oil spills from Israeli Air Force attacks on oil storage facilities during the 2006 war. The resolution also acknowledged comments from an August report by UN Secretary General Ban Ki-moon, noting "The Secretary General expressed grave concern at the lack of any acknowledgment on the part of the government of Israel of its responsibilities vis-à-vis reparations and compensation."

According to a statement released by Lebanon's Permanent Representative to the UN, Nawaf Salam, "Lebanon considers this to be a major progress, especially [since] a figure has been put forward as a basis for compensation using a clear and legal method of calculation." Though General Assembly resolutions are not legally binding — UN Security Council decisions are — they do generally reflect world opinion says Nasri Diab, a lawyer studying Lebanon's legal recourse. As such, a statement obtained by Executive from the Israeli Mission to the United Nations rejected the resolution, stating that it "has long outlived the effects of the oil slick, and serves no purpose other than to contribute to institutionalizing an anti-Israel agenda at the UN."

Politics aside, the environmental effects of the spill are not to be trivialized. The destruction of seaside oil storage tanks in Jiyeh, some 30 kilometers south of Beirut, spilled oil into the Mediterranean which then spread up the coastline of Lebanon and into Syrian waters, suffocating marine life, destroying fishing, breeding grounds and fauna and flora, both onshore and off.

Yet what does Lebanon hope to achieve from these legal proceedings? Is it in pursuit of a moral judgement against Israel or does the government of Lebanon actually expect Israel to provide financial compensation for environmental damages? What does seem clear, as indicated by Israel's staunch reaction to each decision reached by the General Assembly, is that if a binding resolution were reached, it would open a can of worms to all compensation liabilities for the damages caused by Israeli aggression against its neighbors dating all the way back to the country's inception in 1948.

ENVIRONMENTAL DAMAGE

Just a few days into the July War of 2006, Israeli air force planes swooped into Lebanon, bombing the Jiyeh power station and its oil storage facilities, spilling more than 15,000 metric tons of heavy fuel oil into the sea. Another 55,000 tons stored onsite burned, causing a plume of black smoke reportedly visible from

60 kilometers away. It was a "major disaster" according to a 2009 paper for the National Council for Scientific Research — a public research institute in Lebanon. The oil extended nearly 3,100 square kilometers shortly after the spill, reaching the northern coast of Lebanon — "from both volume and geographic perspectives, most of the Eastern Mediterranean basin was affected," the research concluded. In the months following the spill, surveying by the Italian Coast Guard of oil sinking to the sea bottom off the Jiyeh coast was measured to cover an expanse of 50,000 square meters, and that oil "occupied every space between the rocks."

Green Line, a local environmental NGO, described the oil spill as catastrophic with "tremendous negative environmental, social and economical [effects] both [in] the short term and long term," adding, "It damaged marine ecosystems, destroyed fishermen's livelihoods and rendered coastal areas lifeless." The United Nations Environmental Program's 2007 report had a similar conclusion, saying that the "spill resulted in significant contamination of the shoreline."

Marine life suffered as a consequence; invertebrates such as crustaceans and algae were covered in oil and population recovery is expected to take several years. No significant losses were reported among sea birds, but fauna for the birds was smothered, affecting migratory patterns. Lebanon's coastline — a breeding sanctuary for sea turtles to nest and hatch their offspring, such as the Green Turtle species — was heavily affected as were breeding waters for sharks and Bluefin Tuna. In addition marine plant life suffocated where the oil spill blocked sunlight.

Richard Steiner, an environmental consultant with Oasis Earth, described the environmental damages caused by the spill to be quite serious. Though Steiner has not studied the long term effects of the spill since his initial research for a 2006 report commissioned by Lebanon's Ministry of Environment and the International Union for the Conservation of Nature, he acknowledges that, "We know that large marine oil spills can have very long term ecological effects. And human health was certainly affected by the smoke plume from the burning oil." Steiner also concluded that damage can take time to show, citing the Exxon Valdez spill in Alaska as an example, "Some fish population collapses did not occur until 3 years after the initial spill."

For Diab, the compounding factor of the spill was due to Israeli negligence — their naval, land and air blockade of the Lebanese territory intensified the damage, "The people who could have mitigated the spill could not do their job at that time because of the blockade. For long weeks the spill was there without the possibility to clean it up." Steiner, corresponding with Executive via email, added, "Certainly, if there had been a prompt and full scale response to the spill, far less damage would have occurred."

Indeed, as Steiner wrote in his report published one month after the spill, the Israelis would not allow even aerial observations. "I asked the French Embassy in Beirut for support to conduct an aerial survey with their relief helicopters along the coast, to ascertain the extent of remaining offshore oil, and to better guide what response options might be necessary. After several attempts by the French ambassador as well as [the] European Union to secure clearance from Israel for this flight, Israel refused to grant clearance at that time."

"THE PEOPLE WHO COULD HAVE MITIGATED THE SPILL COULD NOT DO THEIR JOB AT THAT TIME BECAUSE OF THE BLOCKADE"

DONOR SUPPORT

In the immediate aftermath of the spill, funds to aid Lebanon in its cleanup were relatively miniscule. As part of a previous resolution Lebanon had agreed that the Lebanon Recovery Fund — a fund to aid Lebanon in its recovery and reconstruction — would host the Eastern Mediterranean Oil Spill Restoration Trust Fund that would receive any funds earmarked for the cleanup. The former fund received nearly $46 million in contributions from 2006 to 2008 with roughly another $6 million added in 2013 by Germany. After factoring in another $3 million for interest, total contributions amounted to just over $54 million — the latter fund received zero.

Secretary General of the United Nations, Ban Ki-moon, had urged donors in previous resolutions to provide funding specifically to clean up the spill and monitor the recovery, but to date no contribution has been made to the fund according to comments received by Executive from Rony Gedeon, Monitoring and Evaluation Officer at the UN Resident Coordinator's office in Beirut. Gedeon did point out that the resolution highlights bilateral contributions, "A project is currently under development by the Government of Lebanon for funding by the European Union that will include a component on the sound management of recovered wastes." Gedeon added that from 2006–2009 the UN mobilized support for the cleanup which saw contributions of some $3 million; additional money, expertise and specialized equipment for the oil spill cleanup effort was obtained by Lebanon from various other international donors. However, Steiner argues that the "International response to this intentional environmental damage was terribly insufficient."

CALCULATING COMPENSATION

"The General Assembly and the Secretary General in his reports have asked for a figure of what Lebanon is claiming from Israel," says Diab who has been an integral figure in preparing


(MoE/CIDA/UNDP/EPE)

Lebanon's legal case. Working with a number of stakeholders — the Ministry of Environment, UNDP and the Ministry of Foreign Affairs — Diab has laid out which avenues Lebanon might pursue to obtain compensation from Israel for the damages caused by the oil spill. The first step, though, was calculating a figure that would hold up under legal scrutiny. "For eight years, the General Assembly had already said that Israel is liable and responsible for the damage. Now a figure has been put [down] and this is the most important thing," Diab says.

Ban Ki-moon, in an October 2013 report to the General Assembly, advised UN bodies to build on the World Bank's initial economic assessment of the environmental degradation resulting from the spill. The 2007 report concluded that the conflict had a devastating effect on Lebanon with significant impacts on the economy, environment and public health. The report cites degradation due to the oil spill amounting to $240 million, but Diab says this figure was incomplete and omitted the passive use value (value on public goods not in use, like the monetary value of a national park) of the coastal resource — for this Diab calculates an additional amount of $218 million since 2006, totaling $458 million.

Adjusting for global inflation and lost opportunity in terms of an interest rate, Diab explains, leads to a compensation valued at $856.4 million by 2014 as requested in the resolution, but the figure might continue to climb. "There is no limitation. As long as you have damage that will appear in the future and which you can prove is linked to the oil spill, it should be covered. That's why it is an interim figure and not definitive."

THE CONFLICT HAD A DEVASTATING EFFECT ON LEBANON WITH SIGNIFICANT IMPACTS TO THE ECONOMY

In the months following the spill, Steiner, the environmental scientist, tells Executive that "The spill, and of course the war, had profound negative effects on local businesses, including fishing and tourism. Most were shut down for a time period during the spill, and lost considerable economic value during that time." He adds that in meetings in the months after the spill with both the governments of Israel and the United States he had, "Proposed a $1 billion restoration and compensation fund, to be paid by Israel." By December 2006, the Israeli ministry of justice had rejected this proposal.

LEGAL RECOURSE

Diab, alongside a team of experts at Lebanon's ministries and UN bodies, is 'writing the book' on legal compensation in relation to war and environmental damages — it is an area of law with limited precedence. Sure, Diab may not have as high a profile as another international legal expert with marital ties to Hollywood but, "If this decision will be translated into legal texts — whether environment or war — it will be important," Diab blushes.

But the legal justification is not there yet. It has taken several years to obtain these decisions — nine General Assembly resolutions, and a resolution by the United Nations Human Rights Council — yet all are nonbinding. Diab has explored every option available to Lebanon through two reports including what he terms the "dead-ends" — the non-available options that seem plausible but for one reason or another are not. These would include many international conventions, for example the United Nations Convention on the Law of the Sea. "In Lebanon, we already have a problem in that we do not recognize the existence of Israel, so it is very difficult to invite Israel to join Lebanon before some international forums devised by certain treaties and conventions," Diab explains.

Diab now is in discussions with the other stakeholders to begin preparing a third report looking at which legally binding option is most viable to pursue. "Lebanon now has a nonbinding resolution rendered by the highest institution of the United Nations after the Security Council. What Lebanon needs to do at this stage is see what it can do with it in order to have it enforced somewhere. We have other avenues but I'm not sure yet, it still needs to be studied."

When pressed, Diab suggests the next step will define the scope of Lebanon's legal argument, "The International Court of Justice would be a reasonable forum for the next stage, especially in its advisory jurisdiction."


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WEALTH MANAGEMENT

The dirt beneath the stretcher

Sweeping medical waste under the carpet is no longer an option *By Marie Kostrz*

Specialized facilities are required for the disposal of medical waste

Located in the Jisr al-Wati district of east Beirut, the infectious medical waste treatment center of NGO Arcenciel is never empty. All day long, trucks bring in tons of waste generated by 112 hospitals in Beirut and its surroundings. Since 2003, Arcenciel has carried out a very necessary task: sterilizing medical infectious waste, which often contains contaminants and is capable of spreading diseases. Among the waste is blood, used bandages and syringes. Although it often occurs in Lebanon, these should not be mixed with domestic waste: burning or burying infectious waste without treating it first is very dangerous for the environment and public health.

Treating medical infectious waste is new in Lebanon: before 2002, sterilizing it was not common practice. Most waste was eliminated alongside domestic refuse or dumped in the open. Some was also incinerated. "We used to incinerate them by ourselves. For about one year Sukleen took them but it stopped when the Bourj Hammoud incinerator closed," says Youssef Rahal, the former head of the waste management section at Hôtel Dieu Hospital. Until now, only two organizations have been in charge of treating medical infectious waste in Lebanon. According to Joseph Hallit, an official from the Ministry of Environment in charge of auditing hospitals' medical infectious waste management, Arcenciel deals with 80 percent of the treated infectious waste. The remaining is taken by Safe, a sub-branch of Mirage for Waste Management & Environmental Services, which treats medical infectious waste of hospitals in the Tyre region. A handful of hospitals also treat the waste themselves, such as Haykel in Tripoli and Clemenceau Medical Center in Beirut. All of those using in-house treatment use the autoclave system, whereby a machine crushes the infectious waste, then uses very high temperatures to sterilize it. Once this is done, medical waste is no more harmful than any kind of domestic waste, and it can then be given to domestic waste treatment companies like Sukleen in Beirut or Lavajet in Tripoli. This system is considered much less harmful to the environment than incineration, which was used by hospitals before, or disposing of it alongside domestic waste or burning it in bonfires.

SYRIAN CRISIS EFFECT

Overflowing with yellow plastic bags used to transport medical waste, the Jisr al-Wati treatment center is facing a new challenge. "We are receiving about four to five tons [of waste] every day, compared to the two and a half tons three years ago," says the head of the center Mohammad Keserwani. While the increase can be partially attributed to a growing number of hospitals opting to treat their own waste, this is not the only reason. "With the arrival of Syrian refugees the quantity of waste has also increased a lot," Keserwani adds, saying that Arcenciel's system is now jammed. "It is now working 24 hours a day, compared to 12 hours before the Syrian crisis."

"We have more breakdowns because the system is not [designed to work] so much. This sometimes forces us to move waste to another center to be treated," he notes. Arcenciel has four other treatment centers throughout Lebanon, and activity has increased in all of them. While Arcenciel treated 1,858 tons of medical waste with infectious risks in 2011, this amount rose to 2,356 tons in 2014.

The hospitals that have an agreement with the UN to treat Syrian refugees — including 50 private and 15 public facilities — are particularly affected. One of them, Al-Kibbeh Public Hospital, in Tripoli, has noticed a significant increase in its infectious waste. "We generated 42,380 kg in 2014, whereas it was only 29,327 kg

SOME HOSPITALS DO NOT TREAT THEIR INFECTIOUS WASTE AT ALL

Medical waste awaits sterilization

in 2012," says the hospital's hygiene supervisor Rania Ahmad. "New services have been added so it is only normal that infectious waste increased, but that is not the only reason. It is also due to an increase in admissions — mainly pregnant Syrian women."

The hospital has just implemented a new system which measures the quantity of infectious waste generated by each service. "For the first week of January 2015, labor and delivery services generated 95 kg and the neonatal intensive care 91. Other services, meanwhile, produce much less infectious waste, such as the intensive care unit which made 16kg or the emergency 26kg," she adds. According to figures viewed by Executive, for the past two years these services have been provided to about as many Syrians as Lebanese, meaning the hospital's activity has significantly increased. In November 2014, 125 Syrian women delivered babies at the hospital, compared to 155 Lebanese. "For every pregnant woman, we also have to plan for two persons: once the baby is born the nursery services are also affected by an increase of infectious waste," Ahmad explains.

In September 2014, the Ministry of Environment published a report entitled "The Lebanon Environmental Assessment of the Syrian Conflict and Priority Interventions," which confirms this trend. "The harsh weather and tough living conditions that refugees are facing are having a direct impact on their health. This increases the burden on health care centers in Lebanon and results in an increase in the quantity of infectious medical waste that requires proper treatment before disposal," it notes. According to the report, there was a 420 ton increase in infectious waste in 2014.

"We would like to buy another autoclave in order to increase our sterilizing capacity, but it costs around $500,000," explains the head of the environment program at Arcenciel Olivia Maamari. "In [addressing] the Syrian crisis, priority is given to food and health care supplies — including vaccines — but infrastructure is forgotten, yet it needs to be reinforced because it is weakened by this crisis."

A LACK OF NEEDED PROTOCOLS

This increase, while emanating from a particular context, highlights a long standing and serious issue: infectious waste is not properly treated in Lebanon. According to the September 2014 report, "Review of records for the quantity of infectious waste collected and treated at Arcenciel facilities in 2013 revealed that 72.2 percent of the waste (303,4 t/y) [is] being collected and treated by autoclaving and shredding while the remaining (116,8 t/y) [is] being disposed of in the environment." Minister of Environment Mohammad Machnouk spoke about this problem in late December, after dangerous medical waste was discovered in coastal and mountainous areas.

Some hospitals fail to treat all their infectious waste. "I saw some sharp containers, plasters with blood in municipality garbage cans," says Ghazwa Barakat, who is in charge of waste management at Nini Hospital in Tripoli. Barakat was a consultant for a UNDP-led project in two hospitals in South Lebanon in 2010 and 2011 in coordination with the Ministry of Environment,

"IN [ADDRESSING] THE SYRIAN CRISIS, PRIORITY IS GIVEN TO FOOD AND HEALTH CARE SUPPLIES ... BUT INFRASTRUCTURE IS FORGOTTEN"

and completed a study on infectious medical waste management for the Union of Private Hospitals in Lebanon in 2012. According to this report, only 32 percent of public hospitals treated their infectious waste in 2012, compared to 54 percent of private ones. "There is a lack of understanding about infectious waste in our country, even among the top management staff. Often, people are not convinced of the importance of treating this waste,"

Potentially infectious materials are processed before disposal

she says. In some cases, hospitals set an infectious waste treatment disposal plan but don't use it. Barakat stresses the importance of regular staff training sessions to avoid these missteps.

According to Barakat, it is also a money issue, since treating infectious waste correctly is costly. It requires separating infectious and domestic waste, as well as special garbage cans for infectious waste and special containers for syringes. A low-temperature room also has to be procured for infectious waste storage. Every step of the process requires trained staff and managers. "At Nini hospital, we pay $6,000 per year for sharp object containers and $10,000 for yellow plastic bags," Barakat adds. Organizing staff training also comes at a significant cost. "However, the Ministry of Health makes no distinction between hospitals that respect the law and those that don't. It reimburses the hospital $26.50 per night for every patient, regardless of what the hospital does or doesn't do."

