THE FIGHT FOR DALIEH | SPECIAL REPORT: REAL ESTATE | ENDING CHILD LABOR

Executive

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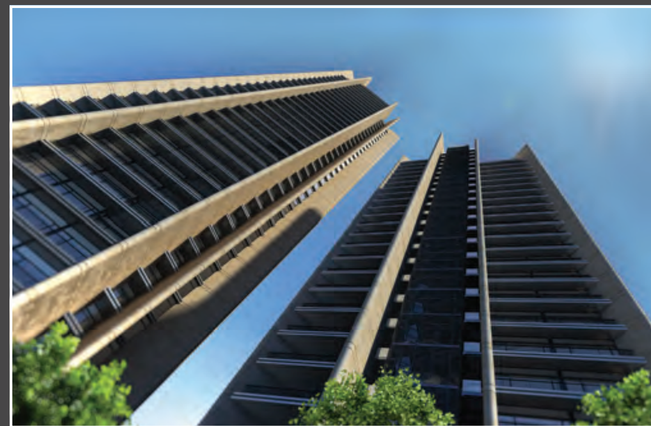
ALL PUFFED UP

Real estate's troubling dependence on stimulus

Lebanon: LL 10,000 - Bahrain: BD2 - Egypt: EP20 - Jordan: JD5 - Iraq: ID6000 - Kuwait: KD2 - Oman: OR2 - Qatar: QR20 - Saudi Arabia: SR20 - Syria: SP200 - UAE: Drhm20 - Morocco: Drhm30 - Tunisia: TD5.5

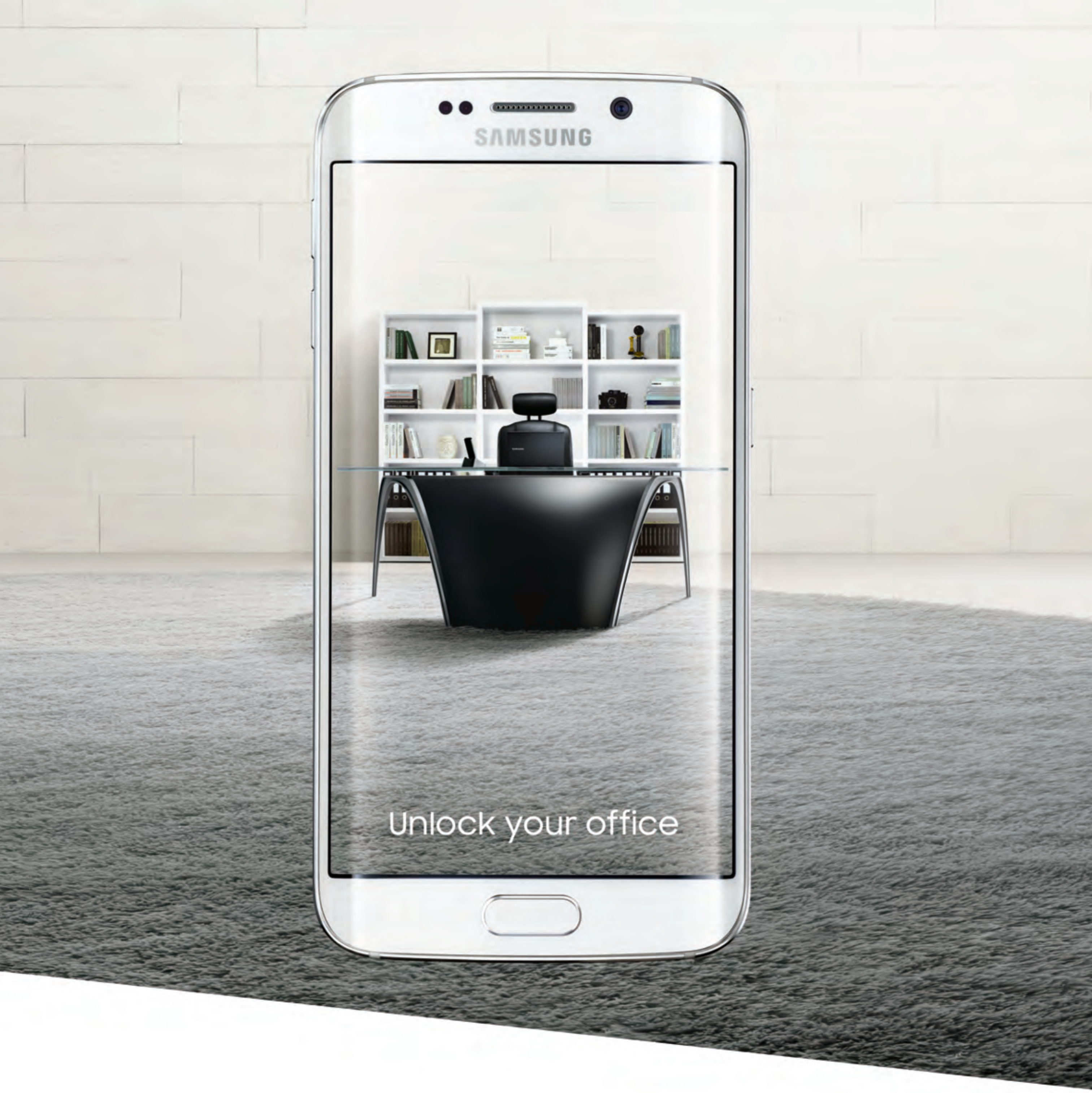
SHINING STARS.
SHINING LIGHT.



Designed like rising stars with a 37-floor dominant tower, Abdel Wahab 618 blends the uniqueness of the location with the functionality of its amenities.

Designed by UK-based Kevin Dash Architects, the project goes beyond the usual luxury specifications to push the envelope on the details that truly matter:

- Privileged location within the Golden Triangle with unparalleled access from both Abdel Wahab and Furn el Hayek streets
- Walking distance from ABC Ashrafieh and Sassine Square
- Elegant 7 meter entrances and noble winter drop-off entrance
- Ultimate security and privacy with dedicated drivers' lounges and separate service elevators
- 3,000 sqm landscaped areas
- Ample visitor parkings
- Modularity, flexibility and unobstructed views due to the peripheral structure
- Daylight heaven with 360-degree light entrances



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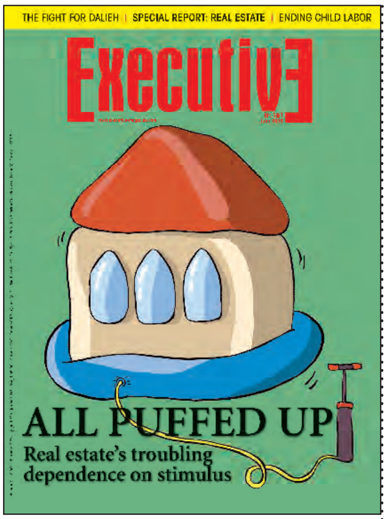
A HELLISH LIMBO, A DARKER FUTURE



There's nothing like entrepreneurial energy — if it's there, you feel it as soon as you walk in the room. That's what I felt when I recently addressed the Start Up Lebanon conference in New York. The room was buzzing with creative talent — our talent — ready to storm the American startup scene.

Why were our kids doing this in New York instead of Beirut? The most glaring reason: US officials and executives really believe in young entrepreneurs. They listened intently to these fresh voices — which made the presenters even more serious and more determined to realize their ideas. Who does that here in Lebanon? I can think of just one person, our central banker. Every other official is too worried about shoring up their own personal fiefdom to see the extraordinary potential in our youth. So our youth leave — for Dubai, Paris, San Francisco and New York — and build the future there, for the Emirates, France and America.

This egregious negligence is not a partisan or sectarian issue. It doesn't matter if they're named Aoun or Berri or Geagea or Hariri or Jumblatt — they're all guilty of letting our nation waste away as they plot to gain more power for themselves and their families. And this tug of war has had far reaching economic consequences. In addition to sacrificing our best and brightest to other countries, our so-called leaders — a misnomer if ever there was one — have saddled our country with a hybrid economic system that simply cannot work.

With the collapse of governance and devaluation of the lira in the 1980s, our historical French model became untenable. Postwar, most leaders recognized this, and Rafik Hariri set our country on the path towards the American model of an economy driven by a vibrant private sector. But reform stalled. State owned enterprises were not privatized. Government ministers began to view their portfolios as belonging to them — not the people. The result? A strange, hybrid economic model whereby we expect private enterprise to drive the economy, but keep it so heavily burdened with bureaucracy that this becomes impossible.

We must choose one model or the other: either complete the reforms begun in the 1990s, or revert back to a French style system, complete with independent, activist unions. Our current economic dysfunction is not just untenable, it's morbid. The longer we continue ignoring this problem, the more young talent will leave our shores for brighter futures abroad.

That means a darker future for Lebanon. And that's precisely where our 'leaders' are taking us.

Yasser Akkaoui
Editor-in-chief

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CORRECTIONS

Last month's article "The banking turnover" mistakenly claimed that lines of the Sehnaoui family are major shareholders in SGBL and Fransabank; they instead are major shareholders in SGBL and BLC, the latter of which is majority owned by Fransabank. Apologies.

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> May 25 marked the one year anniversary of Lebanon being ***without a president***. Parliament has not been able to come to an agreement on a consensus candidate since former President Michel Suleiman's term ended on May 25, 2014.

> On May 9, Justice Minister ***Ashraf Rifi*** said that the negotiations to release the Lebanese servicemen kidnapped by Islamist militants in

Ashraf Rifi

Arsal in 2014 could be entering their final stages. This follows reports from early May that the family of one of the servicemen, Mohammed Taleb, was allowed a short meeting with him on the outskirts of Arsal.

> Lebanon's ***Military Tribunal*** issued a four and a half year jail sentence against former minister ***Michel Samaha*** for smuggling explosives into Lebanon from Syria with the intent of targeting religious and political figures to incite sectarian strife. The sentence was strongly condemned by many March 14 officials, and MP Walid Jumblatt warned that the leniency of the sentence could encourage more attacks. Shortly after the ruling was announced, a number of Lebanese TV channels broadcast a video of a meeting between Samaha and undercover police informant Milad Khoury in which the two discussed potential targets.

> In a May 5 speech broadcast by Al-Manar TV station, Hezbollah secretary general ***Hassan Nasrallah*** spoke about developments in Yemen, Iraq and Syria. He stressed that the group would continue to stand with the people of Syria, arguing that Hezbollah's decision to participate in the battle there was not based on personal or sectarian reasons, but rather the need to defend "ourselves, Syria, Lebanon and the entire region."

> ***Hezbollah*** fighters engaged militants from Jabhat al-Nusra and other rebel groups in heavy fighting in Syria near the Lebanese border at the beginning of May, while Hezbollah continues its offensive in Qalamoun. In a televised speech on May 16, Hassan Nasrallah stressed the importance of winning the battle, calling the Qalamoun region "the undying defense of the terrorists."

> Former President ***Amine Gemayel*** announced that he would not seek another term as head of the ***Kataeb Party***, a post he has held since February 2008. The veteran politician's son, MP ***Sami Gemayel***, is viewed as a likely successor.

> Progressive Socialist Party head MP ***Walid Jumblatt*** testified before the ***Special Tribunal for Lebanon*** (STL) in The Hague in early May. He said that the bombing targeting MP Marwan Hamadeh in October 2004 was intended as a warning to late Prime Minister Rafik Hariri, and noted that while he was allied with the Syrian regime, their relationship ended after pro-Syrian President Emile Lahoud's term was extended in 2004.

> The ***Labor Ministry*** warned Lebanese employers and company owners against firing Lebanese employees in favor of foreign workers.

Hezbollah has engaged Syrian rebels in the Qalamoun region

In a press statement, Labor Minister Sejaan Azzi said there are "frightening numbers concerning Syrian workers crowding out Lebanese in the labor market."

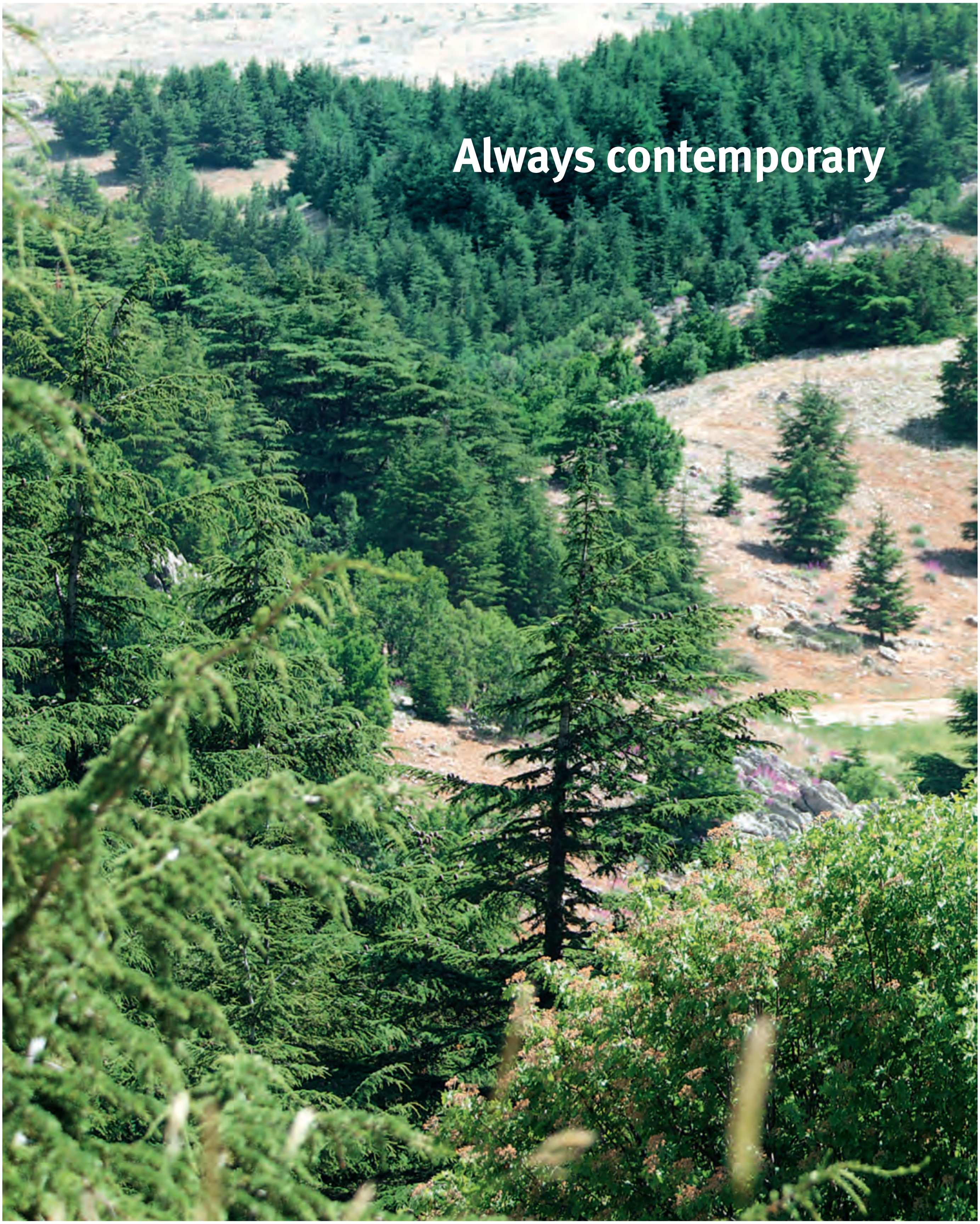
> ***European Union*** Ambassador to Lebanon

Angelina Eichhorst

Angelina Eichhorst announced the launch of a new €1.2 million (about $1.34 million) project that would improve living conditions in Roumieh and Kobbeh prisons.