Barakat suggests that the Ministry of Health should increase its support for hospitals that carry out infectious waste treatment properly. The ministry of health did not reply to Executive's request for an interview to explore this point. Some hospitals merely ensure they prioritize services, because they don't have money for other systems, like waste management. Hallit adds that some establishments just want to save money: "A lot of Lebanese hospitals are family businesses whose main aim is to make profits. In these facilities, decisions are often made by people who do not have any skills concerning medicine and waste management, they don't see the necessity to spend money on it."

"Many stakeholders have studied the possibility of establishing a treatment center, but at this point all of them have stopped, saying it is not advantageous," says Viviane Sassine, the head of the chemical safety department at the Ministry of Environment. This point of view is shared by Najib Jaber, in charge of quality control at Safe. "Until now, there is no collective consciousness among health professionals concerning the importance of treating medical waste," he says. "The more they realize the importance of such measures, the more they will treat their medical waste, and this in turn will create a lucrative business to treat it."

According to him, at this point it has not developed into a very attractive market. "In addition to the large amount of Lebanese bureaucracy, companies need to have a lot of money. Building a medical waste treatment plant costs around $500,000, and it is not very lucrative yet," he says, adding that Mirage can handle the low profit margins because it is not their main activity. "We did it because it was the continuity of our waste treatment activity but it is not the most profitable activity we have." Mirage provides a wide range of services, such as street sweeping, hazardous waste management and water treatment. Jaber explains that Safe charges either $0.60 or $0.70 per kilogram of waste, depending on how far the hospital is from their treatment center. While he refuses to give an exact figure for how profitable the enterprise is, he denies it is a significant contributor to company's overall profits. "We have a very small margin and we cannot consider it something that is very lucrative, because we only treat three or four tons of infectious medical waste per month. It is not enough to generate significant margins," Jaber says. "If the aim was to make a profit


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we would increase our prices." He adds: "We make profits mostly from our hospital cleaning and maintenance service. The infectious waste treatment is a service we offer because our aim is to protect the environment."

AN EXISTING BUT UNENFORCED LAW

Lebanese law, however, requires hospitals to take care of their infectious waste. Issued in September 2004, Decree 13389 amended an earlier decree issued in 2002, implementing Environmental Law 444, approved by Parliament the same year. This law defines how to manage infectious medical waste and presents ways to ensure and verify the efficiency of the sterilization process. In 2010, the Ministry of Environment conducted an audit to check whether hospitals are respecting the rules. "We took the initiative to sue 88 hospitals, 16 public and 72 private ones, which do not respect the rules," says Sassine. However, five years later, none of the violators have been forced to close or have paid a fine. "After we pressed charges, many hospitals provided us with information about their infectious waste treatment processes. The court asked for a second visit to be conducted," says Sassine. "But they did not rule against anyone."

"I have seen places where there are yellow plastic bags in boxes, but they were not used by the staff," notes Hallit, who was in charge of the latest audit of waste management in hospitals undertaken by the Ministry of Environment in 2013 and 2014. "Hospitals spent many years without being subjected to controls; it takes time to spread the culture of waste management."

However, a former employee of the Ministry of Environment, who was dealing with the infectious waste issue and spoke on condition of anonymity, argues that the ministry lacks human and financial means to monitor infectious waste management. "There is not enough staff to regularly check [whether] the law is being implemented, to make sure that accreditations are renewed regularly," he says. "There is not enough [in the] budget. Even if the law exists, it is nearly impossible to enforce."

ARCENCIEL AND MONOPOLY

Arcenciel's medical waste treatment system was funded partly via donations. Since 2003, it has received $1,485,278 from the European Union, the Spanish Agency for International Development Cooperation (AECID) and the French Agency for Development (AFD). According to the head of the waste management program, Arcenciel is barely able to cover operating costs, so it does not make any profit. The initial price Arcenciel charged medical establishments was $0.55 per kilo in 2003, and this has now been increased to $0.60. "We are not looking to make any profits," Maamari says. Revenues from Arcenciel's medical waste management program and the donations they have received funded the building of waste treatment centers, as well as training for hospital staff on proper waste management and autoclave maintenance. "Our aim is to serve the public interest. Thus, we made an official proposal to the Ministry of Environment to give our entire network to an incorporated company. The health establishments that use the network would be shareholders, proportional to the number of beds they have." Until now, however, the ministry has not responded to the request.

> **"THE MINISTRY OF HEALTH MAKES NO DISTINCTION BETWEEN HOSPITALS THAT RESPECT THE LAW AND THOSE THAT DON'T"**

More than 10 years after Arcenciel first began treating infectious waste, another fact is clear: the NGO has a near monopoly on the sterilizing sector. George Khayat, the owner of hospital equipment supplier Khayat Medical, tried to enter the market but failed. In 2002, he answered to a tender for selling and managing a common autoclave which would be used by four hospitals: AUBMC, Saint-Georges, Makaased and Hôtel Dieu. "I calculated the expenses needed for installation, waste sorting, collection and sterilizing: it was $0.35 per kilo," he explains. This figure is much lower than the $0.55 per kilo demanded by Arcenciel when it started in 2003. At this price, Khayat says he was planning to have a 25 percent profit margin per kilo. "I then did the Environmental Impact Assessment (EIA), but for one year and a half the Ministry of Environment did not give me any answer." Finally, the ministry asked Khayat to hold a public meeting in Beit Mery, where the autoclave was planned to be established. Hôtel Dieu's former waste management head Rahal recalls: "As soon as people heard it was for medical waste they were strongly opposed to the project ... It is always the same problem when it comes to infectious waste: companies can never find a place to set up their treatment system because public opposition is very strong." Without the approval of the municipal council, Khayat never got authorization from the Ministry of Environment. "I lost more than $20,000," Khayat laments.

According to him, the arbitrary way approvals are given discourages other entrepreneurs from investing in the market: "At the same time I was awaiting an answer from the Ministry of Environment, another company, Env-Sys, received approval in 40 days." The former employee of the Ministry of Environment, who was employed by the ministry at that time, says that no technical approval was given for Env-Sys by the director general or minister

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of environment allowing it to treat infectious waste. He adds that Khayat's company was the most serious of those trying to get the ministry's approval. "There is a lot of corruption in the ministry," he notes. "Choices to give accreditation to establishments in charge of sterilizing infectious waste are not based on objective and technical criteria, but rather political or personal ones."

Things were easier for Safe because the tender they answered was published by the Abbasyeh municipality in Tyre. As it was the municipality's decision to acquire a medical waste treatment plant, there was no local opposition. "We decided to apply for a financial grant offered by the EU to Lebanese municipalities which had projects to treat waste," explains Abbasyeh's mayor Ali Ezzedine, who was vice-mayor in 2005, the year the tender was submitted. The municipality won the grant and the treatment plant opened in 2008. The land and the treatment plant are owned by the Abbasyeh municipality, which chose Safe to manage it. "According to public tender regulations we have to choose the cheapest company. Safe was the one," Ezzedine says. Safe now treats infectious waste from three hospitals and two polyclinics.

Jacques Chahine, general manager of Edessa, a company which conducts EIA and studies for prospective companies that want to enter the infectious waste treatment market, corroborates that challenges exist in the sector. "I have a lot of customers who would like to enter the market, but it is very hard to change the current system in Lebanon that gives 80 percent of the market to Arcenciel, even if our studies show that it could be easy to offer cheaper prices than those of the NGO." According to him, it is also due to the law. "Arcenciel started its work with a special authorization to treat infectious waste, because Decree 13389 was not implemented at that time," Chahine explains. Arcenciel started to treat infectious waste in 2003, but didn't get its first license until 2005. "But for companies that have tried to enter the market after 2004, it is hard to meet the ministry's requirements." Arcenciel's Maamari clarifies that the Ministry of Environment had started to audit the NGO's centers in early January in order to renew their licenses, adding that they have all done the EIA since 2003.

THERE IS A LOT MORE THAT NEEDS TO BE DONE TO MAKE MEDICAL INFECTIOUS WASTE MANAGEMENT OPTIMAL

Medicinal materials could be harmful to the environment if not treated

Haykel hospital in Tripoli launched a general environmental protection plan in 2005 and recycling is now a general rule in the establishment. This is not all. Treatment of infectious waste is part of the plan too. Haykel is one of the few Lebanese hospitals that has purchased its own autoclave for sterilization. "It requires a lot of investment at the beginning, but in the long run it is cheaper than Arcenciel. The cost is $0.50 per kilo," explains Imane Abdo, head of waste management at Haykel. The hospital invested $37,000 in the machine at first, which has a capacity of treating 10 kg per 30 minute cycle. The hospital treats about 120 kg of infectious waste every day. Abdo underlines that the process is complex and onerous. In addition to the special plastic bags, boxes and purified water needed for the machine, the hospital has to send reports about biological indicators and waste treated every two months to the Ministry of Environment, as well as regularly training its staff. "The process is very intensive, I think that is why there are not so many hospitals which have their own autoclave," Abdo says.

In a context where infectious waste treatment is still perceived to be more of a burden than a necessity, hospitals prefer to call on Arcenciel, as exemplified by Tripoli's Al-Salam Hospital. "I started to look at the process to purchase an autoclave, but when I saw all the monitoring and reports we have to do, I decided that it was simpler to work with Arcenciel, even if it is a bit more expensive," admits Al-Salam's director Gabriel Sabeh. This commonly held thought is lamented by infectious waste treatment professionals. As Edessa's Chahine says, infectious waste is highly dangerous and should not be moved by trucks — as Arcenciel does — but rather treated on site.

A lot more remains to be done to make medical infectious waste management optimal. A large proportion of medical facilities are not subject to the Ministry of Environment's oversight. According to Decree 13389, medical establishments other than hospitals should also treat their infectious medical waste. Labs, aesthetic centers or dentist clinics are not inspected at all in Lebanon. The lack of human resources at the Ministry of Environment makes their effective supervision difficult. "We are just three employees in the department," says Sassine. "We started with hospitals and we will continue to audit the other facilities but we don't know when."

THE HEARTBEAT BOX OPERATION

Congenital heart disease, meaning heart disease in newborns and children is a major problem worldwide. The incidence of this pathology is the same in whole world, and constitutes 1% of the world population. When treated adequately, 85% of these children are CURED, whereas untreated; more than 80% will die or develop major problems before the age of 1.

2015 marks the ten-year anniversary of Heartbeat Association in Lebanon. In 10 years we have encountered a huge amount of support and assistance from all over Lebanon, a network of musicians, artists, volunteers, together with our faithful partners, and sponsors, who embraced the cause from the very beginning and raised it to offer high standards of treatment to children suffering with heart disease in Lebanon.

For Heartbeat's 10th anniversary, we are reaching out in 2015 to as many people as possible to raise more funds to treat more children! Starting early February, throughout the country, people will be able to pick up a Heartbeat Box from their schools or universities, Roadster Diner branches, ABC Mall counters, LibanPost desks, and other participating outlets. They will fill it with donations from fam ily and friends, seal and deposit it at any of Bank Audi branch in the week of March 9-14. Every lira counts in our fight to save children!

Fundraising is the cornerstone of any NGO whose mission is to offer medical services. Heartbeat Association mission is to offer treatment to all Lebanese children suffering from heart disease. It is therefore necessary to collect the required funds to reach our objectives. During the past nine years, Heartbeat's fundraising was mainly performed through our musical representations, concerts, and gala dinners, which attracts nearly 6,000 people every year. For our 10th anniversary, we decided to expand our referral basis and target a larger audience by offering them awareness about our cause, and asking them to participate in saving children's lives through the Heartbeat Box Operation.

Music Saves Lives has always been our motto for the past 10 years. This phrase is self-explanatory. Heartbeat has shown that our great talented artists, dancers, and musicians have been capable of offering funds to save the lives of more than 1,700 children till date.

"Big hearts push small hearts"

No rest for the weary

Syrian refugees are subjected to increasingly tight controls in Lebanon *By Maya Gebeily*

Unlike other regional states, Lebanon has no official camps for Syrian refugees

After decades of a relatively open border policy with its eastern neighbor, the beginning of 2015 saw Lebanon take unprecedented steps to monitor the entry and residency of Syrian nationals. Spearheaded by the ministries of interior and social affairs, the policies are an attempt to regulate the nearly 1.2 million Syrians already in Lebanon — as well as others seeking entry in the future.

The first of these measures came in the form of new visa requirements for Syrians and went into effect on January 5, 2015. Despite political pushback and concerns by human rights groups, Lebanese authorities insist this new policy is only the beginning.

NEIGHBORLY RELATIONS

Prior to the conflict, entry for Syrians into Lebanon was easier than for any other foreign nationality. According to the Treaty of Brotherhood and Cooperation, signed in 1991, Lebanon and Syria share "distinctive fraternal ties" and did not require travel visas from each others' citizens. The lax requirements meant that borders remained relatively open, allowing hundreds of thousands of Syrian laborers to enter Lebanon seasonally for work.

Syrians could enter Lebanon at any border checkpoint using a valid government ID and would be issued a onetime-renewable six month residency for free. At the end of their year in Lebanon, Syrians would have to return to Syria. Palestinian refugees from Syria had to have pre-approval from Lebanon's government to enter.

With the onset of the Syrian uprising in 2011, the policy changed. Instead of returning to Syria at the end of their one year stay in Lebanon, Syrians could renew their residency for another six months through General Security, paying $200 per family member over 15 years old. For Palestinians from Syria, the pre-authorization was lifted, and the transit visa they received at the border could be exchanged for a three month residency, also renewable for free until the $200 yearly fee.

Now, Lebanon's policy has changed once more. On December 31, General Security announced that Syrians entering Lebanon would be issued entry documents based on the proven purpose of their visit. Their stays now fall under eight categories: tourism, study, work, medical treatment, transit to another country, checking on property, visiting an embassy, or being "sponsored" by a Lebanese citizen. Instead of the one-size-fits-all, six month residency they had previously received, the length of stay for each of these categories now varies, and strict documentation is required.

The change was pegged as part of a new, three point policy statement that the Council of Ministers approved in October. To manage the refugee influx, the October statement said, the government would seek to decrease the number of Syrians registered with UNHCR (the refugee agency in Lebanon coordinating relief efforts for Syrians), tighten up security within Lebanese territories and lift the socioeconomic burden on Lebanon.

General Security's new residency requirements are the first step of this statement's implementation. "We're trying to find out who is trying to come in and why — and this is something we have the right to know," explains General Security press officer General Joseph Obeid.

But the decision has already sparked controversy — some of it based on semantics. Syrian Ambassador to Lebanon Ali Abdul Karim Ali said requiring visas from Syrians violated the bilateral agreements that had kept borders between the two countries open for decades. Speaker of Parliament Nabih Berri and a number of ministers from Hezbollah and the Amal Movement similarly criticized the move.

General Security, however, insists that the documents it is issuing to Syrians upon entry are not "visas" and therefore do not violate these treaties. "It's entry documentation — it's not a visa. It's not like an Egyptian coming into Lebanon," Obeid insists. Although procedures for Syrians entering Lebanon do remain distinct from those for other foreigners, the strict categories, required documentation and limited stay are exactly what constitute visas in other countries.

And despite claims in the Lebanese daily *Al-Akhbar* that the visa policy will soon be retracted, Obeid says the measure will continue to steamroll forward. "There will be no change in this policy. We're moving ahead with it as planned," he assures.

Beyond this disagreement, Syrians and human rights organizations are worried about what General Security's new border policy might mean for those trying to flee Lebanon's war torn neighbor. Noticeably absent from the eight category statement is a provision for refugees — Syrians trying to enter Lebanon after being displaced by violence. According to General Security and to Khalil Gebara, advisor to Minister of Interior Nouhad Machnouk, these "humanitarian entries" will be granted on a case by case basis.

Both Amnesty International and Human Rights Watch expressed concern that the measures would limit access to safety for thousands of Syrians fleeing conflict at home. At the time of writing, UNHCR had yet to issue a statement. "We're still studying it. We'll let you know more when we get it," says spokesperson Ron Redmond.

EVEN PRIOR TO GENERAL SECURITY'S NEW MEASURES, THE REFUGEE INFLUX INTO LEBANON HAD SLOWED DRAMATICALLY

BORDER POLICY

Even prior to General Security's new measures, the refugee influx into Lebanon had slowed dramatically. The number of refugees registering with UNHCR saw a drastic drop in the last months of 2014 — in October and November combined, only 29,477 Syrians registered with the agency, compared with 31,158 in September alone. Even that month produced relatively low numbers compared to the rest of the year — until August, at least 42,000 refugees were registering every month.