> Speaking at a seminar organized by the World Bank and others aimed at tackling the ***Syrian refugee*** crisis, MP ***Ibrahim Kanaan*** said, "The number of non Lebanese [residing in Lebanon] is equivalent to 55 percent. This by itself constitutes a demographic imbalance and a factor for instability."

> In the early hours of May 2, Lebanese police destroyed the homes of fishermen in the seafront area of ***Dalieh*** on Beirut's western coast. There have been ongoing disputes between the fishermen and landowners regarding the


Always contemporary

QUOTE OF THE MONTH

“POLITICAL DYNASTIES ARE NOT HEALTHY, AND WE MUST GIVE CIVIL SOCIETY A CHANCE TO ELECT ELIGIBLE PERSONS TO POLITICAL POSITIONS THROUGH A DEMOCRATIC PROCESS.”

NADIM GEMAYEL, Lebanese MP and senior member of the Kataeb Party, son of former President Bachir Gemayel, grandson of Kataeb Party founder Pierre Gemayel and nephew of the party’s current head former President Amine Gemayel.

legality of these structures. (See page 20)

> Lebanon’s ***banking sector*** saw modest activity growth in the first quarter of 2015, with total bank assets posting an increase of 0.7 percent from December 2014 to March 2015. While this was in line with the growth witnessed in the corresponding period of the previous year, lending activity growth remained weak, increasing only by $245 million, or 0.5 percent, in the same period.

> The concluding statement of the ***International Monetary Fund’s*** 2015 Article IV Mission for Lebanon, issued on May 14, warned that “policy inertia is taking a growing toll on the ***economy*** and, in the face of a continued refugee presence and new challenges, is threatening Lebanon’s resilience.” The statement also noted that the growth rate of deposit inflows, which have historically been resilient, is slowing, and there is a need for a decisive change in policies to strengthen confidence. It stressed the importance of ***electricity*** sector reform, claiming that the country’s “inefficient electricity supply is a major impediment to growth.”

> According to data from the ***Order of Engineers of Beirut and the North***, construction permits saw a 19.8 percent year on year decrease during the first quarter of 2015, covering an area of about 2.7 million square meters compared to about 3.4 million in the same period of 2014.

> According to data released by ***Rafik Hariri International Airport***, the number of passengers increased by 9.7 percent during the first four months of 2015, reaching a total of about 1.97 million. Meanwhile, the total amount of freight handled at the airport decreased by 16.2 percent in the same period.

> The latest figures released by the ***Port of Beirut*** show ***decreases*** in the first four months of 2015 in the quantity of both goods and transshipments, which declined respectively by 13.7 percent and 12.7 percent year on year. However, the port’s revenues saw an annual rise of 6 percent in the same period, from $68.1 million in 2014 to $72.2 million this year.

The Port of Beirut witnessed a rise in revenues

> Data released by the ***Association of Car Importers*** in Lebanon shows a slight annual drop in newly registered car sales during the first four months of 2015, from 10,789 to 10,741, representing a 0.4 percent decrease.

> According to an Ernst & Young report on ***hotel occupancy*** for the first four months of 2015, Lebanon’s hospitality sector has witnessed moderate growth this year, particularly in Beirut. The report noted that four and five star hotels recorded an occupancy rate of 54 percent, up from 42 percent year on year. Hotel prices also saw an increase, with the average room rate in Beirut growing from $163 in the first four months of 2014, to $173 in the same period of this year.

> In the recently released ***Social Progress Index***, which is published by the non profit Social Progress Imperative in collaboration with Deloitte and uses 52 indicators to measure various dimensions of social progress, Lebanon ranked sixth out of the 11 MENA countries surveyed, placing 80th out of 133 globally. According to the report, “Lebanon performs best on Water and Sanitation and has most opportunity to improve on the Personal Safety component.”

> Freedom House’s 2015 ***Freedom of the Press Index*** ranked Lebanon 118th out of 199 countries surveyed, categorizing the country’s press as “partly free.” This represents a five year low for the country, which the report attributed to “a marked increase in libel cases against journalists in 2014.” The country came in third place regionally, after Israel (61) and Tunisia (93).


LET'S GET THINGS MOVING
Obstacles are many, and so are excuses. Though sometimes it can be normal to have doubts, to overthink, or to hesitate, standing still has never been, and will never be an option. As such, SGBL drives progress by always moving forward, leaning on its solid experience, expert know-how, and innovative products. Attentive to its clients and alongside its partners, SGBL functions as a catalyst, accelerating the economy, and always with the same objective in mind: to get things moving.
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> **Housing**

The dangers of stimulus

Banque du Liban's support for the real estate sector could go terribly wrong

Subsidies are always tricky and generally dangerous. Benefits are impossible to predict with certainty and unintended consequences range from valuation bubbles and boosts of inflation to loss of competitiveness. Governments are well advised to use subsidies sparingly.

Beyond the usual and long standing subsidies that aim at serving the disenfranchised and the needy (such as those on bread, certain social and medical services, and tobacco), subsidies are currently being used in Lebanon for propping up the economy. They are targeted, provided and supervised by the central bank. Known as 'the stimulus package', they are focused on the housing sector more than anything else.

Some did raise questions about the wisdom of the initiative. After the first year of this stimulus when a nominal value of $1.47 billion in 2013 was extended into an $800 million second round for 2014, Executive opined that it was still not possible to see whether and how much exactly the first package had contributed to GDP growth in 2013. Specifically, the package's 56 percent funding allocation to real estate financing was questionable, we thought, due to low multiplier effects.

Contrary to the doubts, including those voiced by Executive, the subsidies that the central bank extended to the real estate sector via lower interest rates on home loans for the third year running have, by numerous indicators, boosted the flow of property transactions and helped the economy.

SUBSIDIES ARE ALWAYS TRICKY AND GENERALLY DANGEROUS

Out of real GDP growth in the past two years, perhaps as much as 50 percent was due to the central bank stimulus package. In June 2014, central bank Governor Riad Salameh spoke to that effect about the growth that was achieved in 2013. More recently, the International Institute of Finance said in a paper published in March that 2014 GDP growth was helped by the central bank's stimulus package boosting bank credit and paper projects, which the economy will continue to depend on in 2015. "Our baseline scenario expects a small pickup in growth to 2.2% in 2015, supported by a third BDL stimulus package and modest recovery in exports of goods and services."

Notably, the IIF assessed Lebanon's real GDP growth to have been 1.4 percent in 2013 and 1.7 percent in 2014. For comparison, the International Monetary Fund took a rosier view on both years, speaking last month of a 2014 growth estimate of "around 2 percent." In its economic database for the World Economic Outlook, the IMF moreover assumed, as did BDL, that 2013 growth at constant prices was 2.5 percent.

Whatever estimate of national growth rates one considers most realistic, there is no arguing that recent years' expansions of the economy were not enough. A quick jump in Lebanon's economic pace is also nobody's expectation and it is only fools or very deceptive property marketers who would today claim that demand for real estate will break out of its current sluggish mode anytime soon. As the IMF said last month, "Lebanon's traditional growth drivers — tourism, real estate and construction — have all received a significant blow [from an exceptionally challenging environment], and a strong rebound is unlikely soon."

During research for this year's special report on real estate, no one in the industry played the fool and told Executive that they expect a near term boom in the sector. But what developers and leaders of the two sector organizations talked of in unison was the importance of the central bank stimulus. The most subdued assessment was that it was a "nice infusion of oxygen" into the market. The bluntest comment was that the sector would be "in deep shit" if not for the stimulus money.

This is concerning. Their conversations with Executive suggest that developers are not just evaluating the impact of the stimulus package — which this year is set at $1 billion according to an undated monetary overview page on the BDL website — on the real estate market. Rather, they are also including the stimulus directly into their expectations, speaking of new projects and ventures that would specifically target buyers who can tap into BDL subsidized housing loans.

This is the upper middle segment of the property market, meaning pricier and more profitable projects than those that benefit from PCH loans targeted at lower to average incomes, but not the over the top luxury projects whose developers angled for the investment cash of high net worth individuals and above. Even if there were zero new luxury projects where the asking price for a square meter of the average flat ranged from 50 to 200 percent of Lebanon's per capita GDP, the question arises of whether there is genuine high demand for units in the market range of up to $500,000 per residence, or whether developers are not just treating central bank housing loan subsidies as deciding elements when initiating new projects in this category.

Such a distortion of the market cannot be excluded as per the numerically skimpy but visually compelling evidence. Although market participants have for the past three years been talking about negative demand signals, stagnant prices and shrinking profit margins, construction fences are still sprouting around sites in exactly those areas of Beirut where newly built units would have to retail in the quarter to half million dollar range and, by cost considerations, would be incredibly difficult to market.

Possible implications of developers' self chosen dependency on the central bank's housing loan stimulus extend from an artificial inflationary push in the Beirut real estate market, which after the extreme property price boom of 2005–2011 is something that the Lebanese economy would do better without, to formation of a not large but potentially very volatile layer of developers whose businesses would be in ever increasing danger of implosion once the artificial infusion of money via subsidized loans comes to a stop.

What exacerbates either concern is the forecast of no autochthonous economic upswing in the Lebanese property market or the economy at large. This means it could be several more years before improved regional circumstances — better banish that hope — or any decisive change in the political processes would provide a rationale for ending the stimulus package.

Thus developers who two years ago paid scant attention to the stimulus package and who are today totally enthused about it, two years from now might find themselves being so dependent on the subsidies that they will falter upon withdrawal of the stimulus. The central bank has clearly expressed its caution of inflation risks that the stimulus tool entails and has tightened some requirements in order to keep those pressures at bay. Yet Murphy never sleeps and repercussions of withdrawal-shocked developer bankruptcies could be grave, tearing down jobs, suppliers, and investor and consumer confidence.

A second vital consideration is that the off kilter real estate development of Lebanon shows no sign of balancing. As Executive commented on the stimulus package in January 2014, and has said in more reports and stories than we ourselves care to count, measures such as a holistic infrastructure development program are desperately needed to improve our productivity and justify real estate development. We are not getting such measures. This is maddening. Policymaking cannot be postponed ad infinitum. Fiscal stimuli cannot be substituted by central bank initiatives, however smart.

Yes, real estate and construction is one of our 'traditional growth drivers'. In the past two years, a lot of money has been pumped into bank lending for home buyers. This has helped the economy more than we anticipated. What we need today is a convincing legal framework for housing, including provisions for the hitherto neglected parts of the current population, alongside political facilitation of a national infrastructure program, and convincing and sustainable urban and rural development legislation.

But what the Lebanese have seen in the past year alone were only deferrals of decisions, rendering measures such as the law on rental properties ineffective, and as far as property and urban development needs, absolute non delivery of a national framework. From all that we know, we cannot demand macroeconomic wisdom from our property developers. The question is, what reason might we find for having confidence that our elected policymakers will?

> Rent law

More than spare change

Without proper appropriations, the rent law will do more harm than good

Lebanon sorely lacks affordable housing options. This is true across the country, but is especially acute in Beirut. Renting in the capital is a case in point. Rental agreements signed before 1992, in which rent increases were tightly controlled, allow some tenants to pay only a fraction of the going rate in the open market. This created a persistent imbalance in the market that has, over the last 20 odd years, favored pre 1992 long term renters to the detriment of building owners and apartment landlords. This must be rectified, but passing the newly amended rent law without a proper financing mechanism for the draft's proposed public housing fund will create a legal mess, a judicial nightmare and, if possible, further erode public confidence in the government. The law calls for a fund of $1.5 billion to help tenants adjust, over a period of nine years, to the demands of the rental market.

After decades of debate the government finally introduced a draft law in 2012. What has resulted since then has been at best legislative incompetence, and at worst a deliberate attempt to indefinitely delay the issue. The end result of the law if passed without funding is totally unpredictable — never a good sign for any public policy. Landlords will sue tenants who cannot afford to pay the increase, meaning a massive disruption to the city's demographic and social fabric will occur. While the landlords and owners have been getting shafted for years because the previous law limited them from increasing rents in line with the rising cost of real estate in the city, such a flurry of litigation would not necessarily mean judgments are given swiftly, and even then, they may not be enforceable.

The Lebanese government cannot effectively implement this law, or any other, because the fund represents new expenses that can only be met by passing a new budget. The Parliament has not done so since 2006, instead relying on the Council of Ministers to allocate new funding on a case by case basis. Even if the 2015 draft budget is passed this year it would be of little consequence — the draft budget does not consider funding for the rent law.

Protecting Beirut's tenants while allowing landlords to receive fair rental compensation for their apartments has no simple solution. The government has only half assed an attempt to present an alternative to the current controlled market — but it is destined to be more disruptive than leaving the situation as is. Upon the rent law's implementation, those tenants who cannot afford increased rents that landlords demand will be forced out of their homes. The government has no official data on the number of households renting, so it has no idea of the scale of displacement — potentially in the tens of thousands — that might follow the law's implementation. Because of the lack of data, there is also no way to know whether the $1.5 billion is a sufficient amount. It's policymaking with the lights out, a game fit more for a dinner party than for sober committee hearings.

When, and if, the Parliament votes on the rent law is anybody's guess — some members of Parliament are insisting no legislation before the election of a president, wishful thinking, perhaps. Parliament should use this time to reexamine the cost of the rent law and make sure funds are properly appropriated for it when the current impasse ends. The unenviable alternatives are to leave the market as it is, to the significant financial detriment of the landlords, or enact a law that, without proper funding, will do more to harm social cohesion and the rule of law than it does to help.


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> Dalieh

Save your reputation

The incompetence of owners, activists and officials alike bodes poorly for Dalieh — and for Beirut

Last summer, landowners erected a barrier separating Dalieh, along Beirut's western coast, from the city and its inhabitants. It set off a tsunami of public criticism, protest and activist organizing — likely not the owners' intent.

But just as those who erected the barrier were clearly misguided — this beast of barbed wire, chainlink fencing and concertina wire is more suited to a prison than a city — the ensuing tizzy of activism has also stepped outside the bounds of proper debate. In their zeal to protect one of the last vestiges of Beirut's coast from development, some activists have fallen afoul of the truth, wittingly or not. The vast majority of Dalieh is not public property. Owners' claims to the land and development rights are, as currently legislated, valid.

Most insidiously, a narrative has emerged that evil (read: rich) forces are oppressing the poor, defenseless fishers of Dalieh. Nothing could be further from the truth — a fact the became glaringly apparent when several of the fishers accepted huge settlements in return for leaving the land. At least one other, as our report on page 20 shows, is holding out for more — more cash, not more justice. Yet after police-backed bulldozers arrived in the early morning of May 2 to demolish fishers' homes, this narrative of the oppressed fishers of Dalieh gained new currency.

Make no mistake, this magazine stands with the preservation of Dalieh and the expansion of public spaces. Beirut is already suffocating from a lack of public space, and sanctifying this scenic gathering point for families, friends and lovers through formal government stewardship would be in the best interests of the city. What mystifies us is that despite the immense popular support for a public Dalieh — find a random person and ask what should be done with the land — some feel they must resort to distorted narratives to justify their position.

Such falsehoods are completely unnecessary, and not just because the public already agrees with the activists' position. Last month's brutish early morning demolition was hugely unpopular — and perhaps illegal. A spokesperson for the ISF ludicrously told Executive that this extraordinary operation was "normal." When we requested the order for the bulldozing from the public prosecutor's office, we were told we had no right to see it, if it even exists. We are left to conclude either that landowners ordered it, or an overzealous public servant did it in hopes of ingratiating themselves with the landowners. Such opaqueness — and incompetence — only calcifies the deep distrust the public has in Dalieh's current owners.

OWNERS' CLAIMS TO THE LAND AND DEVELOPMENT RIGHTS ARE, AS CURRENTLY LEGISLATED, VALID

LISTEN TO THE MASSES

At this point, it is clear that both sides are playing a little dirty. But activists shouldn't — espousing falsehoods only undermines their quite reasonable position. Activists must first realize that in the court of public opinion, they have the landowners' backs up against the wall. Then, offer a square deal: owners invested money in their lands, they should get something in return. That is, activists must come up with a deal that allows landowners to do the socially conscionable thing. The specifics of such an agreement would likely need to be worked out between owners, the government and activists representing the public.

For their part, owners should realize the perilous position they're in. The Hariris in particular should recognize that their name brand would be irrevocably damaged if they fail the public on yet another important public space — they are already widely blamed for Solidere's disastrous 'redevelopment' of downtown. Instead, they should harken back to a better example of their family's public service: Rafik Hariri's laudable gift that helped rennovate the Grand Serail in 1998. If the Hariris commit to giving the land back to the public, other owners will have no choice but follow. If government stewardship is untenable, a trust could be formed to rehabilitate and maintain the area.

But if owners are not yet ready to make such a sweeping commitment, they could at least begin to show good faith. To begin with, tear down the barrier.

Tales from the sea

The real fight for Dalieh isn't about poor fishers

The ISF stormed Dalieh in the early hours of May 2 with bulldozers and 150 officers

It was 5 a.m. on Saturday May 2 when around 150 police officers descended on Dalieh.

"I was there when they came," Mohammad Itani tells EXECUTIVE, speaking from outside the pile of rubble that previously housed him and his relatives. "They came at 5 a.m. with Caterpillars [bulldozers] and got us all out of our houses ... they handcuffed some of us, including my nephew's wife."

He pauses to beat back the mosquitoes that had gathered in anticipation of dusk in the hot early evening air.

"Everyone's houses were bulldozed, all of [them]. But we are still living here for the moment, in cars, boats and caves," he says defiantly. "The officer in charge said they had been told by a high ranking guy in the Hariri family to demolish everything with everyone in there."

In this context, the 'Hariri family' refers to former Prime Minister Rafik Hariri's widow and five of his children who collectively own a holding company called Irad Investment, which in turn owns or part owns companies that have bought half the land in Dalieh. They, along with GroupMed Holding, own shares in all of the 14 private plots of land that make up Dalieh, and there have long been suspicions that plans are afoot to build a luxury tourism complex on the shrub covered promontory that abuts the city's national symbol, Pigeon Rocks, on Beirut's western coast. To this end, several attempts have been made since early 2012 to clear the land of its occupants, previously around 200 fishers and their families.

It's not clear who exactly asked for the demolition to take place, although a spokesperson for the ISF, who asked not to be named because he was not authorized to speak on the subject, says it was "normal" and that the police were just "doing their job."

Regardless, question marks remain over the legality of the operation. The ISF spokesperson was not able to provide any proof of a court approved permit for the operation and EXECUTIVE was not able to obtain one from the Justice Ministry, although this does not necessarily mean it does not exist. Further, Beirut Governor Ziad Chebib — the person who typically must sign off on city demolitions — tells EXECUTIVE, "No one asked me. They didn't ask for permission." Despite being a lawyer and judge, he says he is unsure whether permission would be necessary if the homes were illegal in the first place.

The events of May 2 have served to reinforce a simplistic narrative of an unwinnable battle between the helpless fishers of Dalieh and 'evil developers' bent on robbing Beirut of one of its last communal, free spaces. In fact, the fight for Dalieh is far more complicated, and the case of the fishers' bulldozed houses — while highly irregular and disturbing — is a red herring; the real front lines are elsewhere.

'EVIL DEVELOPERS'

Legally, the Hariri claim to develop Dalieh is pretty strong. Public records show that they own more than 95 per-

"WHEN THEY TOLD ME ... IT WAS AN AWKWARD SITUATION FOR ME. I FELT LIKE I WAS STABBED IN THE BACK"

Private or public? The debate over Beirut's coastline is between private enterprise and common access

cent of five of Dalieh's 14 private plots and hold significant stakes in three others. However, they have connections to companies that own much more of the peninsula — firms like Sakhrat al Bahr, the vast majority of whose ownership is not a matter of public record. In total, Hariri-linked companies own more than 90,000 square meters of the 110,000 square meters that make up Dalieh, which is estimated to be worth around $1 billion.

The other shareholders are largely individuals, most of whom possess a small percentage of the 2,400 shares Lebanese law apportions to each plot of land, with a handful of exceptions. This collage of ownership means that any development would require significant negotiations and settlement sums being paid to several shareholders, or a court order in the case of irreconcilable differences.

Dalieh is in Zone 10 of Beirut's Master Plan, with all but the largest plot falling under Section IV, which can be used for "sporting, maritime, swimming, entertainment, and restaurant activities." No construction "of any kind" is allowed in plot 1113, the exceptional plot, but a government-granted exception could overturn this.

Although a representative for the owners told Executive there was "no movement on any development plans yet," something is clearly afoot.

Beirut Mayor Bilal Hamad detailed to Executive a master plan under discussion for Dalieh that would involve a boutique hotel with an extended public sidewalk forming the roof of the property, a public access route around the property's coastal periphery and public parking. He described the plan, which he said is still in the early stages and does not yet have a permit or contractor attached, as "a green project ... a project which gives access to the people, free access." The owners' representative said it was just one concept under consideration.

Although this is far from the total ban on development many are campaigning for, Hamad believes this is the best case scenario: "Instead of going and speaking poetry and philosophy, let's speak facts of life: this is a private property, so we are convincing the private owners to do an environmentally friendly project."

Governor Chebib echos this sentiment: "We need to preserve these kind of areas ... [but] when someone has his private property, he can apply for a construction permit, and no one can tell him no if it's not based on a legal basis."

But first, as the events of the last few years have made obvious, they have to clear the land of inhabitants.

'HELPLESS FISHERS'

Looking out from his seventh floor office in Kantari, lawyer Ali Khalil finds himself pondering pearls — and betrayal.

"When they told me, at first it was an awkward situation for me. I felt like I was stabbed in the back," he tells Executive as he recounted the abrupt ending to his legal representation of nine Dalieh families in spring of last

A LEGAL HISTORY OF DALIEH

Order 144, 1925: Defines what is coastal public property in Lebanon and is still in effect today. Categorizes the sea as public maritime domain that, according to Article 2, reaches up to the furthest high-water point on the coast. States that the public has a right to access all natural resources, including the sea.

Decree 6285, 1954: The Beirut Master Plan introduces the zoning still in place today. Dalieh falls in Zone 10. All construction is forbidden along the coast.

Decree 4711, 1966: Amends the regulations for Zone 10, creating four sections with varying degrees of building allowed. The northernmost part of Dalieh is put in Section III, where no construction "of any kind" is allowed and "it is also prohibited to change or alter the natural landscape." The rest of Dalieh is put in Section IV, which can be used for "sporting, maritime, swimming, entertainment and restaurant activities," with a 15 percent surface exploitation ratio (relationship between total land and ground property size) and a 20 percent general exploitation ratio (relationship between land and total property size, including all floors).

Decree 4810, 1966: Allows owners of property by the sea to legally exploit the public maritime for the first time if the project is approved by the government and contributes to the tourism and industrial sectors of the economy. Includes a stipulation that 25 percent of the private property should be given to the municipality for public use. Excludes Zone 10 of the Beirut Master Plan.

Decree 169, 1989: Annuls the ban on exploitation of Zone 10's public maritime domain, as well as the requirement that 25 percent of the development should be given to the municipality. Paves the way for the Mövenpick Hotel to be built (2000–2002) just south of Dalieh. Never published in the Official Gazette, say activists, a requirement for all legislation.

Law 402, 1995: Enables owners of more than 20,000 square meters of land who want to build a hotel to double their general exploitation ratio and quadruple their surface exploitation ratio. In Section III of Zone 10, which covers Dalieh, this means the exploitation ratios for large property owners become 40 percent and 60 percent respectively. Although it expired in 2000, it was renewed for 19 years in 2014.

Decree 7464, 1995: Reconfirms the right of owners of property by the sea to privately exploit the public maritime domain in Zone 10.

Law 444, 2002: Reasserts right of every Lebanese citizen to free and open access to the seashore.

year. "Then I put myself in their shoes. Maybe if I were one of them, I would [have accepted the deal]. They live on [LBP] 20,000 [$13.33] a day; it was the deal of their life."

He leans back in his chair with a sigh. "All fishermen, their stories between each other, [are all about] are you going to find the pearl today? In the end they found a pearl, but it was not in the form they were hoping for."

Khalil (full disclosure: he occasionally represents Executive in legal matters) believes he was on the cusp of winning a case to allow the families to stay in Dalieh when, the night before the final appearance before the Court of Urgent Matters, his clients received calls offering them money to drop the suit and move elsewhere. All of them accepted.

Khalil says that his clients were offered around $3 million, while a fisher still living in Dalieh estimated that around 11 families — possibly including others not represented by Khalil — were given on average $500,000 each. This tallies with the figure provided by the landowners' representative, who said more than $5 million was paid out in total.

One of the families that accepted the deal was the Itani family, whose houses were bulldozed, several members of which are now angling for more compensation by refusing to leave Dalieh. Because of this, Khalil says, they are not pressing charges over the demolition of their homes.

Khalil's case rested on one central tenet: that the fishers' homes lay in public maritime domain, defined by Article 2 of Order 144 (1925) as reaching up to the furthest high-water point on the coast. That order, still in effect today, dictates that this public domain cannot be bought or sold and also rules that the public has a right to access all natural resources, such as the sea.

"To cement this argument, we delivered to the court some old judgments issued by criminal courts in Beirut fining the fishers for building on public property," Khalil says with a smile. "This was in the '70s and '80s ... we still have the receipt proving that [the fishers] paid them."

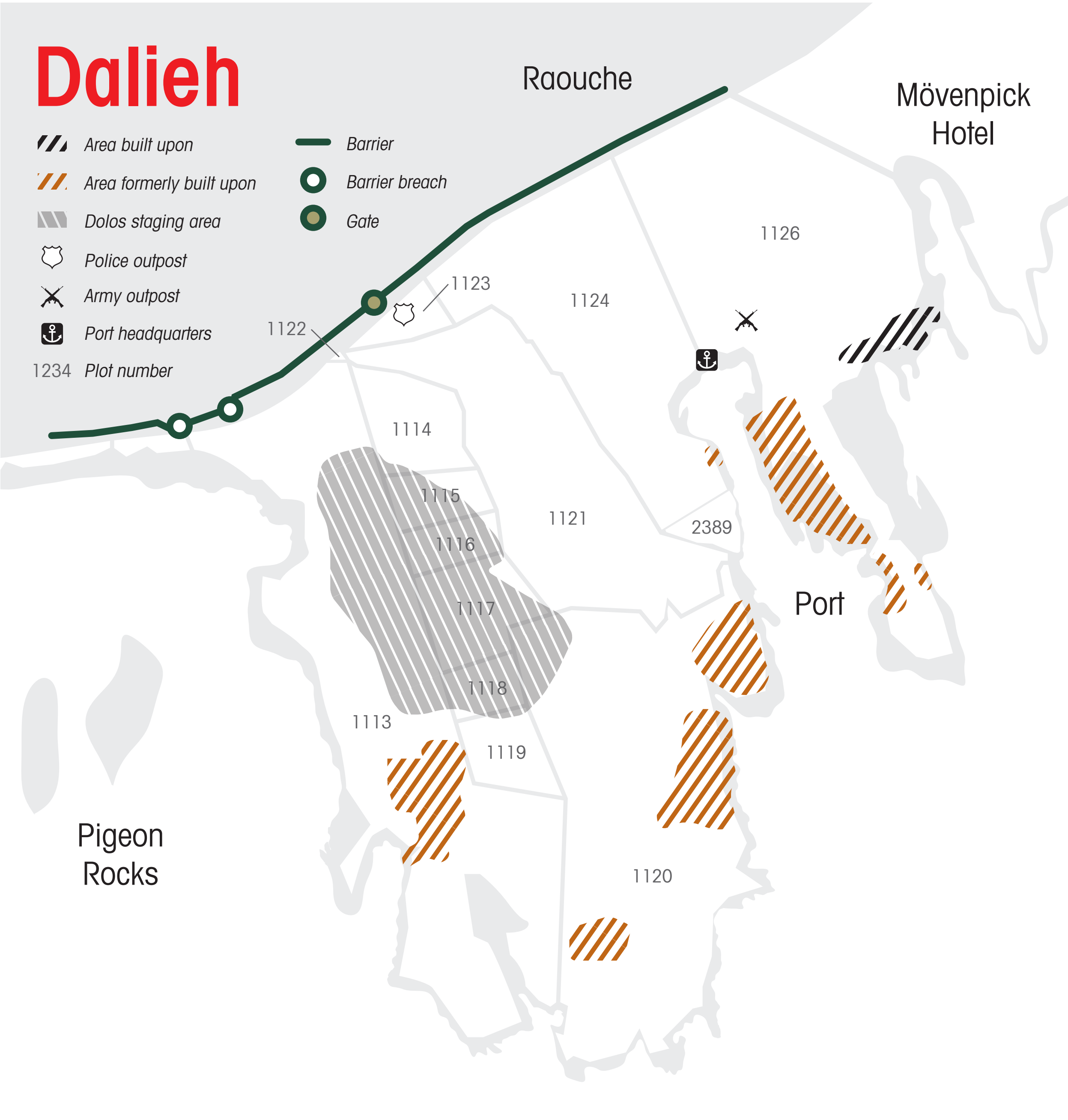
The counterargument of the lawyer representing the landowners, who served eviction notices to the nine families in October 2013, relied on a map showing that ownership of all the land in dispute fell to his clients.