Part of this drop is likely due to the fact that the active battlefronts in Syria's war have shifted to the country's north and east. Indeed, months of clashes in Syria's western Qalamoun region in early 2014 saw the most concentrated refugee flows into Lebanon to date. As battles shift away from Syria's west and south into the north, refugee flows into Turkey continue to increase, while those into Lebanon and Jordan have markedly dropped.

But even many of those Syrians who made it to the Syrian–Lebanese border at the end of 2014 were having

Most Syrians live in dwellings ill equipped to deal with Lebanon's harsh winter difficulty entering the country. Aid organizations including Human Rights Watch and the Norwegian Refugee Council say that toughening border controls saw "most" Syrians being denied entry. For Palestinian refugees from Syria, entry was nearly impossible — very few exceptional cases were allowed access.

Although the new policy specifies entry requirements for non-refugee Syrians, the criteria for those entering Lebanon as refugees are still being developed. "How do we know who's really a refugee? They could be lying to us," says General Security's Obeid. He adds that UNHCR would determine refugee status on a case by case basis, but dodges questions on the specific criteria that would be used to make such a determination.

Gebara has worked closely on the government's new policy. He says

Children in refugee communities are particularly vulnerable to the harsh winter weather

TIMELINE OF DESPAIR

February 2014

Clashes in Syria's Qalamoun region spark a massive refugee influx into northeastern Lebanon, with many crossing the border illegally and settling around Arsal.

May 3, 2014

49 individuals, including Syrian nationals and Palestinians from Syria, are arrested at Beirut International Airport for attempting to travel with fake visas. General Security deports them to the no-man's land between Lebanon and Syria.

May 3, 2014

General Security announced no more Palestinian–Syrians would be allowed to fly from Beirut airport, and that any airlines allowing Palestinian–Syrians to board would be fined.

June 2014

Refugees and human rights groups report increasingly tight restrictions on Palestinians from Syria attempting to enter Lebanon, with almost none being let through. Lebanese government denies it has a policy of barring entry to Palestinians.

August 2–7, 2014

Clashes between Syria based militants and Lebanese security forces take place in Arsal, bringing many to link the growing refugee presence there to local instability.

September 18, 2014

General Security announces that Syrians and Palestinian–Syrians with limited legal status as of August 21 can regularize their stay in Lebanon – without charge — until December 31.

the Ministry of Social Affairs might have an active presence at Lebanon's border crossings and would be giving approval for extreme humanitarian cases in line with the Council of Ministers' October decision. When asked what kind of criteria this would entail, Gebara hinted at two potential standards: place of residence in Syria and number of people. "If one man comes from the center of Damascus and says he's a refugee, it won't work," he tells Executive. "When there's fighting in an area, the whole village shows up. The last thing that would happen would be that there would be a mass influx along the border that would get denied entry."

Unfortunately, human rights agencies say General Security doesn't have a great record of identifying vulnerable cases. "Even after the [Council of Ministers'] October decision, General Security officers were not inquiring about humanitarian need," insists Lama Fakih, researcher at Human Rights Watch's Beirut office. "The process of entry was arbitrary and discriminatory."

HOLDING LEGAL STATUS IN LEBANON ISN'T JUST A MATTER OF CONVENIENCE; IT'S CENTRAL TO ALMOST ALL ASPECTS OF REFUGEE LIFE

According to Human Rights Watch and Lebanese rights NGO LIFE, instead of taking humanitarian factors into consideration, General Security was allowing entry based on perceived affluence, religion, and origin in Syria. Nabil Halabi, director of LIFE, says that "social discrimination" saw those who appeared to be from a higher social class — traveling in private cars, well dressed, often from the capital — waved through Lebanon's checkpoints. Nadim Houry, deputy director of HRW's Middle East and North Africa division, says Syrians with traditionally Christian names received the same treatment. Meanwhile, those coming from Raqqa or Deir Ezzor — eastern provinces in Syria which are now Islamic State strongholds — were facing significant difficulty.

Houry adds that this practice is contrary to Lebanon's international obligation towards those seeking safety. "If a Syrian businessman from Damascus wants to come spend a weekend in Beirut, and the Lebanese government says no, then we're not

September 28, 2014

Lebanese authorities deport Syrian national Mahmoud Abdul Rahman Hamdan to Syria despite his fear of detention and torture by the Syrian government. This forcible return constitutes a violation of Lebanon's obligations under the international Convention Against Torture.

October 23, 2014

Council of Ministers issues a policy statement that focuses on three goals — reducing numbers of refugees registered with UNHCR in Lebanon, with only "extreme humanitarian cases" being let in, providing security, and lifting the burden on Lebanese communities

October 2014

UNHCR country representative Ninette Kelley says UNHCR has deregistered 68,000 refugees since June.

December 2014

Refugees, human rights groups, and Interior Ministry sources say border is fully closed to Palestinian refugees from Syria with very few exceptions.

December 31, 2014

General Security announces new criteria for entry and residency for Syrians in Lebanon, including eight categories for a visit to Lebanon.

January 5, 2015

New entry criteria come into effect amid local and international outcry.

going to complain," says Houry. "They've actually done the opposite — they're happy with those with money to come spend the weekend, but they don't want the others to come in."

General Security's Obeid emphatically rejected these claims. "Nothing about this is true. Everyone is on the same level with us," he tells Executive. "If the government says let people in, we do."

"IT'S IMPACTING EVERYTHING ELSE"

Holding legal status in Lebanon isn't just a matter of convenience; it's central to almost all aspects of refugee life. Unfortunately, rapidly changing policies, inconsistent implementation, and inadequate dissemination of information mean that many refugees in Lebanon are living here illegally. In September, Lebanon's government gave refugees who had limited legal status as of August 21, 2014 the opportunity to regularize their stay with General Security for free. Thousands who had either entered illegally or whose legal stay had expired were able to become legal residents without paying the LBP 950,000 ($630) regularization fee.

Still, hundreds of thousands of Syrian refugees are not living in Lebanon legally. UNHCR declined to provide Executive with numbers on how many of the 1.2 million registered refugees in Lebanon fall within this category. However, the agency's planning figures in early 2014 anticipated that over 800,000 Syrian refugees — two thirds of those registered with UNHCR — would be living with limited legal status by the end of that year. With the government's stricter policies on entry and residency, this number may now be even higher.

MAKING SURE REFUGEES ARE AWARE OF THE LEGAL PROCEDURES IS NO EASY TASK


Birth rates among Syrian refugees are significantly higher than neighboring Lebanese populations

Lack of legal stay severely restricts refugees' ability to move around Lebanon. In a detailed March report on the topic, the Norwegian Refugee Council interviewed 1,256 Syrians, over half of whom were in Lebanon illegally. NRC noted that over 73 percent of respondents reported curtailed freedom of movement as the biggest consequence of their illegal stay in Lebanon. Fear of harassment by security forces at checkpoints, local municipality police, and even regular Lebanese citizens has kept many Syrians sedentary. Refugees with limited legal status who are arrested by security forces are usually given an order for departure back to Syria, but are rarely forcibly deported.

Nonetheless, this lack of mobility has a major effect on refugees' access to resources. For some, their limited legal status has prevented them from registering with UNHCR. Several refugees who had crossed over illegally from Syria's Qalamoun region told Executive they felt "trapped." Too afraid to cross Lebanese Army checkpoints, they could not register at the UNHCR center in Zahle.

According to the NRC report, illegal stay has also pushed families towards increased child labor. Male heads of households without legal stay are often too afraid to leave their homes to seek work for fear of arrest. Since children are less likely to be stopped by security forces and asked for paperwork, fathers often send their children to work or beg for money instead of going to school. NRC says this practice exposes children to potential abuse and exploitation. Furthermore, Syrians without legal stay cannot access Lebanon's healthcare system, and crucially cannot register the birth of their children with the Lebanese authorities.

"It creates anxiety, uncertainty. It prevents them from organizing their lives … It's impacting everything else," says HRW's Houry.

FOLLOW THE MONEY?

At the time of writing, the Lebanese government and relevant security agencies had yet to issue decisions on the renewal process for the new visas that Syrians will hold. In their reaction to the decision, Amnesty International announced that refugees who had legal status prior to January 5, 2015, would continue paying the $200 per adult renewal fee as usual, but this has not been confirmed by the Ministry of Interior or General Security.

For many refugees, the renewal process presented a significant financial burden. NRC's report notes that refugee families typically pay $100 per month to rent out a small bedroom in an unfinished building. Securing food costs more than $200 per month, and fuel comes at a cost of $100 per month. Given that the average Syrian refugee family earns $250 per month, according to NRC, the renewal fee is one of the first expenses that families forego when money gets tight.

Indeed, the NRC's March report notes that almost one third of those interviewed stated they could not renew their stay, with 85 percent of these cases saying the cost had prevented them from being able to do so. Others reported that poor treatment and a fear of General Security offices had caused them to skip renewals.

Despite the pervasive negative effect that limited legal status has had on Lebanon's refugees, international aid groups have declined to cover the cost of visa renewal. In 2012, when refugees were nearing their first one year stay in Lebanon and would have to pay the $200 for the first time, aid agencies agreed that they would not cover the yearly fee as part of their support. Now, only one or two NGOs provide the $200 for very extreme cases. "It would be a huge fee. It would potentially contradict our advocacy towards waiving that fee," says Dalia Aranki, advisor to the NRC's Information, Counseling, and Legal Assistance Program. A mere 100,000 renewals — less than 20 percent of the refugee population over 15 — would cost $20 million.

KEEPING REFUGEES, AND THOSE HELPING THEM, INFORMED

Refugee and aid agencies alike have said it is difficult to keep up with the government's changing policies. Some organizations, like NRC, have two tiers of information-gathering: the official government statements about its policies, and the observed and reported practices of security forces. They aren't always consistent.

"If you go to General Security offices, they'll tell you your kids don't need to be registered. But then you take them to the border and they tell you you're violating Lebanese law," complains Leila, a Syrian refugee living in the Burj al-Barajneh camp in southwest Beirut.

THE RENEWAL PROCESS PRESENTED A SIGNIFICANT FINANCIAL BURDEN

NRC's Aranki says she's seen the same inconsistency. "You can see how complicated this is. There have been so many changes, and how this is implemented is not written down somewhere in one place," she explains. Practices differ in areas with different local administrations, and NRC has even had to step in to retrain local authorities who were incorrectly registering Syrian refugee births.

Making sure refugees are aware of the legal procedures is no easy task, either. In countries like Jordan or Turkey, where large numbers of the refugee population are concentrated in government controlled camps, dissemination of information can be done much more easily. In Lebanon, refugees live in informal tented settlements, rented apartments, and unfinished buildings — and they don't always want to be accounted for. "Over the last year, where there has been more tension between the Lebanese and refugees, people have not wanted to make themselves known very much," Aranki added.

A DEVELOPING POLICY

Week by week, more details are coming to light about the Ministries of Interior and Social Affairs' revamped refugee policy. Social Affairs Minister Rachid Derbas has explained that refugees already in Lebanon and registered with UNHCR would not be forced to regularize their stay as part of the new eight category visa. "However, if the refugee decides to go back to Syria and then return to Lebanon, they will have to comply with the new measures and justify the reason behind their return," Derbas told Lebanon's *As-Safir*.

Simultaneously, however, Lebanon's government has been working with UNHCR to deregister Syrians from the refugee list. From June 2014 until October, 68,000 Syrians were removed from UNHCR's list for crossing back into Syria frequently or failing to pick up aid packages. The Ministry of Interior's Gebara says that these deregistrations go hand in hand with tighter border control.

"Until we can audit every single refugee that's in Lebanon, let the number of new, registering refugees be lower than the number of those being deregistered," he tells EXECUTIVE. "So negative growth."

Both Gebara and General Security's Obeid promised additional measures in the coming weeks. But several challenges remain, not least the growing political opposition to the new regulations and the lack of clear criteria for "extreme humanitarian" entry cases.

For refugees and the aid organizations facing the renewed test of understanding and accurately relaying this policy, the period of tumult isn't over. "Expect the policy to keep changing based on the security and political situation in Syria," Gebara says.

CAPITAL CONCEPT S.A.L.

STRATEGY - FINANCE - GOVERNANCE

Running on empty

The World Food Program's Syrian response is faltering

A lack of funding leaves the WFP with a troubled future

"We were all completely shocked," says Shams, a Syrian refugee and mother of two from north of Homs province, commenting on December's announcement by the UN World Food Program (WFP) that it had suspended payments of food aid to Syrian refugees. "It really bothered us because everything we get, we get from the UN," she explains.

After months of warnings, the WFP simply ran out of money and was forced to delay the payment of vital assistance to 6.35 million Syrians displaced by this nearly four year long conflict. Suddenly, refugees across the region who rely on aid handed out by the international community had to go without this vital lifeline.

When one of the world's largest providers of fundamental emergency aid starts to experience major funding issues — potentially leaving millions of people in six countries without assistance — it causes concern for both refugees and the region as a whole. Unfortunately, funding troubles for the Syrian crisis appear unlikely to be a short blip, but part of a downward trend, which in the coming months and years could also cause problems for many other agencies reacting to the crisis. In October 2011, just seven months after the start of the Syrian crisis, the WFP started an emergency operation inside that country. At the time, the response was localized and relatively small scale, initially only targeting 50,000 individuals for a period of three months with a total budget of $1.9 million. As the conflict rapidly expanded, so did the operation of the WFP: by the start of 2013, they were targeting 1.5 million people; by October 2013, this had increased to 4 million, and on the eve of 2014, 4.25 million Syrians were receiving assistance across the Middle East. Today, nearly 6.3 million Syrians receive food packages or assistance to buy food in Syria, Jordan, Lebanon, Turkey, Iraq and Egypt — a project with a total budget of $2.2 billion.

WHAT THE WFP PROVIDES

Inside Syria, the WFP has been buying and distributing food directly to roughly 4.25 million internally displaced persons (IDPs) through 27 partner organizations that work in all of Syria's 14 governorates. However, unlike many of the countries in which the WFP works where food itself is scarce, local markets in many of the host countries for Syrian refugees had the capacity to supply the necessary food; the issue for most refugees was simply paying for it. Therefore the WFP moved from its traditional method of distributing food parcels to a printed voucher system. This allowed people to exchange the vouchers for food of the same value, at a number of shops.

But by October 2013, the refugee population had swelled so much that the printing, distribution and reconciliation of the printed voucher system had become incredibly inefficient. In its place, the WFP introduced cash cards. The card acts, and looks, the same as any other debit card — it is even issued by MasterCard. The only distinguishing feature is that it has the words 'humanitarian aid' written across the top. The WFP credits the account monthly, allowing families to shop as they need throughout the month. As with the voucher system, refugees are still tied to shopping at particular participating stores. However, the main advantage of the cash card over vouchers, for the recipients, is that families can now shop when they want and need to rather than having to receive all their food in two installments when they cash in a printed voucher. It is also more secure as lost cards can be cancelled and refugees need to show proper identification and their UNHCR registration certificate (which has a unique number that is also stamped onto the card) in order to use it to purchase food. According to the WFP, about 88 percent of those the WFP assists outside of Syria and Iraq are now on the cash card system. In parts of Iraq the WFP and partners still provide direct food distribution as, due to the ongoing security situation, the market is unable to provide the food needed.

WHAT WENT WRONG

Despite these improvements, the WFP has run into a major problem. At the beginning of December, the WFP announced that it would be suspending operations due to a lack of funding. "Donors were very generous in the early years of the Syrian crisis but we are nearly in the fourth year now. Since August we have been starting to run out of funding and we started warning [donors] when we saw this coming. Despite this, in December we had to cut funding completely," says Joelle Eid, communications officer for the World Food Program's Syria response. Luckily, after a mass appeal to the public, as well as private and national donors, the money to cover December was raised and cash cards were recharged on December 9. However, as winter storms and heavy snow hit the region, including Lebanon and Jordan, conditions worsened for many and a huge question mark hung over what would happen after January.

The WFP has assessed the basic level of subsistence in Lebanon at $30 per person per month. While the cash cards give individual families autonomy on how they use this to feed their family, there are rules about what can be bought. The WFP restricts the money to buying food items, while clothing and cleaning products for example are not permitted. This is enforced through a contract with shopkeepers whereby they agree to a set of terms — including making sure that the rules on what's purchased are followed and not hiking up prices for refugees — in order to continue being an eligible partner; the WFP and its partners then check up on shops to ensure this is followed. Upon receiving the card, families are given a seminar on nutritional value and how to make the most nutritious food possible with the available budget and ingredients. "I go and buy oil, stock, rice and macaroni," says Hamda, a Syrian mother of two from Yarmouk who has been in Lebanon nearly two years. Although Hamda says that she has been getting by, she insists that things are far from easy. "Ninety dollars for a month just doesn't buy anything for three people," she says, adding that she doesn't buy any meat as it is expensive and she is very skeptical of the quality and age of the meat on sale in her local shop that takes WFP cash cards.