So far only one man has successfully managed to challenge this narrative: a lawyer named Dany Moussa who owns a warren-like large wooden shack built onto the sides of Dalieh's southern cliffs, right by the Mövenpick hotel. According to Khalil, he argued that he was on public property and managed to stop the structure being destroyed, as well as safeguard the road leading to it. Moussa did not respond to repeated requests for an interview.

AGITATORS

Since the issuance of the 1954 Beirut Master Plan, which prohibited any construction along the coast, a series of laws have been passed to claw back landowners' rights to develop that sea-drenched part of Dalieh, historically a gathering point for swimmers, fishers and families alike.

Passed in 1966, Decree 4810 allowed those who own property adjacent to the sea to privately exploit the public maritime domain for the



Owners	Minimum owned
Fahd Hariri	*7.60%*
Ayman Hariri	*7.59%*
Bahaa Hariri	*7.59%*
Saad Hariri	*7.59%*
Nazek Audi Hariri	*4.90%*
Hind Hariri	*3.79%*

Owners	Minimum owned
Amina al-Sheikh Ahmed Omar al-Mahmasani	*1.45%*
Salwa Mahmoud Beidoun	*1.18%*
All others named in the public record	*2.35%*

Unknown ownership 55.95%

first time, on the condition they give 25 percent of their property to the municipality for public use and obtain governmental permission. It excluded all of Beirut's Zone 10, but this was in turn nixed by Decree 169, which was passed in 1989 when there were two rival governments vying for legitimacy against the backdrop of civil war.

It is here, among this jumble of legislation, that one of the activists' major fronts of attack is underway.

"While the campaign [the Civil Campaign to Protect Dalieh] was doing legal research ... we found out that Decree 169 was issued without the approval of several institutions or being published in the Official Gazette," explains Abir Saksouk-Sasso, an architect and one of the campaign's organizers, conspiratorially tapping a map of Dalieh in front of her. "This gave us the opportunity to challenge it legally."

So with the help of lawyer Nizar Saghieh, who runs law watchdog Legal Agenda, they filed a suit through NGOs Nahnoo and Green Line to abolish the decree. Further legislation from 1995 means that this would not wrest back control of Zone 10's public maritime domain, but it would reintroduce the 1966 requirement that any project give 25 percent to the municipality.

"If they decide to do a resort," reasons Mohammad Ayoub, executive manager at Nahnoo, "then at least 25 percent of this place will be public.

"I'M NOT READY TO GIVE ANY EXCEPTIONS. WE ARE KEEN TO HAVE THE SEA OPEN"

They already can't build on the part that faces the Pigeon Rocks; they can't build where the waves can reach ... so this is the aim: to reduce how much they can build on."

Much of this relies on the Beirut city council rejecting the expected request by developers to be granted an exception to build a bigger property than currently allowed.

Council member Rachid Achkar said they had already turned down an unofficial request to this end by the landowners. He was one of those who opposed it.

"This doesn't mean they won't be coming back to the council with an official request," Achkar tells EXECUTIVE, "but I'm not ready to give any exceptions. We are keen to have the sea open."

DREAMS AND PROMISES ... AND IMPLICATIONS

Down in Dalieh, in a hidden crevice of the land where fishing boats knock solemnly against one another as they count the passing minutes, lives the core of what remains of Dalieh's decades old community of fishers.

Shattered first by a half baked ministerial promise to build a new port for the families who lived off the sea here, and then again by the fistfuls of money thrown at them by the land owners, a haggard community of around a dozen people remains of the immediate port area's 90 or so previous inhabitants.

Perhaps the darkest and most opaque chapter in the landowners' crusade to clear out Dalieh — and one that EXECUTIVE has previously reported on — centers on the last

The legal battle to develop the land around Pigeon Rocks sits in a quagmire of legislation

After broken promises, bribes and domestic destruction, few remain in Dalieh

minute cancellation of a public works and transport ministry project to build a proper port for the fishers back in 2012.

It is not clear why the plug was pulled. The ministry got as far as demolishing the old buildings and homes, but stopped after half rebuilding just one structure. The marble plaque announcing the start of the project is still there, half obscured by overgrown grass.

Many suspect it was the result of pressure from the landowners, and in comments to EXECUTIVE last year, their representative revealingly commented:

"I'M ALSO WORRIED THAT IF THE PEOPLE IN POWER COME AGAINST US, THEN THE FUTURE IS DARK"

"What would have happened, there would have been a port ... and then you would lose your private land forever."

The tradeoff was supposed to be the construction of another port somewhere between Manara and Riviera. Wafiq Jezzieh, president of the Cooperative Association for Fishermen in Ras Beirut, showed EXECUTIVE a document from the ministry, dated December 19, 2013, promising that this would be done. So far, nothing.

These are not the fishers the public normally hears about. Their life depends on the sea, but they say they would leave Dalieh if a new port were built elsewhere. Their hopes of a proper port, a dream passed down from their parents and grandparents, means they have chosen to stay out of the Dalieh debate. "Of course I'm worried about the loss of this public space," sighed Jezzieh, "but I'm also worried that if the people in power come against us, then the future is dark."

THE NEW GREEN LINE

For many following the Dalieh case, the future seems dark already. The fence put up last year along the Corniche, although since breached, felt like the first nail in the coffin for the picnics, festivals, romantic liaisons and diving competitions Beirutis have enjoyed for years.

Much has been made of the long running public use of the land and its legal implications, but both Saksouk-Sasso and Saghieh admit there is zero basis within Lebanese law for either what is known as prescriptive rights or the right to public ownership based on long term usage.

However, the activists did score a victory recently when the Shura Council on May 7 approved a draft decree to classify Dalieh as a national site under the protection of the environment ministry. Dalieh's biodiversity credentials include monk seals and fruit bats that use the area's natural caves for shelter. The flat reefs also provide a nursery of sorts for various fish and some of Lebanon's last remaining coastal plants, according to a number of local studies of the area.

The decree will now to go the Council of Ministers for a final vote. If passed, it would make any development in the area subject to approval by the environment ministry.

The landowners are clearly not happy. "To have the whole area as environmentally protected and prohibit any development would mean denying the property and ownership rights of the current owners," their representative told EXECUTIVE by email. "Hence, compensation would be warranted should that be passed."

Activists are also ready to challenge any future attempt to re-fence the land, on the basis that this would violate the Lebanese public's inalienable right to access the sea.

"I think that if there wasn't so much spotlight on the case they could [fence the area off]," said Saksouk-Sasso, "but at the moment they know if they do do that, we would file a case based on several laws: Order 144 and law number 444. It's illegal to ban access to the sea."

Further, Beirut's highest officials — Governor Chebib and Mayor Hamad — are increasingly vocal about supporting the idea of maintaining public access and space in Dalieh, which may prove key to limiting the scope of whatever project is eventually proposed.

Lebanon's varied and scenic Mediterranean coastline has long provided easy pickings for developers, much to the ire of activists and civil society organizations seeking to preserve heritage, public space and the environment. Nowhere is this struggle clearer than in Dalieh. Historically, real estate companies have usually gotten their way, but with the kind of focused, law based action already underway, Dalieh may well prove to be an exception. The battle for the pearl of Beirut is not over — yet.

WATERFRONT CITY BUSINESS PARK

Waterfront City
DBAYEH

The address says it all

Forward-thinking business owners know that owning a strategic location for their workspace is key to successful operation and overall growth. Situated ten kilometers from Beirut city, the Business Park is an avant-garde hub for office space with easy access to the highway right on the coast of Dbayeh. This address can assure investors and clients alike great business opportunities and future development for their growing companies.

First grade offices

Along with the highest quality standards of the 12 buildings, the Grade A offices possess superior furnishings and state-of-the-art facilities. The spaces are well developed and meticulously studied for modular tailored areas, and specifically customized to each client's needs. The choice is theirs to select the size and shape that suits them best. From raised floor provisions to column-free floor plates, the Business Park will provide spacious and luminous working environments with open space lobbies and reception areas.

A bouquet of amenities

The Business Park has been designed with green aesthetic spaces that can help ease daily work challenges, specific technical elements like multiple entries and exits, and ample parking spaces for tenants and visitors with fast elevators to reduce any waiting time.

At the ground floor, ample spaces for retail and food and beverage outlets will give employees the opportunity to enjoy a workout at the gym, a stroll on the Boulevard, and lunch at the Promenade.

Work-life balance

With an anticipated workforce of 6,000 people, the Business Park, located at the tip of an inclusive residential community, has easy access to a Waterfront City shopping mall and a five-star hotel. Majid al Futtaim Properties aims to fulfill all the requirements an office environment might need, ensuring the Park is in close proximity to vital services and amenities. The work-life balance is easily achievable through the numerous amenities supplied for the district, such as exhibitions, daycare centers, banks, and more that assist a healthy active professional in living, working, and playing.

Where brains can meet

The campus design has also accommodated a communal space that includes a retail component to allow the office clusters to be in proximity to each other, creating an environment full of networking opportunities. A chance for brainstorming, pitching ideas, and maybe even helping loosen formalities among neighbors and develop further working relationships.

Once in a lifetime investment

This Business Park within the Waterfront City's 250,000 sq. master-planned development is a unique opportunity for investors. Given the location and surroundings, the uncontested amenities, and the incentives to prosper, buying space in the Business Park is an opportunity not to be missed. The commercial property is high in demand especially for multinational firms seeking office rentals in prime destinations. With a space of 72,000 square meters, the Business Park is a one-of-a-kind address greatly anticipated in the local market.

A final note

Waterfront City is a socially aware organization committed to developing a sustainable environment by giving back to the community through a program called Waterfront City Cares. Based on a panel of experts and members of Waterfront City management, Waterfront City Cares collects funds from the sale of each property to support local NGO activities and maintenance. The project has successfully supported key environmental and developmental projects across Lebanon as a strong indication that Waterfront City is committed to the overall development of the Lebanese urban landscape, and as importantly, the livelihood of its people.

grade A offices | campus design | 12 buildings | 1400 spaces | offices from 100 sqm to full floors of 800 sqm | retail restaurants coffee shops

MAJID AL FUTTAIM
SOCIETE JOSEPH G. KHOURY ET FILS HOLDING

> Child labor

Combating a global scourge

Lebanon needs broad, coordinated action to end child labor, argues Nabil Watfa

Child labor afflicts over 160 million children worldwide, according to the International Labor Organization (ILO) — making it one of the most pressing human rights issues globally. Fortunately, the response of the international community to the phenomenon has been immense. The 96 year old ILO first addressed the problem with the adoption of the Minimum Age (Industry) Convention (No. 5) in 1919. This was followed by the adoption of the Minimum Age Convention (No. 138) in 1973; the Declaration on Fundamental Principles and Rights at Work in 1998; and the Worst Forms of Child Labor Convention (No. 182) in 1999. In 1989, the United Nations also adopted the Convention on the Rights of the Child as a global standard based on four main principles: nondiscrimination; the best interests of the child; the right to life, survival and development; and respect for the views of the child. Yet there is still much work to do.

WHAT IS CHILD LABOR?

Children engage in different types of work. If the work includes activities such as helping parents or assisting a family business, without interfering with the child's schooling or undermining the child's development, it should not be classified as child labor. On the contrary, engagement in such activities will contribute to the child's development and the welfare of the family, and will provide the child with the skills and experience that are required to become a productive member of society.

However, if the work deprives children of their childhood, potential or right to dignity, or if it is harmful to their health, then it is deemed child labor. Examples of such work include activities which specifically interfere with school attendance, lead to dropping out of school and involve arduous, heavy work with long working hours. The severity and nature of child labor varies depending on the child's age, type of work and the circumstances under which it is carried out. If child labor jeopardizes the physical, mental or social wellbeing of the child, it is referred to as 'hazardous work.' The priority for the international community is to eliminate the worst forms of child labor.

The worst forms of child labor (WFCL), as addressed by the ILO Convention on the subject, refer to:

- All forms of slavery or practices similar to slavery, such as the sale and trafficking of children, debt bondage, serfdom, and forced and compulsory recruitment of children for use in armed conflict;
- The use, procuring or offering of a child for prostitution, for the production of pornography or for pornographic performances;

• The use, procuring or offering of a child for illicit activities, in particular for the production and trafficking of drugs and;

• Work which, by its nature or the circumstances in which it is carried out, is likely to harm the health, safety or morals of children.

Globally, the response to child labor started with the ratification of the 1999 ILO Convention (No. 182) by 179 member states. This means that, at present, more than three out of four children live in countries that have ratified it. Efforts have concentrated on a number of actions, including prevention, protection, legislation, recovery and social integration of millions of children. The response was directed at different types of child labor, including hazardous work in areas such as agriculture, small scale mining, child domestic labor, child trafficking, commercial sexual exploitation, forced and bonded labor, and the engagement of children in armed conflict and illicit activities.

Worldwide trends show positive signs in tackling the problem. ILO statistics indicate that the number of child laborers (5–17 years old) worldwide dropped from 246 million in 2000, to 218 million in 2008 (an 11 percent decline); and to 168 million in 2012 (a 35 percent decline). Meanwhile, the number of children involved in hazardous labor dropped from 171 million in 2000 to 85 million in 2012 (a 50 percent decline). The statistics also show that Asia and the Pacific still maintains the largest number of child laborers (78 million, or 9.3 percent of the child population); Sub-Saharan Africa has the highest incidence of child labor (59 million, or 21 percent of the child population); Latin America and the Caribbean has 13 million or 8.8 percent of the child population; and the Middle East and North Africa is home to 9.2 million child laborers or 8.4 percent of the child population.

Sector wise, the largest number of child laborers work in the agricultural sector (98 million, or 58 percent of the world's child laborer population). The service sector (wholesale and retail trade; restaurants and hotels; transport, storage and communications; finance, real estate and business services; and community as well as social personal services) exploits 54 million; while industry (mining, quarrying, manufacturing, construction and public utilities) exploits 12 million.

THE SITUATION IN LEBANON

Among the four different categories of the WFCL listed above, hazardous child labor is more predominant in Lebanon. Prior to March 2011, which marks the start of the Syrian crisis, the child labor population in Lebanon was estimated at 100,000. Earlier surveys conducted in selected southern villages and in Mount Lebanon and Beirut provinces identified child labor in agriculture and construction, two of the most hazardous sectors, and sweat shops, as well as the street children in the urban areas of Beirut, Bourj Hammoud, Antelias and Jounieh. The assessments showed that 16 percent of the labor force in small and medium size enterprises (SMEs) were children aged 9–18, 5 percent of whom were girls. Child laborers are exposed to a number of hazards, including chemicals, heavy mechanical machinery and psychosocial stress. The effects on the health of working children are not only acute, but may be chronic, manifesting in long term poisoning, cancer and musculoskeletal and mental disorders. Field experience has also revealed that a growing number of girls were victims of sexual exploitation, including abuse in the workplace. Boys and girls were also engaged in the use and distribution of illicit drugs. Earlier studies conducted in the South Lebanon province revealed that children were sexually active at an early age, with limited knowledge about prevention of HIV and other sexually transmitted infections. The phenomenon is exacerbated by the continued massive influx of Syrian refugee children, who created significant human rights and economic challenges for host communities, and for the refugee legal framework in Lebanon.