WHERE THE ISSUES CAME FROM

The WFP relies fully on voluntary donations from national governments, international organizations, companies and private individuals. While private donors made up the 11th largest funding source in 2014, the scale of the organization's Syria response necessitates donations on a scale that is hard to find outside of direct government funding. The WFP needs approximately $120 million a month in order to adequately provide basic food assistance to 4.25 million people in Syria and 2.1 million outside of Syria. According to Eid, when funds ran dry in December, the WFP was $64 million short of what it needed to fund operations until the end of 2014. After a major emergency funding campaign, which included a social media push with the hashtag #ADollarALifeline, almost 14,000 individuals and private sector donors in 158 countries contributed $1.8 million dollars. A further $52 million of the final $88 million funds raised in December were a direct donation from Saudi Arabia. The World Food Program entered the new year with just $20 million, which had already been earmarked for operations in Syria.

"PEOPLE ARE MORE LIKELY TO ASSIST WITH NATURAL DISASTERS LIKE FLOODS, TSUNAMIS OR VOLCANOES"

The WFP budget summary at the end of 2014 highlighted that the "WFP received $365.8 million, or 40% of the requirements, for its food assistance programme [inside Syria] in 2014. Late and insufficient resources forced WFP to adjust the composition and size of its GFD food basket [General Food Distribution basket] almost every month, and resulted in lower calorie food baskets than had originally been planned."

"It's always different if it's a man made disaster rather than a natural one," explains Marc-André Hensel of World Vision, one of the WFP's partner organizations that manages food aid in the midwestern areas of Lebanon's Bekaa Valley. "People are more likely to assist with natural disasters like floods, tsunamis or volcanoes. Syria is this big confusing monster [and] we are all, including the international community, just clueless what to do [about it]," he continued.

Eid is stoic about the current situation, "It's quite clear now that funding for the region will not be as generous as last year or the year before. The more the conflict is prolonged, the more there are other issues that require donor attention — the Ebola response, for example. Funds are coming in at a slower pace and are less … 'driven'. This is something we have to get used to and we're forced to respond as per the status quo. So if we get 70 percent funding, then we can plan for the next period accordingly. There are difficult choices we all have to make."

WHAT THE WFP IS DEALING WITH NOW

The funding crisis highlights one of the biggest challenges now facing the program: forward planning has become almost impossible. In the early phases of the response, the WFP could plan months in advance, preplanning for acute emergencies and, crucially, ensuring a constant supply of food to Syria and Iraq where physical food parcels are still distributed. In Syria, it can take up to six weeks from purchase to supplying warehouses across Syria before aid reaches the IDPs and refugees, as transport is slow and there can be delays. This means that a funding gap of even a few weeks can cause substantial delays in people receiving food in Syria.

In mid January, the WFP announced its basic needs for the next three months. For the period of January to March 2015, the WFP will require $300 million to distribute 70 percent of the aid it had previously been disbursing. The latest figures show that at the moment the WFP has about $257 million, 86 percent of this funding requirement. While it

THE AMOUNT [OF AID] EACH PERSON WILL GET WILL HAVE SHRUNK BY AT LEAST 30 PERCENT

will endeavor to continue to provide for all 6.35 million refugees they have been assisting with aid, the amount each person will get will have shrunk by at least 30 percent. In Lebanon, this translates as a reduction from $30 per person per month to just $19 per person per month.

The knock-on effect upon refugees is the most pressing issue for the WFP, but funding problems also impact the organization as a whole. Shortages force the WFP to make revisions to the entire organization, from staffing levels to offices. It constantly has to balance operating costs with delivery to make sure that as much as possible goes to helping people on the ground, but if it is forced to cut back staff and centers too much, it risks not being able to respond to the needs of the people it is trying to help. The operational costs of the WFP last year were approximately 5.4 percent of the total budget for the Syria mission, with staff salaries the most significant single cost.

A MORE STABLE SOLUTION

Neither Eid nor Hensel believe that a more stable funding situation is possible under the current systems. The way that aid is given means that it is not possible to ensure future funding as it is completely reliant on the generosity of donors, and at a time when many Western nations are undergoing government cutbacks and austerity, foreign aid budgets are a tempting thing to cut.

At the start of 2015, the UN formed the Regional Refugee and Resilience Plan (3RP), its latest annual outline of the crisis that brings together the national plans in Lebanon, Jordan, Iraq, Turkey and Egypt into a single unified regional response. The 3RP states that there is a need for $5.5 billion to help 3.4 million Syrian people outside of Syria in 2015, as well as 2 million members of the host communities. The 3RP is just one way that agencies, including the WFP, are trying to ensure that the Syrian crisis does not fall off the radar of international donors. While today the WFP is having funding issues, it is by no means the only organization experiencing a more difficult working environment.

Funding gaps have resulted in massive delays in aid (World Food Program)

JANUARY AND BEYOND

January's reduction in cash card payments was not the first cut refugees had seen, although previous shortfalls had been made up in a second payment. Such remuneration seems unlikely in this case. "The prospects are not too good this year," explains Hensel. Means testing is almost impossible, Hensel points out, in part because the needs and situations of individuals can change on a weekly or even daily basis.

There are now basically two options for the WFP and partners, like World Vision, in the short term. The first option, as has happened this month, is to reduce the amount paid out to all recipients so that they can continue to give everyone at least something. The second option is to highlight vulnerable groups and then prioritize assistance to these over others. Hensel believes that groups such as children under five, the elderly and the disabled are likely to be prioritized over other groups during the next year. There are also programs underway to identify the most vulnerable areas and groups, although this will take several months to have an effect.

Other organizations are looking for options to fill the gaps. "This is not such a good situation because if per month we're looking for $30 million, what does $1 million or so mean? It's a drop in the ocean. [At World Vision,] we have not agreed on any one-off payments because our supporters want something more sustainable, what happens the next month or after that?" says Hensel.


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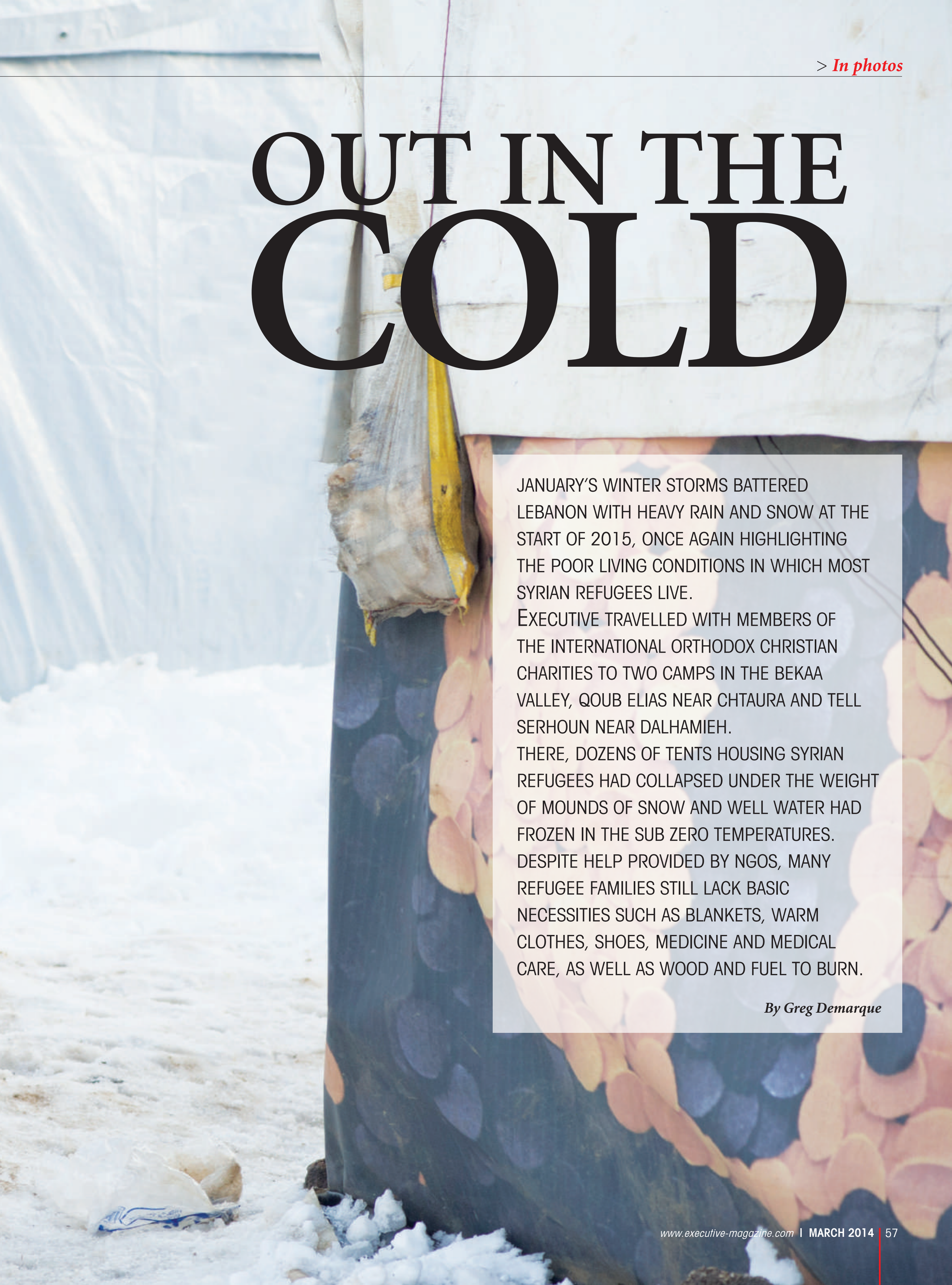

OUT IN THE COLD

JANUARY'S WINTER STORMS BATTERED LEBANON WITH HEAVY RAIN AND SNOW AT THE START OF 2015, ONCE AGAIN HIGHLIGHTING THE POOR LIVING CONDITIONS IN WHICH MOST SYRIAN REFUGEES LIVE.

EXECUTIVE TRAVELLED WITH MEMBERS OF THE INTERNATIONAL ORTHODOX CHRISTIAN CHARITIES TO TWO CAMPS IN THE BEKAA VALLEY, QOUB ELIAS NEAR CHTAURA AND TELL SERHOUN NEAR DALHAMIEH.

THERE, DOZENS OF TENTS HOUSING SYRIAN REFUGEES HAD COLLAPSED UNDER THE WEIGHT OF MOUNDS OF SNOW AND WELL WATER HAD FROZEN IN THE SUB ZERO TEMPERATURES.

DESPITE HELP PROVIDED BY NGOS, MANY REFUGEE FAMILIES STILL LACK BASIC NECESSITIES SUCH AS BLANKETS, WARM CLOTHES, SHOES, MEDICINE AND MEDICAL CARE, AS WELL AS WOOD AND FUEL TO BURN.

By Greg Demarque

1. Despite help from NGOs, some refugees still lack the bare necessities, even shoes and warm clothing (Qoub Elias)

2. Winter hit Syrian refugees living in Lebanon hard, leaving them abandoned amid very low temperatures (Qoub Elias)

3. Children play in the streets of informal settlements despite the cold (Qoub Elias)

4. Children proudly pose behind a wheelbarrow filled with wood (Tell Serhoun)


Young children are the most vulnerable to these severe temperature drops (Tell Serhoun)

5. A number of tents collapsed due to heavy snowfall. Inhabitants had to take shelter in other tents as they wait to find the right material to start building again (Tell Serhoun)

6. Heavy snowfall has made accessing the tents difficult (Qoub Elias)

7. The cold weather has made even basic everyday tasks complicated (Qoub Elias)

8

8. Ahmad fell ill during the winter storms and was bedridden for several days with a high fever. The lack of medical care and medicine is a big concern for refugees (Qoub Elias)

9. People try to keep warm any way they can. Without a wood stove, refugees use an open fire to warm their tent (Tell Serhoun)

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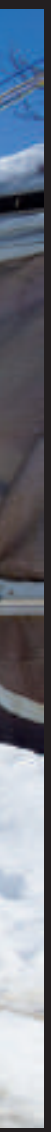


Raise your spirits

Despite tough economic times, Lebanese can still be counted on to enjoy drinks *By Nabila Rahhal*

Spirit sales have bucked the negative trends in the Lebanese hospitality industry

Whether enjoying a glass of single malt whiskey after a long day, celebrating a special occasion with champagne, or simply catching up with friends over a couple of cocktails carefully prepared by a mixologist, it seems that alcoholic beverages constitute a part of life for many of us. While some other industries, such as the hospitality or retail industry, saw a decrease in their overall revenues in 2014 when compared to 2013, the spirits industry saw a growth in that period, aided by an active end of 2014.

2014 VERSUS 2013 IN TERMS OF SALES AND GROWTH

According to Naji Hmouda, business manager at Neo Comet, the spirits distribution company which is part of Fattal Holding and distributes Bacardi, Martini and Dewar's, among others, 2014 started out even worse than 2013 for the spirits industry from a macro perspective, due to the assassination of former Finance Minister Mohamad Chatah. The attack occurred a few days before New Year's Eve 2013 and caused many people to cancel their celebrations, which in turn led to an accumulation of stock for many spirits.

Carlo Vincenti, owner of G. Vincenti & Sons who says his spirits portfolio includes Poliakov vodka and Label 5 whiskey, also considered the market at the start of 2014 to be tough. This was due to the continuing effects of the economic and social difficulties that have affected Lebanon, including a combination of the repercussions of the Syrian crisis and the dwindling economic capabilities of the Lebanese consumer, who has become almost the sole client of the hospitality sector given the lack of tourists, according to Vincenti.

Yet, Vincenti says his company added the Beam Group — which includes Jim Beam bourbon and Teacher's whiskey, among others — to their portfolio in 2014. The company managed to double Beam Group's volume of sales in Lebanon from 2013, making 2014 a good year overall for the Vincenti Group.

According to the spirits distributors Executive spoke to, the summer season was also somewhat sluggish in terms of sales but took a sharp upward turn during Eid El Fitr. Sales peaked during the holiday season in November and December 2014, which usually accounts for 40 percent of a spirits distributor's annual sales. Hmouda explains that, once a sense of security and stability was restored in Lebanon towards the last quarter of 2014, they felt the positive effects in their profits and were able to make up for most, if not all, of their losses of the first half of the year, calling December 2014 a "phenomenal and amazing" month, comparable to some of the best Lebanon has seen in the past 10 years.

THE LEBANESE CONSUMER HAS BECOME ALMOST THE SOLE CLIENT OF THE HOSPITALITY SECTOR

Etablissements Antoine Massoud (EAM), distributor of SKYY vodka and Jose Cuervo tequila, saw a growth of 15 percent in spirits sales in 2014 as compared to 2013. This was thanks to a strategy where EAM let go of some brands in their portfolio and added new ones, all the while "capitalizing on a few but bigger and better brands than we used to represent in the past," says Anthony Massoud, managing director of EAM.

Diageo, the multinational alcoholic beverages company and spirits producer with a $73.3 billion market capitalization, is mainly known for Johnnie Walker, which held 31.6 percent of the market share in whiskey consumption in Lebanon in 2013, according to the International Wine and Spirit Research (IWSR). With their regional offices now in Lebanon, Diageo considers the country to be "the showcase of the Middle East and the leader of nightlife in the region," according to Ziad Karam, MENA corporate relations director for Diageo.

In fact, the company witnessed solid growth of slightly more than 15 percent, according to Jad El Osta, IMC general manager at Diageo. "We basically followed the consumers' taste and location, offering them a Diageo brand for every income level and every new drinking trend and location," says El Osta.

WHAT THE LEBANESE ARE DRINKING

Not all spirits are created equal and some types had a better year than others, according to the brand representatives and owners Executive spoke to. After skyrocketing for the past five years and increasing by 13.4 percent between 2008 and 2013 according to the IWSR, vodka consumption among the Lebanese in 2014 either stagnated with some brands or increased at a normal pace with others. "Consumers are looking for more complexity in what they drink and, whatever you do, vodka will always be considered a mixer," says Vincenti.

The exception to this trend seems to be the vodka brand Grey Goose, with Hmouda saying that, "Fattal had excellent double digit growth in the vodka category in 2014 driven by the deals we did and the brand Grey Goose, but I cannot say it is the same for everyone."

Whiskey, the third most consumed alcoholic beverage in 2013 after beer and mixed drinks according to the IWSR, remained the most consumed spirit in Lebanon by far with 471,000 nine liter cases purchased in 2013, almost double the second largest category of spirits consumed that year, vodka. Within that category, there was growth in the single malt whiskey consumption, though the volume remained small when compared to overall whiskey consumption, according to Hmouda.