PRIOR TO MARCH 2011, THE CHILD LABOR POPULATION IN LEBANON WAS ESTIMATED AT 100,000

In 2013, a study was sponsored by the ILO, UNICEF, Save the Children International and the Ministry of Labor (MOL) for the purpose of assessing the number and conditions of children living and working on the streets. The study, entitled "Children living and working on the streets in Lebanon: Profile and magnitude," was conducted in 18 districts across Lebanon, covering a total of 1,510 street based children (SBC). The results identified the causes for the high numbers of SBC as social exclusion, vulnerability of households, the influx of Syrian refugees into Lebanon, organized crime and exploitation of children. SBC were more prominent in begging (43 percent) and street peddling (37 percent), and more prevalent in urban areas. The study covered a wide range of aspects that are too detailed to include here.

Fortunately, Lebanon reaffirmed its commitment to combat child labor through the ratification of the relevant international conventions and the issuance in 2012 of ministerial Decree 8987, which prohibits the employment of persons under the age of 18 in hazardous jobs. In November 2013, Lebanon pledged to eliminate the WFCL by 2016. This will depend on the proper application of the national action plan. However, given the problem's complexity, the MOL's efforts need to be supported in a coordinated fashion with other government ministries such as social affairs, public health, education and higher education, the interior, municipalities, as well as UN agencies.

WHAT NEEDS TO HAPPEN

Action aimed at the elimination of child labor must address a number of target groups and partners, especially the direct beneficiaries — namely the vulnerable children — and the indirect beneficiaries, including parents, SMEs, schools and community leaders. This is not to mention direct recipients, including the MOL's Child Labor Unit (CLU) and labor inspectors, the National Steering Committee (NSC), social work NGOs, employers and workers organizations, and all governmental agencies involved in combating child labor. Other collaborating partners include governors, law enforcement officers, municipalities and UN organizations.

At the field level, an updated situation analysis is needed to identify gaps in child labor relevant programs and policies in the different provinces across Lebanon. A strong national steering committee needs to be involved in the collection, analysis and dissemination of data on child labor, in order to support the planning of policies and services. The development and implementation of a Child Labor Monitoring System has also been effective in reducing the impact of risk factors and in promoting positive and protective services. Public awareness campaigns to promote the understanding of child labor are also essential as supporting services. The same goes for the provision of training and technical advisory services for the direct recipients, indirect beneficiaries and the collaborating partners referred to above.

Given the direct correlation between incidences of school dropout and child labor, resources must be directed at efforts to keep all children in school, especially those between the ages of 6 and 15. This necessitates a number of interventions, including the provision of livelihood services such as an assessment of obstacles that prevent children from attending school, and the provision of financial support and other incentives to help households offset income currently being earned by children. This must be accompanied by the implementation of safe schools and smart student programs to improve school enrollment, retention and destigmatization of working children.

Such school and student focused programs would need to include at least four main elements. First, teachers should be trained to assess school readiness for children in primary and secondary education. Through this, teachers will become qualified to diagnose the particular educational requirements of the students, identify criteria for remedial classes, develop a diagnostic tool for students' enrollment in remedial classes, design and deliver remedial competency based curricula and design training tools for monitoring student progress.

RESOURCES MUST BE DIRECTED AT EFFORTS TO KEEP ALL CHILDREN IN SCHOOL

Second, teachers should also be trained to conduct remedial classes targeting students who have sporadic school participation or are at risk of dropping out. This will qualify teachers to provide incentives such as back to school kits and lunch programs in order to encourage attendance and retention in schools; conduct awareness raising activities at national and local levels, beginning with a knowledge, attitude and practice study to assess youth refugee perception towards displacement and identify psychological status; design and modify existing tools to monitor students' progress; and aim to alleviate poverty by promoting income generating activities for families with children.

Third, safe child and youth friendly schools must be created to promote social cohesion and accommodate the learning needs of all children. This should include anti-bullying campaigns, tutoring, cultural activities, team sports and group therapy. Additionally, training in, and the implementation of, the National Strategy on Violence Against Children will be needed.

Finally, targeted interventions should be implemented through surveys and site inspections designed to identify and withdraw children who are under 14 from forced labor environments and conduct rapid assessments on the impact to the family; identify and withdraw children who are above 14 from the WFCL and conduct rapid assessments on the impact to the family; and improve school enrollment, performance and retention through mentoring, tutoring and financial incentives. Preventing at-risk children from becoming victims of forced labor by helping families through coordination with mayors, labor unions and development service centers must also be employed. If such coordinated action is taken, Lebanon will be able to do its part to combat the global scourge of child labor — and provide the next generation with a far brighter future.

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Number crunching the first quarter

Quarter one shows high earnings, but with room for improvement *By Thomas Schellen*

At a time when the observation of global banking remains as interesting as ever, the first quarter of 2015 has seen Lebanese banks stay their course, at least as far as growth of profits of the country's six publicly listed banks, which between them reported over $279 million in net profits for the period that ended March 31, 2015.

Leader in unaudited Q1 profits was Bank Audi whose round $100 million figure put Blom Bank's $91.2 million into second place. Audi claimed not only the top share of almost 36 percent in the group's cumulative net income, but also led the pack in terms of profit growth at 17 percent when compared with the first quarter in 2014.

Audi and Blom, Lebanon's top banking pair, accounted for $191.2 million in net profits, or nearly 70 percent of the reported cumulative amount. Each bank's results exceeded the combined profits of the other four reporting banks, which together achieved $88 million during Q1.

Quarterly reporting, a standard behavior in responsible banking operations, is to date not an established practice by commercial banks in Lebanon. Only the six banks with listed shares on the Beirut Stock Exchange have been publishing quarterly financial updates for the past few years. The vast majority of banks, including most of the 28 institutes in the top tier (alpha and beta groups) that represent over 90 percent of the Lebanese banking market in terms of deposits, have so far not adopted the quarterly reporting habit, thereby limiting the information value on economic health that the publication of banking sector results can provide to the public.

Profit growth rates at listed banks stretched from Audi's 17 percent to 2.49 percent at BLC Bank. The combined results of the six banks improved 9.6 percent year on year, said the Credit Libanais Economic Research Unit in a compilation of results.

DIVERGENCE DRIVES PROFITS

Drilling into the next layer of information, the six banks showed continued divergences in terms of where they generated their profits. In the split between interest and non-interest sources of profits, net interest incomes' contributions to total operating incomes were crucial quarterly profit drivers at Bank of Beirut (BoB) and Byblos, but this growth was juxtaposed with contractions in net fees and commissions incomes at either bank.

BoB's 16.5 percent growth in net interest income was opposed by a 6.9 percent contraction in net fees and commissions income; the respective year-on-year changes at Byblos were 12.8 percent up on net interest income and 13.1 percent down on net fees and commissions income. At 18.1 percent BEMO reported particularly strong growth in its net fees and commissions income and a minor expansion of 3 percent in its net interest income. BLC achieved 5.1 percent growth in net fees and commissions income, but inversely to the other reporting banks showed a 5 percent contraction in net interest income.

AUDI AND BLOM BANK'S INDIVIDUAL RESULTS EXCEEDED THE PROFITS OF THE OTHER FOUR REPORTING BANKS

On the P&L sheets of Blom and Audi, net interest incomes and net fees and commissions incomes both improved, and the growth in the former at both banks outpaced the latter. The numbers are 6.2 percent and 3.5 percent for Blom, and 18.6 percent and 13.7 percent for Audi.

When it comes to first quarter net gains on financial instruments as contributors to total operating income, quarterly performance numbers represented year-on-year improvements of 25.2 percent at Audi, 22.1 percent at Bank of Beirut, and 6

Bank	Q1 2015 profits $M	Q1 2014 profits $M	Change in %	Assets at 31/3/15
Audi	100	85.8	17.0	$41.46 B
Blom	91.2	87.5	4.2	$28.09 B
Bank of Beirut	40.6	36.8	10.2	$14.46 B
Byblos	32.8	30.7	6.7	$18.96 B
BLC	11.6	11.3	2.5	$5.28 B
BEMO	3.1	2.7	15.2	$1.5 B

Source: banks, economic reports

Bank	Net Interest Income	Net Fees & Commissions Income	Net Gains on Financial Instruments et al
Audi	**222.5**	**59.2**	**57.5**
Blom	**145.3**	**34.1**	**21.2**
Byblos	**63.0**	**20.7**	**28.0**

All figures in $ M for Q1 2015 and rounded to the next decimal; source: banks, economic reports

percent at Byblos, but a 16.9 percent contraction at Blom.

In the assessment of the $14.2 million jump in Audi group's profits, constituting about 58 percent of the combined profit growth of the six listed banks, the bank pointed to consolidation of its positioning in the three main countries where it is present: Lebanon, Turkey and Egypt. More distinctly, the bank noted that 52 percent of its Q1 profits were generated by "entities outside Lebanon."

As analysts tracking the bank at FFA Private Bank clarified in a research note, "Bank Audi's Q1/15 financials still show a significant increase in revenues (+ 19 percent) translating into stronger net profits (+17 percent), driven by the positive contribution of Odeabank to consolidated results vs. losses in Q1/14." Whereas Odeabank, Audi's Turkish unit, was still slightly in the debit column in Q1 2014, it reported $11 million in net profits for Q1 2015.

FFA pointed to currency pressures in Egypt (Blom and Audi) and Turkey (Audi) as negative factors weighing on these banks' consolidated balance sheets, in addition to a quarter-on-quarter "tepid performance" at Blom for assets, deposits and loans. With Byblos, the analysts described balance sheet developments as disappointing for the second consecutive quarter and, as with Blom, cited subdued growth in the domestic banking sector as the likely culprit.

With regard to the operating environment for the Lebanese banking sector, the FFA research notes said that for each of the top three Lebanese banks under coverage the prevailing low interest rate environment in the country limits both the banks' potential to improve yields on earning assets and their capability to reduce costs of funds.

ROOM FOR IMPROVEMENT

According to the central bank, the consolidated balance sheet of commercial banks in Lebanon edged up 0.7 percent from yearend 2014, to $177 billion at the end of March. Private sector deposits reached $145.5 billion, likewise representing a 0.7 percent expansion. Loans to the private sector saw an even lower rate of increase of 0.5 percent and stood at $51.1 billion at the end of March.

LEBANON NEEDS A DECISIVE CHANGE IN POLICIES AND AN OVERALL MORE BALANCED POLICY MIX IN ORDER TO STRENGTHEN CONFIDENCE

According to Byblos Research this QoQ lending growth rate was by far the lowest for any first quarter since 2010. Bank Audi's research team opined that within the banking sector's "modest" activity growth in the first quarter, its deposit growth remained favorable because it was better than in the same quarter of 2014, but also took note that lending was "quite weak."

This, albeit somewhat grudging, attention to short-term reality deserves to be correlated with the latest opinion and advice which the International Monetary Fund offered to Lebanon in the 2015 Article IV Mission's concluding statement, published after the IMF staff visit last month. While the statement acknowledged the country's historic ability to attract sizable deposit inflows, which have in turn helped fund large budget and current account deficits, the Mission cautioned that the growth rates of deposits is slowing. It advised that Lebanon needs a decisive change in policies and an overall more balanced policy mix in order to strengthen confidence. "Lebanon's economic model rests on confidence," the Mission said, in a statement dripping with more or less veiled appeals for urgent action on long-known problems.

When taking in the larger picture of first quarter banking numbers around the pretty patch of flowering profits at the six reporting banks, the pale developments of sector assets, deposits and loans, in combination with the diplomatically screaming advices of global multilateral institutions, should perhaps be reason for financial policy makers in Parliament to don those thinking caps. But one suspects they will not make haste.

In the meantime, several top banks have announced how they will take care of their shareholder needs through dividends. For the top three banks, total gross dividends for 2014 amounted to $190.1 million at Audi, $153.6 million at Blom and $107.2 million at Byblos as approved by the respective general assemblies in April and May. According to calculations by Byblos Bank's economic research department, gross dividend yields on common shares were 3.2 percent at Bank of Beirut, 5.1 percent at BLC, 6.7 percent at Audi, 7.5 percent at Blom and 8.3 percent at Byblos itself.

John Lobb

John Lobb launches its Bespoke service in Beirut

For over 100 years Europe's most skilled master craftsmen have been making bespoke shoes for the world's elite in the John Lobb workshop located in the heart of Paris. For the first time in the brand's history it will be launching it's bespoke service here in Beirut.

The process involves the Master Bootfitter taking a series of intricate foot measurements, while the client chooses the model, shape, leather, heel, sole and any other bespoke requirements.

Following this first appointment, the shape of the foot is sculpted by hand in hornbeam wood at the Paris workshop.

The client then returns for a second appointment to try on a mock-up of the shoe. This allows the craftsman to further refine the precision of the last that will then be used to create the desired pair and anymore thereafter.

To celebrate the launch of John Lobb Bespoke in Beirut, Emmanuel Renier, Master Bootfitter from Paris, was available in-store from April 28th to April 30th to guide clients who booked an appointment through the Bespoke service and assist them in this very first step of creating their very own pair of Bespoke shoes.

The Bespoke service is available by appointment only.






24 Park Avenue, Karagulla Bldg, Beirut Central District Tel. 01 999 829

To fee or not to fee

Noninterest income is becoming an important part of Lebanese banks' diets *By Ziad Ghandour*

The question of whether banks should structure their incomes on the premise of interest alone has long been answered in the negative. Diversification of risks and revenue streams have led institutions far beyond being mere lenders to generating income from services, transaction fees, trading, money management fees, commissions and the like. Even before the Great Recession, noninterest income had been researched in literature with a focus on its linkages to profitability and risks. Executive looks at several aspects of noninterest income in Lebanese alpha and beta banks over the past few years.

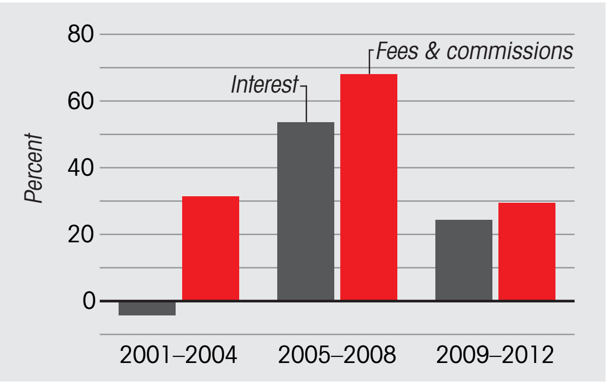
From 2002 to 2014, the number of ATMs in Lebanon nearly trebled from 582 to 1,569 at yearend. These figures are not just impressive; they illustrate a major trend in banking — the pursuit of noninterest income as a way to diversify banks' revenues. While most banking income still comes from old fashioned lending activities, income from nonlending sources has come to play a superior role over the last decade.