This increase was driven mainly by the global trend towards single malt consumption and by more maturity and awareness regarding the quality of spirits among the Lebanese consumer. Vincenti saw double digit growth in their single malt categories and Diageo, which owns 28 malt distilleries in Scotland, believes they managed to attract many consumers in this category through their strong market presence and wide portfolio of malts.

EAM took the single malt trend to another level by opening the Malt Gallery in December 2014, a high end spirits concept store with a focus on malt whiskey. "We saw that there are a lot of wine stores but no conceptual liquor stores. Our aim is to educate the Lebanese consumer on this trend and develop the premium category in Lebanon through whiskey classes, dinners and trainings" says Massoud.

Closely related to the growth of single malt is the rising popularity of mixology, i.e. mixing cocktails using premium spirits, another global trend that Lebanon is now embracing. "The trends are moving towards cocktails and the good thing is that many of the bar owners are taking it very seriously and are training their staff in presentation and mixing," says Hmouda, adding that such premiumization brings a better, more specialized type of business to the distributor, while also lending diversity and more complexity to the spirits sector in Lebanon.

MARKETING THE LIQUOR

Capitalizing on these trends and on spirits consumption in general necessitates that each distributing company develop a competitive growth strategy which plays on their brand portfolios' strengths. "We players try to find where we are competitive and where we can add value based on these trends. We at EAM are reorganizing our strategies and portfolio and implementing this with our trade partners," says Massoud.

"CONSUMERS ARE LOOKING FOR MORE COMPLEXITY IN WHAT THEY DRINK"

Sustaining a strong market share and ensuring annual growth of a company's brand consumption requires targeted and specialized marketing such as visibility in venues, sponsorship deals with venue owners and special activities and events — referred to as below the line advertising — as opposed to mass media marketing through traditional media channels or above the line advertising, explains El Osta. "We only began to spend on above the line marketing last October but in marketing below the line, we are very strong and present, considering such activities volume generators. Instead of reaching the consumer through TV ads, we reach them directly in the venue through the bartenders or shop owners whom they trust. The market is moving from the bulk towards the differentiated and specialized," elaborates El Osta.

Other distributors are also focusing on below the line marketing, with Massoud attributing 25 percent of what he calls their trade marketing budget to secure their brands' visibility in hospitality venues through sponsorship deals

Bars are becoming a key target for spirit labels' advertising budgets

and quality presence in places such as Skybar where they are the main vodka partners.

According to Hmouda, Fattal's marketing budget is mainly being spent on below the line marketing. "In a better situation, half of that budget should be on advertising, but today with all the pressure on maintaining relatively reasonable prices, some of our marketing investment is going behind that. Until such times when we have steady growth, we will look back at our strategy of spending to have more consumer and image communication rather than below the line marketing," he says.

CHALLENGES IN THE ON TRADE AND OFF TRADE SECTORS

Despite 2014 being a relatively good year for spirit vendors, alcohol distributors do not operate in a vacuum and the challenges facing the Lebanese economy certainly had an effect on their business.

Regarding the on trade sector, or the hospitality venues, Vincenti explains that one issue they had to deal with a lot more in 2014 was delays in payment from hospitality venues, which were having a difficult couple of years due to the economic situation in Lebanon. Hmouda says Neo Comet has also had to deal with more deferred payments over the past three years, calling the situation "dangerous" but saying that this year was better than the two preceding it.

"NEW VENUES OPEN AT A VERY FAST RATE IN LEBANON AND CLOSE AT AN EQUALLY FAST RATE AS THERE IS NO REGULATION"

"New venues open at a very fast rate in Lebanon and close at an equally fast rate as there is no regulation or study into their financial feasibility. We [spirits distributors] end up losing the most as we deal with these operators who can close down anytime if their business fails, sometimes still owing us money," complains Massoud, explaining that they have become cautious in who they deal with and are focusing on the big operators in Lebanon who they know are sufficiently reliable.

Such a situation has led to low morale both among hospitality venue owners and their distributors, who themselves have their payments to make and their quotas to maintain with the companies they represent.

The off trade sector, or the retail stores, according to the distributors interviewed, account for the bulk of their sales and generally constitute a more significant market for them as opposed to the on trade sector. The off trade sector saw an increase in their spirits sales, according to Vincenti, because people consumed more alcohol at home in 2014, especially around the New Year which saw many celebrations held at home. "This is a good thing for us because when people consume alcohol at home, they consume more," says Vincenti, adding that reaching the consumer is easier in the off trade division as all the brand choices are right on the shelf, as opposed to a bar which is influenced by exclusivity deals with distributors.

The off trade still represented challenges to the spirits distributors, namely due to the fact that the number of retail outlets increased significantly in 2014. "Supermarkets in Lebanon are cannibalizing each others' business through prices which are eating away at their profit margins. Their businesses are not operating in a healthy way and when this happens, I am the one with the supplier who has to pay for this in one way or another, by either delaying payments or granting them additional requested terms such as discounts or marketing incentives," says Vincenti.

Whether in the on trade or off trade sector, Lebanese will continue wanting to have a good time and so, as long as this attitude prevails, spirits distributors and producers in Lebanon will always have a reason to toast.

Automating the future

Technica, a robotics manufacturer, expands its factory and begins succession planning *By Jeremy Arbid*

It is in Lebanon, of all places, that the tale of Technica unfolds. The company manufactures and customizes automated end of line solutions — those machines that prepare products after they've been individually assembled, or wrapped, for shipping. So, if you were to say, eat a Twix candy bar in Cairo, it would have been Technica's machines that prepped the boxes of candy bars for shipping, separating products by the barcode number and sending them to the warehouse by automated conveyor belts. Or, for example, if you were to pour yourself a glass of milk bottled by Almarai — one of Saudi Arabia's largest dairies — it would have been Technica's machines that collected the milk bottles, sanitizing and sorting them before carrying them off to a refrigerator warehouse for shipping — all completed automatically with little human interface. And these machines are all designed and built in Lebanon, who would have thought?

Tony Haddad, Technica's founder and general manager, is on a mission to transform the way other factories package and prepare their products. The family owned business and manufacturer of robotics and automated assembly solutions has completed expansion of its Bikfaya factory with an eye on further entrenchment in the GCC markets and new opportunities in Africa.

ROBOTIC DREAMS

If adversity produces champions, then Technica is Lebanon's poster child. Especially as in the world of industrial manufacturing big usually conquers small. But for firms operating in niche fields, such as robotics, small yet aggressive companies can thrive in even the toughest of environment. Technica is aiming to be the preferred partner for automated solutions in the Middle East and African markets by 2020. According to Technica's survey of the Middle East market, the sales of automated solutions have reached $10 million annually.


Technica ships its automated factory systems across the world

Today, Technica is going head to head with large European players already entrenched in the business, such as Krones (a large German conglomerate) and OCME (an Italian automation firm), as well as a few regional companies offering more niche solutions. Yet Technica has rooted itself in the Middle East market — its client list stands presently at 276 — serving local divisions of global corporations like Mars, Nestle, Procter & Gamble and Coca Cola, to name a few. And by 2020 Technica hopes its client base will reach 325, partly driven by further expansion in the GCC markets but also propelled by the push into African markets.

All of this started in a tiny garage during Lebanon's Civil War. When the war became too intense to continue operations, Haddad packed everything on a boat and moved the business to Cyprus. When tensions eased in 1991 and the Syrian occupation lent some stability to the country, Haddad moved the company back and began construction of a new factory in Bikfaya — the site of their present operations. By this point one starts picking up on a recurring theme, and maybe Haddad took note from Warren Buffet — the American billionaire investor — who is famously quoted as saying "Be fearful when others are greedy and greedy when others are fearful." That is to say that where others in Lebanon have found war and conflict to be insurmountable, Haddad has perceived them as mere "bumps in the road."

BUMPS IN THE ROAD

In its first two decades Technica's sales progressed steadily, the company

was growing and revenues were roughly doubling every five years. By 2006, with the July War unsettling the country, Haddad set out to again expand operations, adding factory floor space to the existing facility with growth driven by entry into new markets in North Africa. By 2009 the company's revenues had reached nearly $8 million.

There have been hiccups, Haddad points out, along the way. A broader look at gross revenues shows continuous growth apart from two years, 2009 and 2010, where Haddad admits that the company's sales were stagnant. He links the issue more to the slowdown of the global economy and a slump in GCC markets — like the slowdown of Dubai's economy in 2008 — as projects were put on hold or simply canceled. Likewise in 2013, the worsening of the Syrian conflict halted Technica's transportation of goods across the territory for delivery to factories in the GCC. Now the company, like other firms in Lebanon, has to export by sea on routes that are just as expensive. But what at first was a negative for the business, Haddad describes, has turned into an advantage — Lebanon's ports have expanded and the shipping companies have developed their maritime routes. For Technica, the costs of shipping by sea to the GCC are not substantially different — reliability has become the most important factor. And according to the company, shipping by sea to Jeddah, for instance, now takes only five days when transit times by land were 11 days — "We're using faster shipping routes now and we're saving on that in terms of the cost of time. It became an opportunity stemming from a problem," Haddad explains.

By 2011 the company was again flush with cash and Haddad announced plans for another expansion of the factory — despite civil unrest budding to the east. With the war raging in Syria, Technica undertook capital expenditures totaling $1.5 million — the expansion was to double the size of the factory while creating an additional 18 technician and engineering jobs. This latest expansion phase was completed in 2014 and by the end of the fiscal year the company's revenues had risen to nearly $16 million with exports amounting to 90 percent of the company's sales.

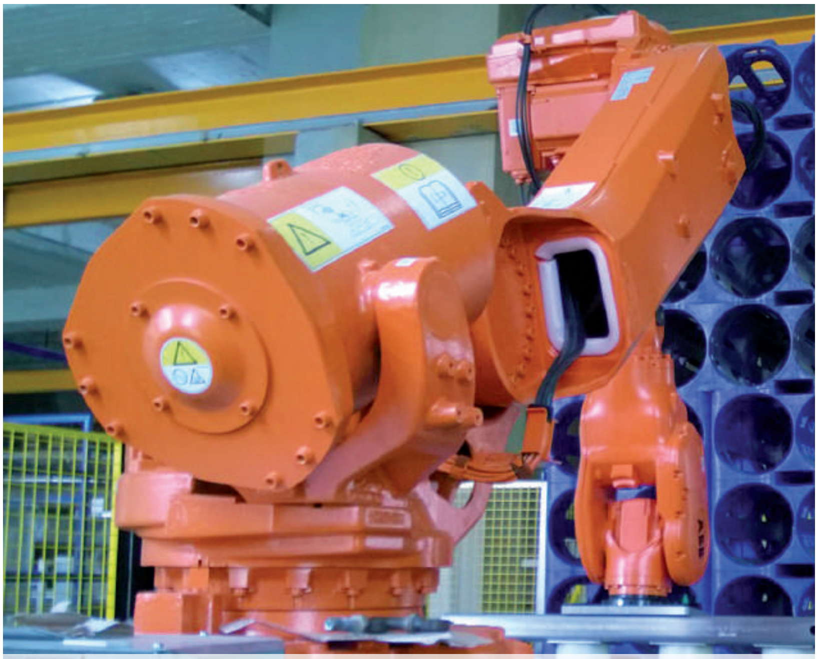
Now Haddad is eyeing new markets in Africa — places like Ghana

TODAY, TECHNICA IS GOING HEAD TO HEAD WITH LARGE EUROPEAN PLAYERS ALREADY ENTRENCHED IN THE BUSINESS

and Nigeria, which are themselves looking to develop value chains in the production of food products, providing big opportunities for companies like Technica to supply solutions to new and expanding factories. Ultimately, Haddad says Technica's strategic vision is to double the size of the company by 2020, with a goal of increasing revenues by 15 percent each year. This, Haddad says, would give Technica greater capacity to build bigger, more complex automated systems and multiple projects simultaneously.

INTO THE FUTURE

And here's where Technica's story gets really interesting. The company has been built by the family from the ground up — yet Haddad has been the integral figure driving Technica's evolution since its inception in a garage in the early 80's. So after a 30-plus year career he is starting to think about easing his workload, and with this come questions about executive leadership. For all businesses, let alone a family owned one, this is an important issue — leadership drives the culture and defines the company's strategic vision. Yet, if this idea of executive leadership were suggested to Haddad, he'd clarify that his style is to lead from behind. Technica subscribes to what is called servant leadership — a philosophy with its roots in the annals of history but adapted for modern application. In organizations employing the servant leadership philosophy,



Technica's products are used in a range of industries, from soft drinks to textiles

All of Technica's automated systems are produced in Bikfaya, Mount Lebanon

diffusing power through the organization and the development of employees into top performers are the priorities. The general notion is that top management serves the middle managers who serve the factory workers so that the entire organization can better serve its customers — similar to an upside down, pyramid structure. Indeed, it was from the factory floor and then the employee cafeteria that Haddad initially spoke with Executive.

By 2018, Haddad reaffirms he'll no longer be Technica's general manager — and similar to most family businesses, the assumption is that one of his children will take over when Haddad steps back. Yet it is not only the GM position that will need to be filled — Haddad is also Technica's sales manager. There are four children in the Haddad family, each owning a 24 percent stake in Technica (Haddad retains a 4 percent minority stake in the company), three of whom work in the family business — Cynthia Haddad Abou Khater as stategy management officer, Cyril Haddad working in customer service, and Michel Haddad in multinational

THE IMPORTANT QUESTION IS WHETHER TECHNICA, AND MANUFACTURERS IN A SIMILAR POSITION, CAN CONTINUE IN SUCH A HOSTILE LOCAL ENVIRONMENT

account sales. While being a family member has been a prerequisite to own shares of the factory and receive a dividend, having the same blood has never guaranteed a job in the factory. "If you have something to bring to the table we want you to work in the company — being a family member is not a guarantee," Haddad says, somewhat sidestepping the question of who will run the company when he gives up the reins.

Technica has no formal board of directors. Its top management team sets the strategic vision of the company — its managers of operations, finance, human resources, sales and strategy. So while Haddad fills both the role of general manager and sales manager, his daughter, Abou Khater, is the company's strategy manager. Currently the team is working internally — Haddad says they might bring in a consultant at a later stage — to develop its corporate governance to formalize succession plans by refining the descriptions for each managerial position while cultivating the leadership attributes desired for the top position. Haddad says his plan is to continue grooming his replacement so that in three to four years he might be able to step out of daily operations and assume a more strategic advisory role. "I've already put the right people in place," he adds. When reached by telephone Abou Khater tells Executive that the process of succession planning began last year to formalize Technica's corporate structure — job descriptions were drafted and key attributes to be honed were identified. But Abou Khater was also vague when discussing who might lead Technica in the years to come, "We would prefer an internal candidate and have shortlisted maybe two or three individuals." But Abou Khater also rationalized that the company just isn't yet in a position to say who will take over when the elder Haddad steps down — some three to four years from now. "We also don't want the rest of the factory finding out who our next GM might be from a magazine — the candidates names will be announced on our terms."

Succession planning aside, the important question is whether Technica, and manufacturers in a similar position, can continue in such a hostile local environment. There is support from the government but it remains limited to plans executable over the long term. The rehashing of policies toward mitigating production costs, the introduction of new industrial zones, and the promotion of links to education have helped manufacturers little in the short term. According to data published by the World Bank, manufacturing has been contributing less than 10

(De)sign of the times

Has Mar Mikhael's rejuvenation spelled its downfall?

By Nabila Rahhal

"We gradually noticed a few abandoned commercial venues being renovated and then new tenants moving in. They were mainly little boutiques owned by young adults and at first we felt a sense of pride that people were recognizing our neighborhood as a place for creative business activities but now, with all the bars and the traffic and the noise, it's just too much!" says Agop Barberian, an old time resident and electronics repair shop owner in Mar Mikhael. He recalls how his once almost forgotten neighborhood emerged as a destination for designers less than a decade ago, and how it rapidly turned into what he now compares to an insatiable monster.

Mar Mikhael is now a center of design industries in Beirut

MAR MIKHAEL'S URBAN FABRIC

While districts such as Monot and Gemmayze have roared with nightlife since the 1990s, Mar Mikhael was considered a low to middle income, mainly industrial area where many car services outlets, metal workers and workshops could be found. These venues generated reasonable activity during the day, often noisy or smelly, especially when involving car repairs, but the evenings were always calm, recalls Barberian. The area, with its narrow streets and architecture dating back to the 1940s, retained a somewhat charming mode of urban life that was fading away in other areas of Beirut.

Speaking about what makes people appreciate an urban area such as Mar Mikhael, Mona Harb, associate professor of urban studies and politics at the American University of Beirut, explains that it is more than just the old buildings. Rather, according to her, the appeal lies in the very fabric of the district, such as the narrow streets signifying a time before the introduction of private cars to Lebanon, the little gardens in front of buildings where the neighbors gathered, and the stairways facilitating a climb over a steep hill. All of these elements gave the neighborhoods that had developed on the then-outskirts of central Beirut — such as Furn El Hayek, Zokak El Blat, Ain El Mreisseh and Gemmayze — a human side.