In total, Lebanese financial sector income attained double digit growth from 2002 to 2012, except during 2004, 2006 and 2007. Moreover, it surpassed the growth of net interest income for the same period, except from 2006 to 2008, where the latter reached its peak during 2006. Furthermore, the growth interest income (interest paid on loans) demonstrated lower levels compared to commission fees per four years.

Alpha banks have a competitive advantage over beta banks as the former held around 87 percent as a stake of assets out of the total Lebanese financial sector in 2012. Moreover, alpha banks offer investment banking services, besides their ability to select high quality clients and operate branches abroad. Research indicates that banks, whether alpha or beta, should seek to increase noninterest income in order to reduce risk — that is, diversify. Matthias Köhler, a researcher at the German central bank, examined the impact of noninterest income on the German financial sector and found that small banks should lean more on noninterest income, whereas larger banks with investment tools are already more diversified. He added that there is almost no correlation between noninterest and net interest income variables. Therefore, banks could be diversifying to become more stable by adding revenue streams from noninterest income.

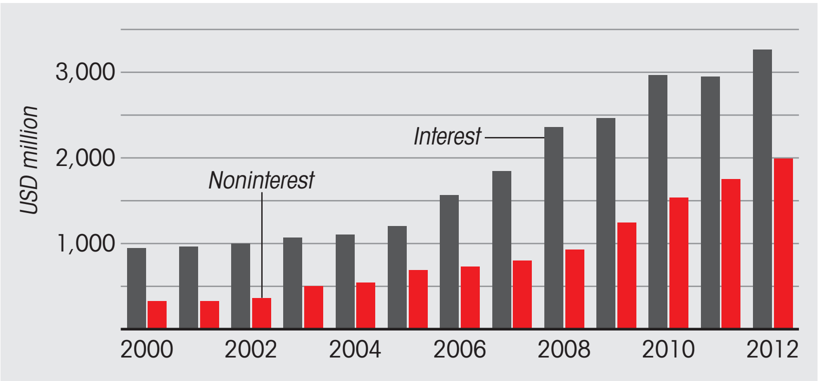
Noninterest revenues have a unique habit of stabilizing the source of income, as opposed to interest income on loans, which is much more variable and reliant on market conditions. For instance, noninterest income will be much less affected by a shrinkage in GDP or interest rates. According to research from the Australian School of Business at the University of New South Wales, banks should seek diversification in noninterest income activities in order to make the banking system more robust in 'high concentration' countries (i.e. where banks have a competitive environment). They added that noninterest income can act as 'ring fencing' and can significantly reduce systematic risk. In 2012, the return on assets (ROA) for the Lebanese banking sector stabilized, but it lagged behind its record from 2010. While, it almost doubled from 2002 when it was 0.53 percent, reaching 1.01 percent during 2012, from 2010 to 2012, both alpha and beta banks showed a slightly decreasing trend in ROA. Both have sustained a yearly growth in total assets (mainly loans) but for alpha banks net profits plummeted during 2011, whereas for beta banks it showed shrinkage during 2011 and 2012.

GROWTH RATES OF INCOME TYPES



Source: Bankdata

NET INTEREST & NONINTEREST INCOME



Source: Bankdata

averda

«averda» enters South Africa

averda, the largest provider of integrated waste management solutions across the emerging world, has announced today its acquisition of a majority stake in leading South African waste management group, Wasteman Holdings (Pty) Ltd. averda will take a majority share in Wasteman, expanding averda's footprint in Africa alongside its other international operations and providing a solid platform for further growth in the continent.

Wasteman is one of the largest waste management companies in South Africa and has operated for 35 years providing fully integrated solutions to leading industry sectors on a national basis. The investment brings significant advantages to both businesses with the opportunity to leverage various initiatives and experiences around city cleaning, waste disposal and recycling, as well as the development around new and innovative waste management programmes.

The Chairman of averda, Maysarah Sukkar, commented: "In line with our global growth ambitions, the acquisition of Wasteman significantly enhances averda's position in Africa to provide specialized solutions for waste management. We are excited about the opportunity ahead and look forward to bringing our vast international experience from city cleaning to waste recovery and disposal to Wasteman's operations."

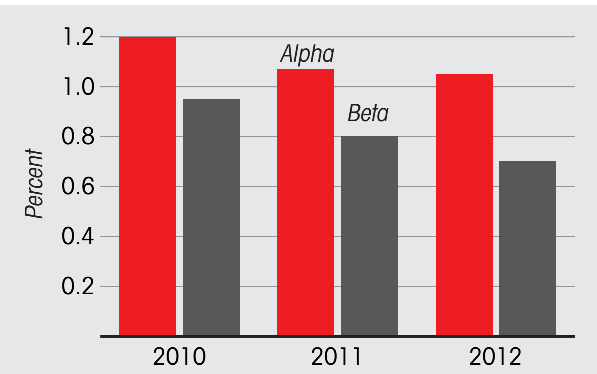
Jan Labuschagne, CEO of Wasteman Holdings (Pty) Ltd remarked: "Wasteman group will reap immense benefit from the entry of averda into the South African market. In addition to the injection of foreign direct investment, averda will 2 contribute a wealth of waste industry expertise and technology. We look forward to partnering with our new majority shareholder along a path of accelerated growth."

SUKLEEN
an averda company

NONINTEREST INCOME AND REVENUE

For the Lebanese banking sector, the portion of noninterest income to net revenue rose from 26 percent to 38 percent from 2002 to 2012. This trend not only assisted in lifting bank profits, it also gave banks the capability to diversify their sources of revenue and reduce risk. For alpha banks, the ratio dropped from 34.2 percent in 2010 to 32.9 percent in 2012. For beta banks, on the other hand, the ratio rose from 27.7 to 32.7 percent over the same period.

RETURN ON ASSETS



Source: Bankdata

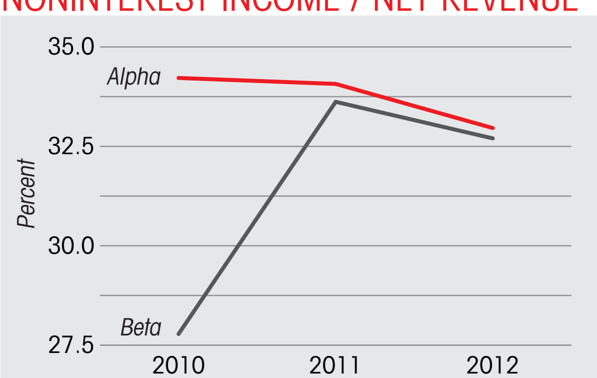
MONEY GENERATION

Certainly, there are vital differences in earnings between the alpha banks, which hold the large stake of assets, and beta banks, which constitute the mainstream of banks in Lebanon.

The large variance in profitability between alpha banks ($2 billion or more in total deposits) and beta banks concerns noninterest income. Noninterest income made up an average of 15.3 percent of total income in alpha banks between 2010 and 2012, compared with 14.7 percent for beta banks.

Noninterest expenses have expanded due to an increased number of branches and staff in both alpha and beta banks. For instance, the percentage of staff expenses to general

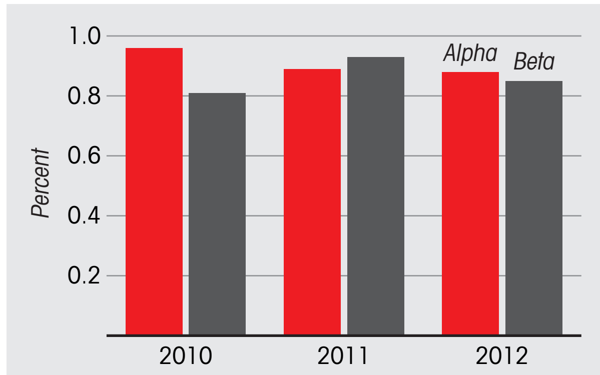
NONINTEREST INCOME / NET REVENUE



Source: Bankdata

operating expenses inflated from 51.6 percent in 2010 to 53.2 percent in 2012. Furthermore, the number of branches has increased by 13.2 percent from 2010 to 2012 for alpha banks. Hence, a common indicator of a bank's expense supervision is its efficiency ratio. It measures how much produced income is generated by efficiently using the cost — that is, overhead expenses. Banks are more cost efficient if

NONINTEREST INCOME / ASSETS



Source: Bankdata

they have a lower ratio. This ratio stood at 60 percent for the entire sector in 2002. From there, it decreased slightly and stabilized at around 50 percent from 2010 to 2012.

The efficiency ratio for beta banks from 2010 to 2012 surpassed that of alpha banks. Unfortunately, both have reported an increasing trend of efficiency ratio, which illustrated a less cost efficient contribution.

These observations support some interesting considerations. First, the surge in utilizing noninterest income by alpha banks could make their earnings less elastic to changes in interest rates, all else being equal. Thus, stability can be viewed as a function of a bank's ability to earn noninterest income and diversify more. The increase in noninterest income has rehabilitated revenue sources for Lebanese banks. These trends have been connected with record profits and embody the exploitation of new technologies.

Second, beta banks' relatively high dependence on income from loans could be problematic in the future due to increased competition. Alpha banks, for instance, could make use of new technologies and their affiliates' locations to offer loans to the current customers of beta banks. Thus, the latter need to seek other revenue streams to have a stable income and substitute the reduced amount earned from lending.

Finally, in the current situation, noninterest income should compensate for declines in banking conditions. Noninterest income will grow at faster rates when losses are increasing and heightened levels of noninterest income should steady banks' revenue streams and help the industry better weather the uptick in losses.

Build it and they will come

A mall and entertainment center in the heart of the Bekaa Valley *By Nabila Rahhal*

Driving past the rows of vineyards and the occasional industrial factory in the fields of Taanayel, West Bekaa, one of the last things you would expect to see is 200,000 square meters of entertainment and mall structures.

But that's precisely the location Maurice Torbay, chairman of Cascada Village and a veteran of mall development in South America, has chosen for his company's first mixed use project in Lebanon, Cascada Village.

Cascada Village offers Bekaa residents a one stop shop

INTRODUCING CASCADA VILLAGE

The project, according to Mariam Akkou, a specialist in public relations, communication and business development at Cascada Village, is designed to be a one stop destination for all residents in the region. Therefore, in addition to a 150,000 square meter mall — which is the project's anchor — leisure facilities such as an outdoor extreme sports park, an events venue, an amphitheater for musical events, and a dining and promenade area centered around a little lake, are also components of the village. The project will also have a spa, a medical center and a medium sized hotel (200 rooms) in the future.

Today, the weddings and events venue Arcadia is already in operation and will be hosting some 20 weddings from May to September of this year. The rest of the project, save for the hotel, has been fully built, and the mall itself is in what Akkou describes as the "final stages of fine tuning and collaboration with the big tenants." The mall, along with the entertainment facilities, is set to open by early 2016 at the latest, says Torbay.

Cascada Village has been in the works since the end of 2010, but Torbay admits that they had slowed down their pace with the onset of the war in Syria in order to better assess the risks. Yet he insists there's been no deviation from the size or scope of the planned project, nor does he see the situation in Syria drastically affecting the West Bekaa area where the project is located.

THE PEOPLE BEHIND THE PROJECT

Though a project of this magnitude in the Bekaa may seem risky at first glance, Torbay is no stranger to the development of malls in similar conditions. He has made a successful career out mall development projects in South America, where he not only lived, but was also named an honorary consul of Ecuador to Venezuela.

Fifty one years ago, he founded Pinova, a company which specializes in the manufacturing of industrial fridges, before diversifying his business to real estate development and specifically to the development of malls on the outskirts of major city hubs.

With seven such malls throughout South America under his belt — two other 'Cascadas' are in Venezuela — Torbay started thinking of creating a regional mall project in Lebanon, his home country. Torbay says his love for Lebanon and comfort in investing inside the country is what motivated his decision.

TORBAY INSISTS THAT THERE WAS NO DEVIATION FROM THE SIZE OR SCOPE OF THE PLANNED PROJECT WITH THE WAR IN SYRIA

He then partnered with Roger Abboud — also of Lebanese origin and president of Abboud Trading Corporation, a wholesaler of mainly home electronic goods to Latin America based in Medley, Florida — to create Inter Mall Group. Together, Torbay and Abboud used Inter Mall Group to bring Cascada Village to Lebanon.

INTER MALL INVESTED $200 MILLION IN CASCADA VILLAGE

The shopping center will extend over 150,000 square meters

Development of Cascada Village has been ongoing since 2010

Inter Mall invested $200 million in Cascada Village, an amount which includes the purchase of the land and the construction of all the project's elements (except for the hotel), with the main financing coming from the partners themselves supported by a loan from Bank Audi. They see this investment as a show of faith in their home country, and more specifically in the Bekaa region, where Torbay is from.

THE MALL

The main pillar of Cascada Village is the mall, which has around 200 retail spaces spread over two floors. Aside from the fashion retail outlets, the mall will also house complimentary outlets such as a spacious, colorful food court and an entertainment center. Hypermarket Carrefour's second outlet in Lebanon, a 10,000 square meter space, will be among the mall's anchor tenants, as will an 11 screen multiplex theater to be operated by Empire Cinemas.

According to Gino Haddad, CFO and business development director at Empire Theaters, the cinema in Cascada Village will be state of the art, delivering the latest technology and the same quality experience as their Beirut theaters. "We are not treating this like a second tier project; the movies will be run at the same time as Beirut and the theaters are the same, if not better because they will be newer," he says. In his opinion, it is the role of Empire to have the cinema experience be within the reach of everyone, no matter where they live.

Inter Mall, says Torbay, is embarking on a marketing campaign to launch the "leasing of the mall's outlets" on June 10, but to date 62 percent of the retail spaces have already been leased. New operators and some retailers will even be attempting their first venture in Lebanon at Cascada Mall, explains Torbay, giving as an example the children's entertainment center, which will be operated by the Italian company Terra Magica, as well a few fashion retailers who are also Italian.

Being a regional venue planning to attract shoppers from far away means Cascada Mall needs to have a wide range of prices to cater to all budgets, explains Akkou. "You will just as easily be able to find good quality jeans for $10 as you will be able to find a pair for $300," says Torbay, explaining that such prices and offers will be a primary aspect in attracting clients from across the region.

Torbay says they will be following a typical leasing formula for malls, whereby they take a percentage of sales from their tenants in addition to a rental fee, the specific conditions of which will be determined on a case by case basis. In this way, according to Torbay, tenants will be more encouraged to lease from them while his company would potentially make more profit than it would have with only a monthly rent formula, as Torbay believes tenants will be selling more than they expect to.

OPERATING IN THE BEKAA

While Torbay says he's confident he'll be able to fill up vacancies in the mall, he admits they have been having a difficult time convincing some local retailers to rent in the Bekaa. "There is so much ignorance and [so many]


Cascada Village shoppers will be offered a range of dining options

misconceptions about the Bekaa, about one's own country. They think [there are only] potato farmers and cows, which is not the case at all!" says Torbay in frustration, noting that the Bekaa is home to many wealthy and educated expats who have invested millions in the region, not to mention the business owners who developed companies in the area and reside there.

Torbay also explains that while security concerns are cited as a primary reason to avoid investing in the Bekaa, these areas of concern are located closer to the border with Syria near Baalbeck — more than an hour and a half drive from Cascada Village.

Before embarking on any mixed use project, says Torbay, his company conducts a thorough market study to identify the ideal location. "The location of a mall project is a very sensitive factor and while we can make some mistakes, we cannot afford to make a mistake in the choice of location for our project," says Torbay.

Torbay is therefore convinced that the West Bekaa is an untapped market for mall development, adding that there are over 10 universities and 600,000 residents in the Bekaa — not to mention expats and those who reside in Beirut but come to Bekaa for holidays.

THERE ARE OVER 10 UNIVERSITIES AND 600,000 RESIDENTS IN THE BEKAA — NOT TO MENTION EXPATS AND THOSE WHO COME TO BEKAA FOR HOLIDAYS

In explaining Empire's choice to operate in Cascada Mall, Haddad also speaks of the university and school students who reside in the region and do not have entertainment facilities anywhere nearby. "These youth all have access to social media and hear about the latest movies, but they have to wait for a trip to Beirut to be able to enjoy them in the theaters," says Haddad, adding that there are also young people from the Bekaa who go to university or work in Beirut during the week, who would appreciate entertainment options when they come home on weekends.

The long term target clients of the project, according to both Torbay and Haddad, are the Syrians who will visit Lebanon by land and stop by Cascada Village to shop, eat or enjoy a movie on their way to or from Syria. Cascada Village is thus well situated to take advantage of this eventual influx of consumers when the war in Syria is over.

COMMUNITY SUPPORT

Torbay sees his project as improving the quality of life in the Bekaa by being a generator of employment opportunities for those in the area, saying that, upon its full completion, Cascada Village will employ approximately 3,000 people both directly and indirectly. "Instead of having to commute to Beirut on a daily basis, wasting time and money, these people will have jobs near their hometowns," he says. He explains that in Lebanon the job market is centered in Beirut, which puts high pressure on the city itself and on those commuting to it.

ON THE PERIPHERIES

Besides Cascada Village in the Bekaa, Torbay is planning on building mall projects on the outskirts of major cities in Lebanon. He has purchased the land for his next development in Balamand, not far from Tripoli, which he sees as another untapped market similar to the Bekaa.

The value in such developments, says Torbay, is that there is no competition from other malls, as is the case in Beirut, since they are essentially entering a new market. Land outside of Beirut and its immediate suburbs is also cheaper, which means they can lease outlets at lower prices. As a result, the tenant in turn can offer lower prices, which means higher sales.

Whether destination malls far off from Beirut will find a client base in Lebanon remains to be seen, but Torbay is very confident that this is the wave of the future and that Cascada Village will, in the long run, be met with great success.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> Entrepreneurship

A need to even the playing field

Breaking through entrepreneurship's glass ceiling

Recently, CEOs of high growth companies were asked by Inc. magazine to pick their most admired entrepreneur. It turned out that the majority opted for Elon Musk (founder and CEO of Tesla Motors and SpaceX), Richard Branson (founder of the Virgin Group), Mark Cuban (known to the larger public via the show 'Shark Tank'; he is also owner of the NBA's Dallas Mavericks) and Bill Gates (founder of Microsoft). The results would probably be very similar if we asked random people on the streets the same question. The picture that comes to mind to most of us when thinking about successful entrepreneurs is that of a man, whether we ask people in the Middle East or abroad.

This masculinized image of entrepreneurship is forged through long tradition, stretching from entrepreneurship theory, which during the 20th and 21st century has been greatly influenced by the ideas of Joseph Schumpeter, an Austrian economist. In his studies, Schumpeter invoked a picture of the entrepreneur as a modern warrior, a doer, a winner, a creator, a man who founds dynasties and private kingdoms; a man with the willpower to conquer and the impulse to fight to prove himself superior to other men. Schumpeter created the image of an entrepreneur who strives to succeed for the pleasure of success, not merely for its fruits.

Even though the conceptual definition of entrepreneurship has evolved, the masculine stereotype of entrepreneurship is still prevalent and leads to the understanding of entrepreneurial activities as a male behavior. It is no surprise then that many women cannot identify with this image, or don't find the perspective of being a business founder very appealing. Moreover, in the context of Middle Eastern culture, which is predominantly male oriented, men are ascribed the role of breadwinners and women the role of caregivers, wives and mothers. Not to mention religious traditions, which endow men with large authority over women in terms of financial responsibility, inheritance, marriage and divorce, and make it very difficult for women to challenge these assigned roles. Obviously, there are also other reasons that have been identified as important obstacles to female freelance activities, such as the political, regulatory and economic contexts; but above all, the cultural convictions and stereotypes, deeply ingrained in our understanding, are much more difficult to change than our laws and institutions.

However, the consequences are heavy. Although female business starters have received increasing attention from policymakers in the MENA region, female entrepreneurship is still quite a challenge. The region already displays one of the lowest rates of general entrepreneurial activities worldwide with an average of 8.6 percent of the adult population engaging in early stage entrepreneurship, compared to Latin America with 17.6 percent or Asia with 12 percent, according to the Global Entrepreneurship Monitor (GEM) 2013 global report on entrepreneurship. Female participation in entrepreneurship is also one of the lowest across the world according to this report.

According to the GEM 2012 Women's Report, in most MENA countries more than two thirds of businesses are founded by men. In some countries, such as Egypt and Palestine, less than one fifth of all business founders are females. Female owned businesses in the region are also 60 percent more likely to remain a single person firm without any employees, added to the fact that women's expectations regarding the future growth of their businesses are also consistently lower than those of men. Moreover, according to the report, women are less proactive in seeking market opportunities than men, which has helped enlarge the gap between men and women entrepreneurs in the MENA region to be the biggest worldwide. Additionally, women in the region have greater difficulties in translating entrepreneurial intentions into action: for every female entrepreneur, six other women would like to start their own ventures, but despite positive attitudes and intentions towards freelance activities, very few among them realize their ambitions.

We are therefore currently in a situation where we cut our potential entrepreneurial population in half because we do not encourage women enough to consider starting their own businesses.

Many well intentioned initiatives, such as networking and mentoring events for women, seem to unfortunately come at a point in time where women have already "made up their minds" and developed a set perception regarding their entrepreneurial potential. As such, they only reach a small portion of the female population. For example, the majority of students at business schools worldwide are women; however, only a minority of them actually consider and attend classes specializing in entrepreneurship.

WE CUT OUR POTENTIAL ENTREPRENEURIAL POPULATION IN HALF

Prof. Sally Jones from the University of Leeds states that entrepreneurial education worldwide is based almost exclusively on the experiences of men and on studies related to traditionally male owned businesses, which then represent the basis that shape students' expectations. Male experiences and expectations are also reflected in the way curricula are conceived and in the gendered language that is used to describe course content. According to Jones, many women do not actually apply for entrepreneurship courses because they feel the courses don't match well with their personalities.

Women also tend to have low levels of self confidence regarding their entrepreneurial potential. Research has in fact shown that — independent from their actual educational and experience level — women tend to have low levels of what is so called self efficacy. This means that they have a weak belief in performing well in entrepreneurship, as they value and perceive their skills, experiences and competencies significantly lower than those of men with comparable levels. This starts at an early age, as research on teenage girls and boys shows, where self perceptions significantly impact entrepreneurial options in the future for girls compared to boys and remain a constraint for most women (and not for men) even after launching their ventures, with significant effects on venture growth. Such perceptions have been shaped by gender stereotypes in a society that imposes certain expectations regarding female behavior long before professional and educational measures can influence female confidence.

Unfortunately, well intentioned support and advice for women tends to reinforce certain beliefs regarding their supposed lack of true entrepreneurial qualities, such as the conviction that "by nature" they tend to be risk averse, or "they lack what it takes" to be an "entrepreneurial warrior." Men, on the other hand, have been perceived as the group who has it all. For instance, it is not helpful to motivate female students at universities by reminding them of their social disadvantages compared to male counterparts. It is certainly important to address these issues openly, but we should not put emphasis on the problem, but rather search for a solution.

How can we better address these issues? First, we need to be more careful about how we promote entrepreneurship, and about the definitions we use to shape perceptions of what is and isn't entrepreneurial. This means convincingly broadening what we consider successful entrepreneurship: social entrepreneurship, "mompreneurs" or successful home business entrepreneurs and lifestyle entrepreneurs are also valuable when creating activities on societal and economic levels. We have to be aware that entrepreneurship is a "process of becoming rather than a state of being" as no one is born with the entrepreneurial gene. Instead, the process of starting a business can be learned and is an option for everyone.

When it comes to developing a strong sense of self efficacy in women, research informs us about the central role of "mastery of experiences" and of "role models." Mastery of experiences in order to gain an increase and resilient sense of self confidence requires having direct professional exposure and opportunities to develop necessary managerial skills and business acumen. This demands that we work actively to increase the participation rate of women in the labor market, which averages 23 percent in the MENA region compared to a world average of 50 percent. According to the International Labor Organization (ILO) there are about twice as many young women unemployed in the region (43.9 percent) compared to male peers (22.9 percent). These numbers also indicate that women in the region have very little professional exposure that would allow them later to spot business opportunities, and then to develop and grow their ventures. Lack of professional experience prohibits women from being equipped with the basics, such as finance and accounting, compliance with laws and regulations, and marketing. Many female business owners lack strategy and planning — all important issues that need to be communicated to lenders and possibly investors — thus, going into their own ventures would be beyond a leap of faith for most women.

WE HAVE TO BE AWARE THAT ENTREPRENEURSHIP IS A "PROCESS OF BECOMING RATHER THAN A STATE OF BEING"

Role models are equally important to increase self efficacy and to set an example of what is possible. Role models motivate us because we perceive similarity to them in terms of attitudes, behavior and achievements. Many successful female entrepreneurs and business leaders in the region exist, examples are: Haifa Al Kaylani (founder of the Arab International Women's Forum), Rana Chemaitelly (founder of the Little Engineer), the young Hind Hobeika (Instabeat), the successful Lebanese designer Nada Debs and many others. The stories of these women can motivate others to emulate them and go beyond their limits. To date, female entrepreneurs and innovators tend to receive far less attention in the media than their male counterparts, and therefore are less visible. We need to bring more of these stories to the attention of the larger public. We also need to integrate these biographies and their business experiences into our teachings in higher education, as well as into our teachings at school — before girls develop negative expectations regarding their professional potential.

Currently, we are in a situation where we cut our potential entrepreneurial population in half because we do not pay sufficient attention to these soft issues. Working factors such as definitions, language and female confidence are equally as important as the development of a functioning entrepreneurial ecosystem, because they will help us value and support human resources in this system. They are also important aspects to help reduce the gender gap in entrepreneurship in our region and promote momentum for job creation. Supporting female entrepreneurs is not only a question of social fairness and ethics, but also essential for the economic growth and prosperity of MENA societies, and an essential ingredient for a sustainable future.

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WALKING TOWARDS THE LIGHT

In search of profit, Lebanon's real estate market turns towards the affordable

Instead of hoping for good political news in Lebanon today, property hunters should just trust their fortunes. The country is much more stable than it looks, and smart money has every chance to find good real estate buys. At the same time, there are few bright spots for sellers. The uncertainty in the upper end of the Lebanese market has developers scratching their heads — their business models overwhelmingly depend on developing pricey new projects in order to maintain economic growth and cash flows. But with sales in that segment of the market remaining 'rigid', many are now looking to diversify their revenue streams.

The mid to lower end of the market — the affordable housing segment — is booming with demand, partly satisfied by mortgages backed by the central bank's monetary stimulus. Even some developers who were previously locked into luxury projects are beginning to look at tapping into this market segment. The high cost of land in Beirut, along with buyers demanding homes accessible to arterial roads, point to areas like the suburbs above and below Baabda and around Metn to serve this demand for housing. Executive spoke with several developers who are currently planning or have already established companies to serve first time home buyers, but none spoke of shovel ready projects.

Lebanon is in desperate need of affordable housing options, but the government is ill positioned to coordinate the response. The segment is a cornerstone of the real estate market and the government's lack of attention has thrown Lebanon into a housing crisis. Even the amended rent law, if it passes this year, is doomed to be ineffectual because Lebanon must pass a budget that considers funding for those tenants who cannot afford to pay the increase — the 2015 draft budget does not.

Housing needs in the country are not limited only to the Lebanese. Refugees — predominantly Syrian, but also Palestinian, Iraqi and Sudanese — also need access to cheap housing. A lack of governmental regulation has seen rental prices soar, followed by illegal evictions when those refugees who could afford shelter ran out of money.

In the end, Lebanon's real estate market is looking at a long adjustment period before the ship might right. On the one hand, continued regional instability and the war in neighboring Syria have driven investors away and, as a whole, depressed the local economy. On the other, Lebanon's political impasse has only compounded the situation. The stimulus offered by the central bank, only a quasi governmental actor, has, by many developer accounts, been the only force keeping the market afloat.

Mismatch made in the heavens

Lebanon's real estate market is adjusting to new realities, thanks to subsidies *By Jeremy Arbid and Thomas Schellen*

As cities go, Beirut has every reason to be regarded as the grand dame of regional urbanity — a proud dowager that stands out among Arab metropolises as queen of style and savoir vivre. But she is filling out like a high school senior, especially around the upper floors of the priciest residential towers. Those epitomes of luxury, construction of which began during the real estate boom five or six years ago, are now finally almost ready for delivery and provide a near full image of the skyline that the Lebanese will have to live with for generations to come.

Whether they are individually perceived as top engineering and architectural accomplishments or mere misshapen tributes to greed, Beirut's new towers perhaps more than anything illustrate two aspects of the Lebanese economy: the fact that property development is a vitally important activity for the country's economic well being and the bipolar reality of an economic nation where production is heavily concentrated in the center, but whose productive majority can less and less afford to live in it.

What is new in this picture is that the detrimental split between a rarified class of high end developments and an ignored demand for intelligent and affordable projects has apparently started to impact professional property developers. While they continue to break ground on projects in Beirut, developers today acknowledge that sales in the pricey market segments remain sluggish at best.

"The market is very rigid now in anything above $2 million. Between $2 million and $500,000 it's okay, it's sluggish, but below $500,000 it is a fantastic market — it's booming," says Massaad Fares, property developer, consultant and head of the Real Estate Syndicate of Lebanon (formerly an 'association', it still goes by REAL).

Essentially, these assessments are estimates and carry credibility because numerous developers share similar views based on their market experience. Beirut based real estate consultancy Ramco, in 2013, produced some rare statistics that quantified the sluggishness of high end demand. From a survey of 65 projects in Beirut — with asking prices starting at $2,800 per square meter — the consulting firm found

that of 1,236 such upmarket units that had been completed in 2013, 277 remained unsold by April 2014. The average apartment size of unsold units was 305 square meters with a cumulative value totaling $437,583,544.

All indications are that apartments in Beirut this spring have also been lingering on the market like last summer's fashion line — prices are now more flexible and, at many developments, reduced. Where before purchasing an apartment in one of Beirut's prime areas meant paying the asking price, today real estate marketers boast their pricing flexibility as a selling point. It is, as Plus Properties' marketing manager Amanda Hajjar points out, the "best time to invest in this market because you have negotiation power with the developer."