DESIGNERS MOVE IN

This charm was one of the main factors that first attracted those in the arts, crafts and design (ACD) industries to Mar Mikhael. "I fell in love with the wide space when I first saw it and I loved the industrial feel of the area," says Maria Halios, interior architect and founder of MHD Designs, who transformed an abandoned chocolate factory in Mar Mikhael off Armenia Street into her office and design showroom early in 2009, when there was only Liwan, a contemporary design boutique, on that street.

Rania Naufal, owner of the arts and architecture bookstore Papercup, has been living in Mar Mikhael since 2005 and cites the "vibrant charm" of the area as the reason she opened her bookstore there, a few months after Halios.

Today there are approximately 71 commercial venues rented out to the ACD industry in Mar Mikhael including boutique retail stores, design studios and offices, according to the Mar Mikhael Creative District map developed by Georges Zouain, principal of GAIA-Heritage, with financial assistance from the European Union under the MEDNETA project. GAIA-Heritage is a Beirut based company founded by Zouain in 2002 which provides consultancy services to manage cultural and natural heritage. As part of the EU funded MEDNETA project, GAIA-Heritage launched on January 16 a week long conference entitled "In Mar Mikhael" aimed at regenerating Mar Mikhael and reinforcing creativity in the area.

Harb explains that ACD professionals were attracted to Mar Mikhael because of several factors: its central location, its urban features, its proximity to Bourj Hammoud — where many of the craftspeople are located — and because the rents were low when they first moved in. They did not fundamentally disrupt the social and economic life of the neighborhood.

As Mar Mikhael began to blossom as a "hip" neighborhood where the ACD industry could be found next door to mechanics in an industrialized yet artistic environment, it caught the eye of real estate developers, who saw an opportunity to use the area's contemporary feel as a marketing tool to develop and sell their properties there. "The designers somehow participated in the promotion of residential real estate as we were used in their promotional brochures. People find it nice to live in a hip area," says Halios.

AND HOSPITALITY VENUES MOVE IN

Around the same time, towards the end of 2010, hospitality developers who were fed up with the high rent costs or overcrowding of places such as Downtown's Maarad street or Hamra were looking for a new area to expand into and found Mar Mikhael to be perfect for their needs. Like the designers, they were enticed by its proximity to Gemmayze, its low rents and urban heritage charm. Very quickly, two or three pubs on Armenia Street progressed into more than 40 hospitality venues, with more slated to join the mix in 2015.

With this rapid real estate development, Mar Mikhael has become unrecognizable to its long time residents who complain of not finding anywhere to park, of the intense traffic, of the loud noise at night and of having to pick up broken bottles and debris from their doorsteps every morning.

Commercial rental prices were driven up by the boom in the area and landlords who were charging a mere $600 per month for a 50 meter square commercial venue back in 2009 are now asking for, and getting, $3,500 a month, a 483 percent increase. While part of this increase is due to normal market inflation, part is also due to opportunism among landlords.

IT'S ALL ABOUT THE MONEY

Concentrations of hospitality venues tend to be transient in Lebanon: they have migrated from Monot to Gemmayze to Hamra to Uruguay Street and now to Mar Mikhael, with many already moving now to Badaro. All of these destinations became intensely popular for an average of three years, before the customers and operators moved on. Many landlords are seizing the narrow time frame to maximize their profits and are asking for significantly increased rent from their commercial venue tenants, evicting them when they can't pay and their rental agreement is up, or paying them the key money they owe them, if they are on the old rental agreement, and giving them a month's notice to pack their bags.

WITH THIS RAPID REAL ESTATE DEVELOPMENT, MAR MIKHAEL HAS BECOME UNRECOGNIZABLE

Victor Hamdjian is standing in front of the small garage where he now works as an employee. He points to the larger garage down the street which he used to operate himself on a property he rented, but has now been rented to a restaurant. Hamdjian names seven other industrial businesses, all in just two alleys off Armenia Street, which have closed down in the past two years to make way for a restaurant or bar. Hamdjian explains that it is not only the increased rents which have driven these businesses away, but says the whole area is changing and there is no room for them anymore.

Zouain explains that a market only thrives by the agglomeration of trades that complement each other, which was the case with the industrial workers in Mar Mikhael and also with the ACD industry today. However, unfortunately this is slowly fading from the area in favor of hospitality venues.

Many of the designers feel that the area is changing in terms of what first attracted them to it and worry that they will not be able to compete rent-wise with the wealthier hospitality venue owners in the long run. "Two years ago, the hospitality investors began moving into the area and so now you see fewer designers opening up here. Restaurants are paying more in terms of rent so commercial real estate owners prefer them as clients as opposed to us designers," explains Halios, adding that her rent contract will end in June. While she is not sure if her landlord will increase the rental fee, she is confident that her landlord will not rent the venue to a pub as she wants to preserve the street's quality.

Naufal says her rent has increased since her contract was first issued but is still "viable and realistic." She adds: "However, I did hear of other landlords in the area who are being extremely greedy at the risk of losing their current tenants and changing the spirit of the neighborhood."

Halios wishes new young designers would open shops in Mar Mikhael but knows that this is unrealistic at this point and fears that the sense of community that was created among designers in the area is being destroyed. "It's a pity though because we really built a connection with this area and helped shape it. We have good energy and good communication between us in the neighborhood and organize events among each other for the street," she says.

The hospitality industry in Mar Mikhael has boomed in recent years

BALANCING ACT OF GENTRIFICATION

Gentrification is not unique to Mar Mikhael or even new to Beirut, as Harb explains. Monot and Furn El Hayek went through it in the 1990s, but with less intensity than Gemmayze and Mar Mikhael.

However, adds Harb, gentrification could bring economic opportunities for the city and its residents if it is managed in a way that takes into account public interests. Halios says that some of the restaurants in the area, especially those that open on Saturdays for lunch, compliment their ACD venues and generate some added business for them. "Since the restaurants opened, we have had increased footfall to the area and in our businesses. I am seeing some new faces that are not my usual clients. The positive effect of the presence of such restaurants in Mar Mikhael is that a crowd of potential clients are discovering the area because of them," says Halios.

As one landlord, who is currently using his property as an electronics repair shop for cars, puts it, "I am asking for $150,000 annual rent for my shop because it is big. If I get it, I will gladly rent it and retire: who keeps on working like this when they can just relax and have money delivered to their doorstep?"

"The challenge is how much one wants to develop an area economically without destroying its heritage. It is a balancing act," says Zouain, explaining that GAIA-Heritage doesn't want to prevent construction or harm the economy. Rather it wants to do what should be done in any city that grows in an organic and harmonious manner: balance the interests and needs of the community with the need of the investors. This is what the "In Mar Mikhael" conference is attempting to illuminate.

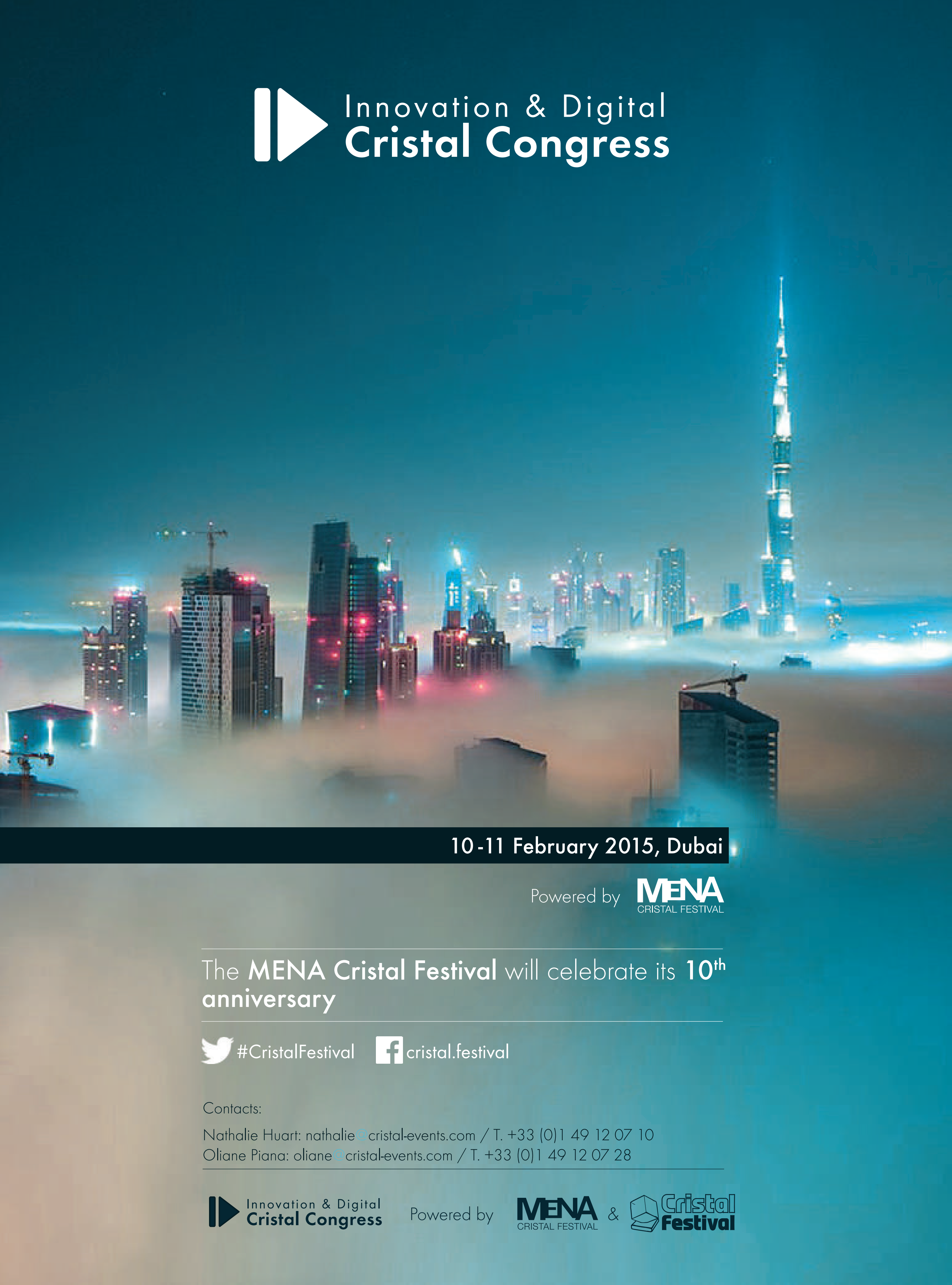
Harb also speaks of the importance of balancing private economic interests and public interests when it comes to development of a neighborhood with remarkable urban heritage such as Mar Mikhael where gentrification risks are high. "The problem is that we lack a strong public agent, such as the municipality, willing to implement existing urban planning regulations that can protect the public good, of which urban heritage is a key element, and to restrict the freedom of private real estate developers who will always look for ways to enrich themselves," says Harb.

GENTRIFICATION IS NOT NECESSARILY HARMFUL AND THERE IS OFTEN A GAIN FOR THE CITY AND ITS RESIDENTS

This lack of regulation applies to residential real estate as well. Real estate developers have been obtaining several small lots, which, by themselves, are not big enough for huge developments, but when joined form a big piece of land which they can then build high rises on, as is evident by the three towers already protruding awkwardly amidst the short buildings of Mar Mikhael. While this is not illegal, not regulating it could lead to Mar Mikhael becoming a jungle of towers and losing its urban identity, says Harb.

The ironic aspect, explain both Zouain and Harb, is that commercial and residential real estate developers, through their unregulated growth and the rising rents they bring to the area, end up destroying the very elements that first attracted them to it, namely its authentic charm. "What is going to happen if we leave the market totally free is that all those who want to buy the developers' condominiums in Mar Mikhael because the neighborhood has a charming flair will end up living in a place that is as dull as any other place in Beirut and will move on," says Zouain, adding that this, in the long run, will lead to the rental prices going down again for both the commercial and residential projects.

Through the "In Mar Mikhael" conference, Zouain is hoping to initiate dialogue between the residents, the ACD industry and the investors on how they are all sharing and shaping the Mar Mikhael of today and what their common needs are. His next aim is to make the municipality of Beirut, the Ministry of Culture and the real estate developers aware of the importance of protecting Mar Mikhael's urban fabric before it is too late. "We are fighting it but I don't know if we can really do anything: we are trying with our goodwill, the tools and knowledge we have. We will see what will happen but it is very long term," concludes Zouain.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Achour-ed success

The Eden Rock Resort is moving closer to becoming a reality, but still faces a few hurdles


The vision in miniature

Even with the smell of untreated wastewater wafting into the air and urban waste effluents annoying bathers in the sea, the property shown on the Beirut cadastral map only as land parcel 3689 was clearly valuable. Real estate developer Wissam Achour must have seen these 5,188 square meters of sandy beach at the southern edge of the upscale Ramlet al-Baida district as a veritable treasure — judging from the fact that his Achour Development in 2011 agreed to pay $175 million for parcel 3689 and the larger plot behind it. The price reflected the undeveloped land's terrific location and potential for a tourism project, Bahij Abou Mjahed, a lawyer for Achour Development, tells Executive. He admits, however, "The land, I think, [is worth] less than this amount, but the amount was [acceptable] like this because we're not paying immediately."

As is standard in the industry, Achour Development created two special purpose vehicles, Beirut Marina Gate and Achour Marine Development, to manage and build, respectively, what is planned to be the Eden Rock Resort, a seaside project with an estimated investment value of $500 million, Abou Mjahed explains. As per a special purchase contract between Beirut Marina Gate and Eden Rock Real Estate and Tourism — the company that owns parcels 3689 and 3687, the 17,107 square meter plot that abuts 3689 on the land side — the developer handed over around "12 to 13 percent" of the amount upfront, he says.

This computes to an initial payment of around $21 to $23 million for the land, with the balance to be paid as the project — where prices for a low rise apartment start at $15,000 per square meter — begins drawing in revenue, Abou Mjahed says. Once the price is paid, ownership will transfer to Beirut Marina Gate as project owner and operating company, he adds.

All indications — such as the telltale merging of smaller parcels into 3687 and 3689 — are that Eden Rock Real Estate and Tourism, which is selling the land to Achour, clearly wanted to turn the property into a profit making asset. It entered the process of acquiring the permits needed for building beyond the scope of what zoning laws in the area allow and, after receiving a green light for a 'grand project' from the Directorate General of Urban Planning (DGUP), the Council of Ministers signed off on Decree 14814. Published in the Official Gazette in July 2005, it cleared the way for structures with a height of more than 5.5 meters above road level to be erected on the land.

It is unknown why Eden Rock Real Estate and Tourism abandoned its project and further details on its approved 2005 plans were not available, but Abou Mjahed confirms that Achour Development has submitted its drafts for the project with modifications and says that these blueprints have been making their way through the approval process without any real obstacles. Approval of the updated plans from the DGUP was required and granted. He insists, however, that no new approval from the Council of Ministers is required — a point some dispute.

LINGERING DOUBTS

In January, a DGUP official directly contradicted Abou Mjahed's claim that no further action is needed by the Council of Ministers. The official, who spoke on condition of anonymity, said that the DGUP had approved the new plan and sent it on to the Council for consideration. Abou Mjahed denies the need for further Council action, claiming that the existing Decree 14814 is sufficient and applies to the resort. The decree itself is vague, and Executive was


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“[ACHOUR] DID THIS JOB. HE’S INVESTING. HE BELIEVES IN LEBANON”

unable to reach Tourism Minister Michel Pharaon — who said at a launch event for the resort in October that the file was still with the DGUP — for clarification.

Another lingering question concerns when construction can legally start. An official with the engineering office at the Municipality of Beirut, again insisting on not being named, tells Executive that the permit for 3689 is “on hold,” but he did not know why. The official explains that the hold means a developer can begin excavation but not construction. Manar Jaber, head of sales at Achour Development, acknowledges the inability to begin construction at the moment, but insists the permits will come and blames the delay on extra red tape related to a recent change in leadership in the Beirut governor’s office.

In addition to the delay, there remains an outstanding legal case related to plot 3689 between Walid Rassi, an engineering consultant, and Eden Rock Real Estate and Tourism. A Lebanese court, according to the land ownership paper from the Directorate of Land Registration and Cadastre, put a hold on developing the land until the matter is settled. Andre Bouchaaya, a lawyer who specializes in real estate, confirms that the legal action against the landowners will prevent development. “The court put a hold on; only the court can lift it,” Bouchaaya says as he looks over the land ownership papers.

Jaber says Achour Development is working to settle the issue with Rassi, who does not deny that he’s been in touch with the company, but says “no serious efforts” to resolve the case have been made recently. Either way, according to Abou Mjahed, if the case with Rassi is not resolved before the final payment is made to Eden Rock Real Estate and Tourism, a clause in the transfer contract stipulates that Achour’s Beirut Marina Gate will be legally allowed to settle the case for any amount of money, but Eden Rock Real Estate and Tourism will have to pay.

WORKS UNDERWAY

The current hold on construction does not mean a full stoppage of work — excavation began late last year.

This isn’t the first work to be done. Prior to beginning any work on the resort, Achour had a sewage problem. As is the case in several spots along Beirut’s coast, raw sewage used to meet the sea near plot 3689, contaminating the waters off Ramlet al-Baida. The Council for Reconstruction and Development (CDR), which is tasked with building the country’s wastewater collection network, has “for years” been meaning to stop the outflow of excrement into the Mediterranean, but work is slow and costly, Assem Fedawi of the CDR told Executive in September.

Interestingly, in 2013 South for Construction won a contract to build a pumping station to transport the wastewater pouring on to the Ramlet al-Baida beach to a treatment plant further south, according to the company’s website. Abou Mjahed explains that Achour personally stepped in to help speed up the tendering process. “He provided what they needed to make this pumping station happen. I don’t want to say he paid, he provided … You know the bureaucracy of the regulation, the Ministry of Health, the Ministry of Environment, the CDR — which is a state in itself — so to [effect] accord between all the parties, Mr. Achour did this job. He’s investing. He believes in Lebanon,” Abou Mjahed explains.

THE VISION

According to the current designs, the Eden Rock Resort will comprise a residential tower, a hotel tower, low rise apartments and a hospitality and recreational complex that includes almost 130 chalets. Cabins and a ‘summer marina’ round off the project. In an artist’s rendering of the project, the hotel is depicted at about the same height as the 22 story residential tower.

Prices for units range from $15,000 to $20,000 per square meter, implying yet another surge in what Lebanese developers regard as achievable in marketing to the one percent.

This is the vision Achour is staking out. While he declined to comment for this article, he appears relentlessly undeterred by dysfunctional bureaucracies or lengthy litigation. Yet still, Abou Mjahed — as one would expect from a lawyer — says the letter of Lebanon’s various laws regarding development will be followed religiously. “We cannot afford any violations of the law. We’re taking the risk, putting up the big investment and, most important, our reputation,” he promises.

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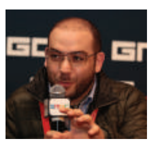

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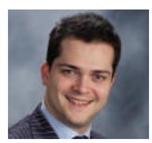

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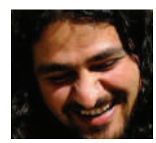

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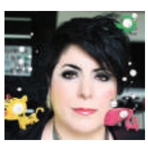

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The coast of progress

Gridlock persists over the development of Dalieh

As activists push ahead with a lawsuit to prevent the development of nearly 110,000 square meters of coastal land to the south of Beirut's iconic Pigeon Rocks, Fahd Hariri — the son of late Prime Minister Rafic Hariri who has a stake in an investment company which indirectly owns some of the land — is shopping around for ideas on what to do with it.

In mid December, the Civil Campaign for the Protection of the Dalieh of Beirut — using the locally known name of the land — published an open letter to architect Rem Koolhaas whose company, the Office for Metropolitan Architecture (OMA), they alleged had "been commissioned to develop a design for a projected development" on the land. The letter reiterated the activists' arguments that the land — while privately owned since Ottoman times — has been used as a public space for generations and should remain open to the public, not used as a site for another private development. Koolhaas replied in the comment section of the online magazine Jadaliyya, where the letter was published, and said that "there is in fact no project, just a series of initial explorations" that OMA was conducting on behalf of an unnamed client. OMA did not respond to an interview request.


Some of Dalieh's non-human residents

According to various records EXECUTIVE has seen, the Hariri family owns a large stake in much of the Dalieh land, but does not own it all outright.

A source managing the land on behalf on the Hariri family told EXECUTIVE in August the family had no plans to develop the land for "the foreseeable future." Contacted again after the OMA news broke, the source said he was not familiar with the negotiations and named Fahd Hariri as the man looking to make plans. Hariri cofounded the development company HAR Properties, and EXECUTIVE called HAR in an effort to reach him. Instead of Hariri, EXECUTIVE was pointed to his partner, Philippe Tabet. When explaining that we wanted to speak with Hariri about the negotiations with OMA, Tabet interjects, "OMA is not the only option." He explains that the Hariri family is keen to build on the land but is facing a number of difficulties. Firstly, Tabet says, the family requested project proposals from "many, many architects" and notes "one of them is OMA. They gave us a proposal which ... for the moment, is not the one that we will choose." In fact, he says, none of the proposals have yet piqued the interest of the Hariri family.

During the interview, Tabet repeatedly uses the word 'we'. When asked what he meant, he explains "the Hariri family and the other owners." Asked if HAR Properties would develop any future project, he says it was too early to answer. He offers, "I don't think there will be any project before two to three years from now." Tabet says that the goal is finding a project "for everyone, for nature, for Beirut, for the public, for us," but notes it "is very difficult to have a project that is feasible, I mean, financially feasible and at the same time in terms of greenery and nature. It should fit and be responsible." He reiterates that "we" are focusing "very seriously" on making sure the land is open to the public and continues to be a green space.

The land itself is divided into 14 plots, according to the Beirut Municipality's cadastral map, most of which have multiple owners. Under Lebanese law, every plot of land is divided into 2,400 shares. When the land has one owner, that owner has all of the shares. If a plot of land has multiple owners, the shares are divided, and in such a case all of the owners have to agree on a development project before construction can begin. Given that Tabet said he was speaking for Hariri and the other owners, EXECUTIVE points this fact out and asks if the other owners have agreed to develop. "No, no, no, not yet. We don't have a feasible project for the moment, to convince them. We should have a feasible project. [Since we don't], we cannot convince them."

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الجمهوريّة اللبنانيّة
وزارة الصحّة العامّة

NOD
الهيئة الوطنية لوهب وزرع الأعضاء والأنسجة البشرية
National Organization for Organ & Tissue Donation & Transplantation

Clemenceau Medical Center in affiliation with **Johns Hopkins International** has been accredited for the third time after three years from its Joint Commission International Re-accreditation in 2012.

Communications group **Publicis Worldwide** is partnering with **Fransabank** and was awarded Fransabank's full advertising budget to include strategy and above-the-line communication.

On January 7, 2015, a fleet of grandes dames of the sea cast off from the island of Lanzarote on a race of over 2,800 nautical miles across the Atlantic Ocean to Fort-de-France in Martinique, the port of arrival for the **Panerai Transat Classique** 2015.

January 20 marked the launch date of the **Lebanese Food Safety Training Center**, a joint initiative by the **Federation of Chambers of Commerce**, **Industry and Agriculture of Lebanon** and the **Lebanese Franchise Association** who have chosen **Boecker** and **GWR consulting** to run the Training Center.

Porsche's plans for the 2015 installment of the **Qatar Motor Show** have revealed a new era of standard setting for the brand with four regional premieres set to be unveiled.

LG Electronics unveiled its expanded lineup of 4K ULTRA HD TVs, with new designs, more features and picture quality enhancements, at the 2015 **International CES** in Las Vegas.

Starting February 10, **Air Arabia** will become the first low-cost airline from the Middle East and Africa to enter the Chinese market.

The **Coca-Cola Company** and the **Regional Food Banking Network** renewed their partnership successfully for the third consecutive year.

Bridgestone Middle East and Africa FZE has entered into a strategic partnership with race and rally driver Abdo Feghali for the year 2015.

King Food S.A.L., the BURGER KING brand franchisee in Lebanon, proudly announced the relocation of its Aley branch to a new location within the same area on January 21, 2015.

Tony and Youmna Asseily acquired **Château Biac** in 2006 and immediately took on the challenge of restoring the vineyard and its winery to the highest standards.

In the context of their third edition of the Brilliant Lebanese Awards, **BLC Bank** held a ceremony on Friday, December 12 at the Casino du Liban to honor entrepreneurs.

BouBouffe International, owners of BouBouffe Lebanese Brasserie, recently signed an Area Development Agreement with **Addmind** to take BouBouffe to the UAE.

Dunes joined together with the **Beirut Bay Lions Club** to host 'Rima,' a one-woman play, on January 13, 2015 at Dunes Center in Verdun.

Jaguar has confirmed it will introduce the Jaguar F-PACE, an all new model to the Jaguar line-up, to go on sale in 2016.

King Food S.A.L., the BURGER KING brand franchisee in Lebanon, announced the eight winners of their Ghinwa Kids competition on January 10, 2015.

The "Panerai Only" auction held in Paris on December 8, 2014, at Artcurial ended with proceeds of more than one million euros and it was entirely devoted to the historic watches of **Officine Panerai**.

Following the Syrian Supreme Court's ruling against **CMA-CGM** and Jacques Saadé ordering both to pay more than 600 million euros to Johnny R. Saadé and his company **Mistral**, Johnny R. Saadé announced the start of seizures of all assets of CMA-CGM, Jacques Saadé and his family in Europe, Asia and the Americas.

The **American University of Beirut,** Faculty of Agricultural and Food Sciences, teamed up with **Boecker**, to create a change in Food Safety through a well developed Corporate Responsibility initiative.

In cooperation with **Solidere** and **Diet Pepsi**, **Atelier C** by Cherine Khadra, a custom made clothes store, was inaugurated on January 8 in Saifi Village.

Adidas Originals has created the Neoprene Graphic Collection, applying a digital print across the entire upper of the ZX Flux NPS model.

Adidas has launched a new set of football boots, the adizero f50, Predator, Nitrocharge and 11Pro, which are sure to inspire both hate and awe in equal measure.

2014 ended on a successful note for **Maserati** across the Middle East, Africa and Asia with accelerated sales, new product launches and market visibility in 2014 and being honored with 12 awards in the Global Overseas Markets region.

Boecker invited its staff and their family members to spend a full day at **KidzMondo** on December 29, 2014.

Hyundai Heavy Industries has named Beirut based **Century Motor Company** as the official distributor of Hyundai Construction Equipment and Forklifts in Syria.

DESIGNERSMARKET, the new Danish multibrand clothing store launched its main branch on Zouk Mosbeh highway near Benetton, on December 4, 2014.

In light of the severe weather that Lebanon has witnessed lately, **Karpowership Lebanon**, the operator of **Powerships Fatmagül Sultan** and **Orhan Bey**, was fully ready and showed support to the needs of **EDL**.

MMG, a leading Facility Management company in the Middle East, marked its 15th anniversary last month.

King Food S.A.L., the BURGER KING brand franchisee in Lebanon relocated its BURGER KING location on Bliss Street and opened in a larger concept in December.

Michael Rauterkus was appointed by the Supervisory Board of **Grohe AG** to the position of CEO effective January 1, 2015.

Under the auspices and in the presence of Marlene Harb, the spouse of Minister of Telecommunications Boutros Harb, **touch** organized a Christmas luncheon at the Saint Antonios Monastery in Houb for a number of senior people living in the Tannourine area.

Air Arabia announced that it will open a new international hub at Amman Queen Alia International Airport in Jordan, its fifth fixed-based operation globally, following the acquisition of a 49 percent stake in **Petra Airlines**.

The all-new **Ford** F-150 pickup was the Official Vehicle of the 2015 **International CES**.

Dunes center in Verdun recently announced the opening of a new branch of the well known modern jewelry store **'Azar Gems'** in LO.

At the 2015 **International CES** from January 6 to 9 in Las Vegas, **LG Electronics** unveiled an impressive TV lineup featuring the company's newest webOS 2.0 Smart TV platform.

Nivea launched the NIVEA 3 in 1 Micellar Water which cleanses, removes make-up and keeps the skin moisturised in one step.

59 percent of luxury spenders in the MENA region are now choosing to spend more of their money on enriching experiences rather than goods, according to the new **American Express** Middle East Spending Survey.

Touch inaugurated 'touch LAB,' a pioneering concept store new in Lebanon located in Beirut Central District area.

Under the patronage and in presence of the Minister of Environment, H.E Mohammad

Machnouk, and the **UNDP**, the Ministry of Environment honored **Boecker** with an award for its efforts in reporting greenhouse gas emissions and for pioneering the latest initiatives in implementing a Carbon Management Strategy.

In cooperation with the **Lebanese Franchise Association**, the **Chamber of Commerce, Industry and Agriculture, Beirut and Mount Lebanon** (CCIABML) delegated **Boecker** to lead preparational courses at the new training center CCIABML.

The **Coca-Cola Company has** recently launched the infamous personalized brand campaign known as: 'Share a Coke' in Lebanon.

Touch organized an edutainment initiative, inviting 280 children from the associations of "Maison St. Vincent de Paul" and "Al Tawjih Al Ijtima'i", to attend a theatrical dance performance led by kids facing similar social challenges.

Century Motor Company, the sole distributor of **Hyundai** vehicles in Lebanon, has embarked on a new mission to help with the reforestation of the Damour region.

AGBU Lebanon Ladies Auxiliary organized for the 31st consecutive year the "Armenian Traditional Annual Christmas Bazaar" at AGBU Demirdjian Center, Dbayeh.

Ogero recently launched its online payment service which aims at developing and modernising its working methods in order to make things easier for subscribers.

Dunes center in Verdun has recently launched a new branch of **Beauty Express** treatment store in B1.

Diageo, a global leader in beverage alcohol, announced the global launch of its new Single Grain Scotch Whisky, Haig Club.

Mindshare racked up another win at the prestigious Effie Awards for their creative "Never Grow Up" campaign for their client **Gandour** in Lebanon.

Banque Libano-Française has become one of the few business and non-business participants in Lebanon to join the United Nations Global Compact.

Bassoul Heneine sal, the official **MINI** importer in Lebanon, has launched MINI Next, a programme offering MINI fans an opportunity to purchase a wide range of officially certified pre-loved MINI vehicles.

Endeavor Lebanon and **Lebanese International Finance Executives** held the Global Lebanese Entrepreneurs and Investors Summit, a unique meeting with the goal to create dialogue between Lebanon's economic stakeholders and the diaspora.

Acer has been recognized by Dubai Chamber of Commerce and Industry for the first time, for its efforts in sustainability and corporate social responsibility.

Under the patronage of the Minister of Culture, Raymond Araigi, **GAIA-Heritage** launched a week-long event of cultural and creative activities in Mar Mikhael, as part of the EU-funded MEDNETA Project.

BMW presented further laser functions for vehicles of the future at the Consumer Electronics Show 2015 in Las Vegas.

Ronnie Bassem has moved from the world of finance into the world of music.

The Pinky by **Tissot** is both a watch and a piece of jewellery.

Flydubai's inaugural flight to Nejran, KSA landed on January 10, 2015, and was greeted by a traditional water cannon salute.

Le Télégraphe de Belle-Vue and **Chateau Belle-Vue Winery**,in Bhamdoun, have partnered with **ME Green** to invest in green energy and eco-friendly initiatives.

Samsung Electronics Co., Ltd unveiled an extensive lineup of SUHD TVs.

ART Rotana Hotel has officially opened its doors and is welcoming guests to its stunning ocean-front property in the heart of Amwaj Islands in Bahrain.

Truecaller announced the launch of the Arabic keypad for Truedialer on **Google** Play.

Rotana Hotels will continue on its path to implement a wide range of charitable practices and raise awareness within the Lebanese society.

Samsung Electronics Co., Ltd., introduced its newest and most advanced curved monitor, model SE790C.

Rotana announced the opening of The Boulevard Arjaan by Rotana, its first property in Jordan.

Rotana's President and CEO Omer Kaddouri was recognized by the **Les Roches International School of Hotel Management** with an Innovation Award for his outstanding contributions to the hospitality industry.

Jaeger-LeCoultre pays tribute to astronomy in 2015.

Flydubai is celebrating further expansion to its footprint across Central and Southeast Europe with the inauguration of routes to Bratislava, Prague, Sarajevo, Sofia and Zagreb.

Bank of Beirut earned three awards at the 2014 Banker Middle East Levant Product Awards competition, organized by CPI Financial.

Sakker el Dekkene surprised ministers and members of parliament with greeting cards enclosing hundred dollar bills carrying the message, "Explosive gift, refuse it so we can have a country".

Breguet this year welcomes an outstanding new model: the Tradition Automatique Seconde Rétrograde 7097.

With **Zenith** having been joined by Stéphane Peterhansel, never has its message been better illustrated: the brand is surrounded by the greatest living legends.

FP7 Beirut was honored at the **Effie MENA** Awards 2014 held with a Silver Award in the Banking, Finance and Insurance category, in recognition for its design and execution of **Byblos Bank's** campaign "The Lebanese are losing it".

For its latest masculine creation, **Harry Winston** enters a fascinating and unexpected field of expression, intended for men of character with a distinctive style.

Rolls-Royce Motor Cars has revealed record sales results for a fifth consecutive year, with 4,063 cars sold globally during 2014.

The **BMW** i8 has been named Top Gear magazine's global Car of the Year 2014.

Bank Audi announced that net profits grew to $350 million in 2014, up 15% over 2013, and that the bank's consolidated assets rose 15.9% to $42 billion from end 2013 to end 2014.

CONFERENCES

DATE	NAME	ORGANIZERS	CONTACT / E-MAIL	WEBSITE
LEBANON				
26-Feb	The New Arab Woman Forum	Al Iktissad Wal Aamal	+961 1 740 173; forums@iktissad.com	www.iktissadevents.com
4-Mar	Women on the Front Line	-	+961 1 256220; contact@mcfmi.org	www.maychidiacfoundation.or
7-Mar	Youth to Business Forum	AIESEC	+961 76 948001; abdalrahman.hajjar@aiesec.net	www. lb.aiesec.org
17-19 Mar	Arabnet	Arabnet	+961 1 751 180; info@arabnet.me	www.arabnet.me
25-26 Mar	The Fifth Risk Management Annual Forum	Union of Arab Banks	+961 1 377800; uab@uabonline.org	www.uabonline.org
26-27 Mar	MENA Games Conferences	IFP	+961 5 959 111 ; info@ifpexpo.com	www.ifpexpo.com
15-17 Apr	CSR Levant	Informa Middle East	+971 4 335 2437; register-mea@informa.com	www.csrlevant.com
29 Apr - 1 May	IEEE	IEEE	- ; icm2013@ul.edu.lb	sdiwc.net/conferences/taeece2015
DUBAI				
9-10 Feb	Future Landscape and Public REALM	ACM Events	+971 4 3614554; Nisrine.aboulhosn@acm-events.com	www.acm-events.com
10-11 Feb	Sixth Annual World Cards and Payments Summit	Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleminggulf.com
23-24 Feb	Red Sea Oil and Gas 2015 Summit	International Research Networks	+971 4453 3515; info.me@irn-international.com	www.irn-international.com
23-25 Feb	Bancassurance	Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleminggulf.com
24-26 Feb	Sixth Annual Middle East Summit on Anti- Corruption	ACI's Middle East Summit on Anti-Corruption	+44 20 7878 6888; customerservice@americanconference.com	www.fcpaconference.com
8-9 Mar	Eighteenth Global Women Leader Conference	Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
8-11 Mar	Dubai Lynx Festival	Dubai Lynx	+971 (0) 4 427 3090; emmalf@dubailynx.com	www.dubailynx.com
9-10 Mar	Outreach 2015 - The Digital Marketing Summit	Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleminggulf.com
17-18 Mar	The Cargo Show	Terrapinn	+971 4440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
22-Mar	GCC International Water Day Summit	Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
22-26 Mar	Sixth GCC 2020 Human Resource Conference	Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
23-25 Mar	Building Future Learning Spaces	Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
24-26 Mar	Real Time Communication	Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleminggulf.com
30-31 Mar	Middle East Investment Summit	Terrapinn	+971 4440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
13-14 Apr	The World Takaful Conference	MEGA Events	+971 4 343 1200; yasmeen@megaevents.net	www.megaevents.net
14-15 Apr	Fourth Annual Logistics in Oil, Gas and Petrochemicals Summit	Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleminggulf.com
26-30 Apr	Strategy Leaders Forum	Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
29-30 Apr	Communications Technology and information Security in Banks Forum	Union of Arab Banks	+961 1 377800; uab@uabonline.org	www.uabonline.org
ABU DHABI				
2-4 Feb	Emiratisation Summit 2015	Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
2-3 Mar	Managing Human Assets in Energy Forum	EPOC Messe Frankfurt	+971 4 389 4500; info@epocmessefrankfurt.com	www.epocmessefrankfurt.com
9-10 Mar	Global Forum for Innovations Agriculture	Abu Dhabi Food Control Authority	+971 02 234 8400; info@InnovationsInAgriculture.com	www.InnovationsInAgriculture.com
9-11 Mar	Third Annual Port Management Strategy Summit	Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleminggulf.com
16-17 Mar	Economic Diversification & Development Forum	BME Global	+44 207 511 9582; info@dme-global.com	www.bme-global.com
22-28 Mar	SOGAT 2015	Dome Exhibitions - Abu Dhabi	+971 2 674 4040; neha@domeexhibitions.com	www.sogat.org
24-26 Mar	Abilities SME Exhibition and Conference	DMG Events	+971 4 438 0355; dmgdubai@dmgeventsme.com	www.dmgevents.com
31 Mar - 2 Apr	National Security Summit Middle East	IQPC Middle East	+971 4 364 2975; enquiry@iqpc.ae	www.iqpc.ae
QATAR				
22-24 Feb	Seventh Annual Façade Design and Engineering Middle East Summit	IQPC Middle East	+974 4408 9371; enquiry@iqpc.ae	www.iqpc.ae
10-11 Mar	Qatar Projects Conference	Meed Events	+971 4818 0200; events@meed.com	www.meed.com
24-25 Mar	The Energy Efficiency and Conservation Forum	Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleminggulf.com
KSA				
23-24 Feb	Third Edition Kingdom Human Asset Management Summit	Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleminggulf.com
1-2 Mar	Cyber Defence Summit	Naseba	+971 4 3671376; alir@naseba.com	www.cyberdefencesummit.com
23-24 Mar	Hospitality Expansion	Naseba	+971 4 3671376; mohammed@hotelexpansion.com	www.kingdomhotelexpansion.com
14-15 Apr	WEPower	BME Global	+44 207 511 9582; info@dme-global.com	www.bme-global.com

DATE	NAME	ORGANIZERS	CONTACT / E-MAIL	WEBSITE
OMAN				
01-04 Mar	10th Annual Asset Integrity Management Summit	IQPC Middle East	+971 4 364 2975; enquiry@iqpc.ae	www.iqpc.ae
16-18 Mar	Oman Refining and Petrochemical Exhibition and Conference	Oman Expo	+968 246 60124; info@omanexpo.com	www.omanexpo.com
19-21 May	Oman Energy and Water Exhibition and Conference	Oman Expo	+968 246 60124; info@omanexpo.com	www.omanexpo.com
TURKEY				
9-10 Feb	Fifth Annual Turkey Acquisition Finance and Private Equity Forum	Euromoney Seminars	+44 20 7779 7222; registrations@euromoneyplc.com	www.euromoneyseminars.com
5-6 Mar	The Fifth Arab-Turkish Economic Dialogue	Union of Arab Banks	+961 1 377800; uab@uabonline.org	-
16-17 Mar	Eighth Annual Turkey Energy and Infrastructure Finance Conference	Euromoney Seminars	+44 20 7779 7222; registrations@euromoneyplc.com	www.euromoneyseminars.com
25-26 Mar	Pipeline Security 2015 Summit	International Research Networks	+971 4453 3515; info.me@irn-international.com	www.irn-international.com
BAHRAIN				
3-4 Feb	Middle East Insurance Forum	Mega Events	+971 4 343 1200; yasmeen@megaevents.net	www.megaevents.net
8-11 Mar	Middle East Oil Show	Arabian Exhibition Management	+973 17 550033; fawzi@aemallworld.com	www.meos2015.com
27-29 Apr	Bahrain Energy and Infrastructure Forum	Meed Events	+971 4818 0200; events@meed.com	www.meed.com
EGYPT				
18-19 Feb	Egypt Oil and Gas 2015 Summit	International Research Networks	+971 4453 3515; info.me@irn-international.com	www.irn-international.com
1-2 Apr	The Arab Banking Conference	Union of Arab Banks	+961 1 377800; uab@uabonline.org	www.uabonline.org
KUWAIT				
1-4 Feb	Maintenance Kuwait Summit	IQPC	+971 4 364 2875; enquiry@iqppc.ae	www.iqpc.com
TURKEY				
25-26 Mar	Pipeline Security 2015	International Research Networks	00971 4453 3515; info.me@irn-international.com	www.irn-international.com
1-2 Apr	Turkish-Arab Economic Forum	Al Iktissad Wal Aamal	961 1 780 200; forums@iktissad.com	www.iktissadevents.com

EXHIBITIONS

DATE	NAME	ORGANIZERS	CONTACT / E-MAIL	WEBSITE
LEBANON				
19-22 Feb	Wedding Folies	Promofair	+961 1 561605; info@promofair.com.lb	www.promofair.com.lb
6-9 Mar	In Shape	Careers	+961 5 456745; info@esquareme.com	www.esquareme.com
20-23 Apr	HORECA Lebanon	Hospitality Services	+961 1 480081; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb
DUBAI				
2-4 Mar	Paperworld Middle East	EPOC Messe Frankfurt	+971 4 389 4500; info@epocmessefrankfurt.com	www.epocmessefrankfurt.com
2-4 Mar	Middle East Electricity	IIR Middle East	+971 24935168; infoex@iirme.com	www.informaexhibitions.com
16-18 Mar	Agra ME	IIR Middle East	+971 24935168; infoex@iirme.com	www.agramiddleeast.com
17-18 Mar	The Cargo Show MENA 2015	Terrapinn Middle East	+971 4440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
14-16 Apr	Aluminium Middle East	Reed Exhibitions	+971 4 364 2813; wellah.ellis@reedexpo.ae	www.reedexpo.com
15-17 Apr	Gulf Education and Training Exhibition	International Conferences and Exhibitions	+971 4335 5001; info@icedxb.com	www.icedxb.com
21-23 Apr	Arab Oil & Gas	International Conferences & Exhibitions	+971 43355001; info@icedxb.com	www.icedxb.com
ABU DHABI				
2-4 Feb	Tawdheef	IIR Middle East	+971 24935168; infoex@iirme.com	www.futureretail.ae
9-10 Feb	Future Landscape & Public Realm Abu Dhabi	ACM Events	+971 4 3614554; Nisrine.aboulhosn@acm-events.com	www.acm-events.com
21-23 Apr	Cityscape Abu Dhabi	IIR Middle East	+971 24935168; infoex@iirme.com	www.informaexhibitions.com
27-29 Apr	Al Ain Education and Career Fair	IIR Middle East	+971 4 336 5161; infoex@iirme.com	www.informaexhibitions.com
22-24 Apr	Gulf Education and Training Exhibition	International Conferences and Exhibitions	+971 4335 5001; info@icedxb.com	www.icedxb.com
KSA				
23-24 Feb	Eco Solutions	BME Global	+44 207 511 9582; info@dme-global.com	www.bme-global.com
1-2 Mar	Saudi Plastics & Petrochem - Jeddah	Riyahd Exhibitions Company	+966 1 2295604; info@recexpo.com	www.recexpo.com
18-21 Feb	Saudi Print & Pack - Jeddah	Riyahd Exhibitions Company	+966 1 2295604; info@recexpo.com	www.recexpo.com
9-12 Mar	The Big 5	DMG Events	+971 4 438 0355; dmgdubai@dmgeventsme.com	www.dmgevents.com
5-7 Apr	Future Makkah	IIR Middle East	+971 4 3352437; register@iirme.com	www.informaexhibitions.com
14-15 Apr	WEPower	BME Global	+44 207 511 9582; info@dme-global.com	www.bme-global.com
3-5 May	The Hotel Saudi	DMG Events	+971 4 438 0355; dmgdubai@dmgeventsme.com	www.dmgevents.com
5-7 Apr	Cityscape Jeddah	IIR Middle East	+971 4 3352437; register@iirme.com	www.cityscapejeddah.com
OMAN				
16-18 Mar	Oman Refining & Petrochemical	Oman Expo	+968 2 4660124; info@omanexpo.com	www.motorshow-oman.com
30 Mar - 2 Apr	The Big Show 2015	Oman Expo	+968 2 4660124; info@omanexpo.com	www.motorshow-oman.com
20-22 Apr	Global Higher Education Exhibition	OITE	+968 2465 6010; sales@ghedex.om	www.oite.com
27 Apr - 1 May	COMEX IT, Telecom and Technology Show	OITE	+968 2465 6010; sales@ghedex.om	www.oite.com
EGYPT				
24-26 Feb	The International Exhibition for the Renewable Energy and Green Buildings	International Fairs Group	+202 252 64499; info@ifg-eg.com	www.ifg-eg.com
9-12 Apr	Cityscape Egypt	IIR Middle East	+971 4 3352437; register@iirme.com	www.cityscapeegypt.com
IRAQ				
9-12 Mar	Project Iraq	IFP	+961 5 959111; info@ifpexpo.com	www.ifpexpo.com
BAHRAIN				
3-5 Feb	Gulf Industry Fair	Al Hilal Group	+973 1729 9123; info@hilalce.com	www.hilalce.com
14-Apr	7th Food & Hospitality Expo 2015	Bahrain Exhibitions	+973 17558800; beca@beca.bh	www.bahrainexhibitions.com
12-14 May	GULF INTERIORS 2015	Bahrain Exhibitions	+973 17558800; beca@beca.bh	www.bahrainexhibitions.com
12- 14 May	Gulf Property Show 2015	Bahrain Exhibitions	+973 17558800; beca@beca.bh	www.bahrainexhibitions.com


Lebanon
Youth to Business
Forum
Powered by
AIESEC
Did you know?
AIESEC, the world's largest student-run organisation, present in 128 countries and territories, is hosting its biggest event in Lebanon this spring: Lebanon Youth to Business Forum.
Under the theme "Restoring the HOPE within the nation", students, business executives and entrepreneurs interact together in workshops on the topics of Entrepreneurship and Technological Innovation.
Date and Location:
7th of MARCH 2015 - Lebanese American University of Beirut - Irwin Auditorium
Don't miss the opportunity to be part of this unique event.
For more information, please contact ABEDALRAHMAN HAJJAR at:
P: +961 76 948 001.
E: abedalrahman.hajjar@aiesec.net
AIESEC Lebanon
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lb.aiesec.org

> Lebanese economy

Our small, dependent economy

Lebanon remains hooked on help from abroad

Lebanon is a small dependent economy, built on a quasi-complete consumerist system where we import more than 80 percent of our energy, food and most consumed products and services. The country also relies on financial inflows to finance its public debt and domestic consumption, with foreign inflows per year into the Lebanese economy reaching more than 50 percent of gross domestic product in the past few years. As a result, we now have an oversized banking sector, with the consolidated balance sheet of commercial banks in the country growing from 188 percent of GDP in 1997 to 360 percent of GDP in 2013.

Where does all this money coming into Lebanon originate? Remittances from emigrants largely finance domestic consumption. With petrodollars and remittance income increasingly available (but not for long, given the recent fall in oil prices), Lebanon has become extremely reliant on this abundant source of capital. This dependency also manifests itself in economic relationships among various groups within the country: civil servants depend on government salaries and pensions, the state relies on funding from local banks to finance its oversized and inefficient public sector and local banks balance their accounts by relying on constant foreign inflows of capital. This has created a system of economic linkages that is highly fragile and subject to volatility.

THE DANGERS OF DEPENDENCE

Overreliance on foreign capital has anchored profound abnormalities in the local economy. Dependency has had deep impacts on development strategies. While rebuilding infrastructure after the war was essential, the choice of all groups in society (and not only the government) was to develop an import dependent services sector. The banking, real estate and tourism sectors all rely on foreign transfers. In parallel, the society is mainly consuming and not saving, with most families and enterprises in debt. The agricultural and industrial sectors have been falling into backwardness, and dependency has even impacted educational curricula, which are now geared towards training individuals to work in the dependent services sectors, both in Lebanon and abroad.

With an over reliance on incoming financial flows, the system has created monopolies around these sources of economic activity. Powerful lobbies have formed around the financial flows into Lebanon: if you control the pipelines of commodity, monetary and human flows into the country, then you hold the true economic and political power. Proof of this hegemony is apparent in the corruption and nepotism in the Customs Administration, the concentration of the dealership and distribution sectors under sole dealership privileges, the big banking lobby not investing enough in the local economy, the powerful lobbies of petroleum imports and construction, and the continuing control of human flows of migrant workers by the security and intelligence apparatus. At least half of the markets in Lebanon may be considered to have monopolistic or oligopolistic structures. Even at the community level the balance of power is concentrated in the hands of the groups controlling economic flows into and out of the community. Political and religious leaders of nearly all communities excel in maintaining and strengthening a dependent relationship with their followers, denying them massive development that would otherwise undermine the leaders' authority.

Khalil Gibran wrote in the early 1900s: "Pity the nation that wears a cloth it does not weave, eats a bread it does not harvest and drinks a wine that flows not from its own winepress". More than 100 years later, nothing has changed in this small country.

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