"BELOW $500,000 IT IS A FANTASTIC MARKET — IT'S BOOMING"

The eager sales pitches do not find all that many takers, however. The high starting prices in the capital put homes out of reach for almost all first time buyers, while Lebanese expatriates and wealthy foreigners look to other locales to safekeep their real estate investments. The market has expressed an uneasy dualism for several years. At the upper end of the scale, luxury units in Beirut's prime areas — downtown, Verdun and Ashrafieh for example — theoretically generate fantastic profit margins but are, in polite terms, selling slowly. At the opposite end, and this means lowbrow developments outside of Beirut, margins are slim but apartments sell like hotcakes.

Developers have of course noticed this trend not just yesterday but several years ago, and have talked in many an interview about the need to shift their strategies. Some champions of luxury real estate used almost every opportunity to speak glowingly about the beauty of developing small units and about the wisdom of undertaking humbler projects some distance from the capital.

All the while, however, the really notable initiatives of the past two or three years were those where branded developers promoted projects in Beirut whose 'affordable' unit prices just

Construction continues despite uncertainty in the market

camouflaged the attempt to achieve even higher profit margins per square meter in built-up areas. A whole wave of such projects were launched in 'trendy' areas of the capital whereby the much lower meterage of offered living space made the value propositions of the units' lower asking prices look, at the very least, doubtful from a buyer's use value perspective.

Increasingly today, leading developers' professions of interest in the affordable market are becoming more than theoretical. With growing numbers of unsold units on their books and luxury developments looking like shakier propositions in longer and broader terms, it seems that leaders of the property development industry are finally getting serious about the Lebanese real estate market's 'democratization', meaning development of a developer skill set where project quality and affordability are not absolute opposites.

Despite central bank backed financing being relatively accessible for first time home buyers, many of Lebanon's high end developers are only in the early stages of learning how to build for this market, where profit margins become tighter and the timing of project delivery is critical. They're also keeping an eye on Syria — when the raging war will end is anyone's guess, but reconstruction of that country's high end housing needs represent a shining opportunity for Lebanese developers.

UNORGANIZED MARKET

"Today in Lebanon the real estate market is unpredictable," says general manager of Al Mawarid Real Estate Rania Akhras. Unpredictable market conditions are among the sector's challenges that organizing bodies REAL and the Real Estate Developers Association — Lebanon (REDAL) hope to address. The real estate sector remains fragmented with only limited planning addressing Lebanon's housing needs. Part of the issue lies with the government's almost complete absence as a regulator and policy planner. At the project level, developers encounter difficulty in planning housing projects due to a lack of statistics and, as Fares points out, current indicators — like real estate transactions and cement deliveries — are not accurate and are inadequate to use for planning purposes.

Both Fares and Namir Cortas, head of REDAL, say the lack of statistics is a weakness. "I cannot write a feasibility study ... [I] don't have reliable references," Fares says, with Cortas noting data is needed to "understand what the sector is paying and understand how it affects other sectors because [real estate is] the central sector — we affect just about everybody." While the two recognize it as a fundamental need they both say neither organization has the resources to compile the right statistics.

In other ways both REAL and REDAL are making headway towards the professionalization of the real estate sector. Fares, at REAL, is focusing on improving the home buyer's purchasing experience by standardizing the broker profession. "It's so important that they know how to sell an apartment ... Your client is so important because he brings the bread and you have to be honest and give him the right information and advice," he says. To do so, REAL has teamed up with the American University of Beirut to offer courses and certification for realtors, a planned prerequisite for REAL membership. Formed in 2013 REDAL has focused largely on issues of taxation because, Cortas says, when it comes to the real estate sector "such a big proportion of it is indirect. In other words you suffer it before you realize the profit."

UNSOLD LUXURY

The slowdown at the highest end of the market means many units that have or will come online remain unsold. Fares says there are some 1,000 unsold units at a value above $2 million, with an estimated cumulative value totaling $3 billion. While that might look to some like a glut in the market Fares nonchalantly reasons that, "The real estate market in Lebanon is around $6–7 billion per year, so $3 billion in the sector is not really dangerous. These type of units — this sector of the market — is normally developed by well to do developers so they can sustain it." Similarly, Akhras agreed that


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Building projects outside of the capital are beginning to draw developers' attention

this money sitting in the market is part of the attractiveness of investing in real estate — "There is cash to be stored," she says.

The ability of real estate to serve as a safe store of wealth is of course well established in Lebanon. Many projects in the country are not leveraged because the owners execute them through project companies whose capital consists of a mix of owned land and an investor's financial contributions. Professional market studies and demand assessments are often not a priority when these projects are designed because the shareholders have no exposure to bank loans and can simply wait, sitting on unsold completed units until the day that somebody meets their asking price.

AFFORDABLE SEGMENT

When it comes to designing more complex projects with tight margins that include the need for leverages, on the other hand, different business models and other skill sets are needed. That may be why it takes market players more time to venture into downmarket specializations.

"There is certainly a need [and] there is certainly a shortage in housing for the market at affordable prices," says Cortas, also the director of Estates, a property developer. Demand outstrips supply at the affordable end of the Lebanese market yet few options exist for home buyers in the city. "Today the market is outside Beirut, not inside ... [In some places] you can buy an apartment for $1,000 per square meter. You can't buy anything in Beirut for this price," says Fares.

One of the main concerns for this segment of the market is the government's limited involvement offering no holistic policies that encourage the construction of affordable housing. Financing of homes has nonetheless been possible and has recently become more doable for prospective home buyers —

LUXURY HOUSING COMPLETED IN BEIRUT

	2012	2013	2014
Number of projects	65	65	56
Total units	1,179	1,236	1,213
Total built up area	404,546m^2	377,174m^2	342,901m^2
*Unsold units**	217 *or* 18.4%	277 *or* 22.4%	271 *or* 22.3%
*Unsold built up area**	71,357m^2 *or* 17.6%	81,773m^2 *or* 21.7%	83,976m^2 *or* 24.5%
*Listed value of unsold stock**	$397,839,764	$437,583,544	$477,158,659

Annual study of select projects completed in Beirut municipality whose first floor asking price was $2,800 per square meter or greater.

** As of December of each year | Source: Ramco*

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Press Release

Chivas Regal sponsors THE ULTIMATE GOAL Charity Gala Dinner chaired by Salma Hayek

On April 27, Salma Hayek visited her native country for the first time ever.

In its bid and continued efforts to support innovation, culture and creativity, Chivas Regal luxury whisky, part of Fawaz Holding, sponsored "THE ULTIMATE GOAL" Charity Gala Dinner organized by LUXURY LIMITED EDITION, following the world premiere of the long awaited animated movie "The Prophet".

Hosted at the luxurious La Villa Rose at ESA, the glamorous red carpet gala was attended by Hollywood's A-list superstar Salma Hayek along with 300 remarkable local and regional social influencers. This exquisite ambiance was the perfect opportunity to introduce the all new Chivas Extra. The guests present at the event were the first to savor the deep aroma and generous sweetness of this unique new whisky from Chivas Regal, a blend created from exceptional and rare whiskies, aged in sherry casks from Spain.

The star studded buzz-worthy dinner included a live auction where generous funds were raised for the CCCL while everyone enjoyed a glass of Chivas Extra, complimented with a special performance by The Gypsy Queens playing till the end of a very successful night.

but only because of central bank initiatives that have brought benefits to mortgage based borrowing first in 2009–2011 and then again since 2013, due to Banque du Liban's stimulus package.

"[Riad Salameh] is, with all objectivity, the only government representative working on a productive economy — everybody else is not working on a productive economy," Fares says, remarking that, "If it wasn't for the stimulus plan we would be in deep shit — it's as simple as that." Cortas points out that "The central bank has realized this particular sector of the market is totally dependent on the availability of mortgages and a system of relatively low interest [rates]."

A SYRIAN FUTURE

It would be inconceivable to have business confidence in Lebanon's economic future without some innate personal optimism and willingness to embrace risk. In the case of the current property market, this seems to be shaping out as wagers on a reconstruction boom in Syria. Of course there is no current outlook for an end of violence and armed conflict in the neighboring country, but phases of rebuilding may intermingle with the ongoing conflict, at least in speculations driven by the Lebanese experience of the country's earlier conflict that lasted more than 15 years.

Both Cortas and Fares agree that the reconstruction of Syria, once it begins, will be a huge boon for the Lebanese. "I believe that the reconstruction of Iraq and Syria will only happen through Lebanon," says Fares, with Cortas adding that, "We are poised as Lebanese developers to be very effective in the reconstruction and development of Syria."

This is not to be understood as a wild dream of doing megaprojects in the big neighboring country. These projects would be government driven, financed by international programs, and carried out by large international contractors and developers, Cortas says. However, he and Fares both point to the potential for projects outside the mass reconstruction needs — such as building new luxury apartments and offices for wealthy Syrians — as lucrative activities where Lebanese developers will have a huge edge once Syria's war subsides.

A surge in Syrian rebuilding and development activities might even wipe away quite a few of the headaches that plague the Lebanese property market today. And bring a few new, different ones. A non conflict dividend of Syrian development would generally translate into a boost for the Lebanese economy and any unsold property stock would quickly find demand, for example.

On the other hand, Fares fears that reconstructing Syria will drain the supply of unskilled labor, expert manpower and even machinery from Lebanon. He says, "It is going to be very difficult for Lebanon because we will not find an engineer here anymore — they will all be going there. We will not be able to find any Syrian construction workers — they will all go back." This would mean the current buyer's market would flip into a property seller's market in Lebanon, possibly big time.


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Real estate by the numbers

A look at the past, present and future of the sector

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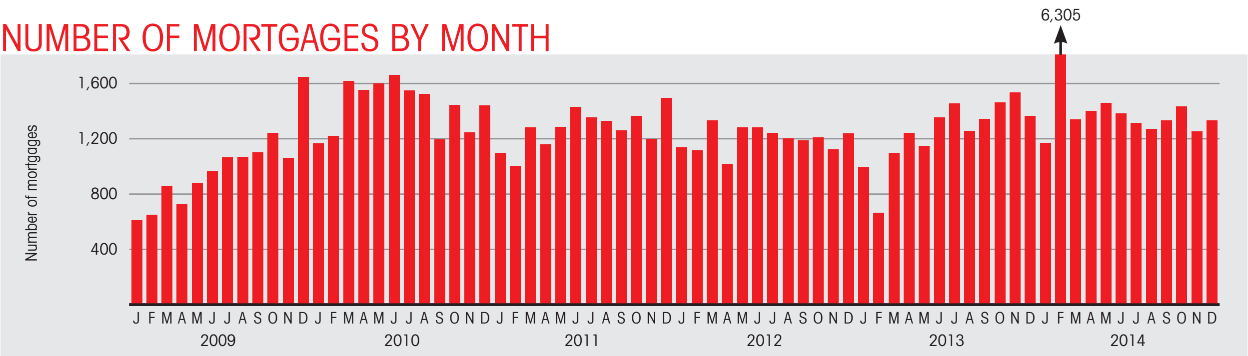
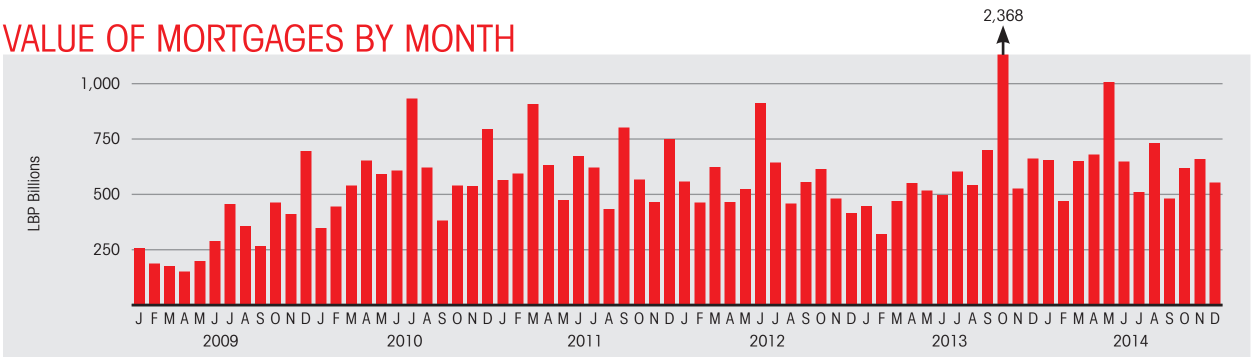
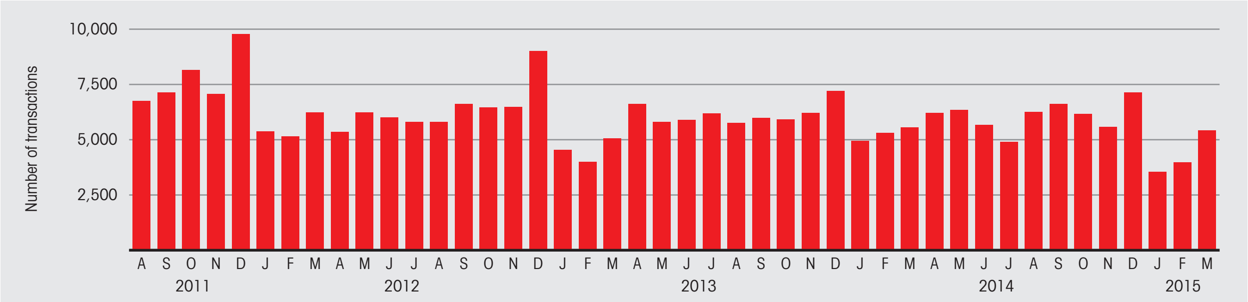


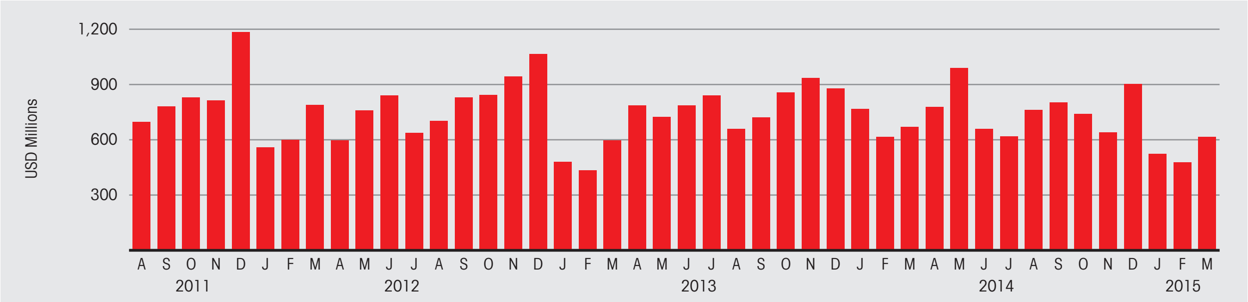
VALUE OF MORTGAGES BY MONTH



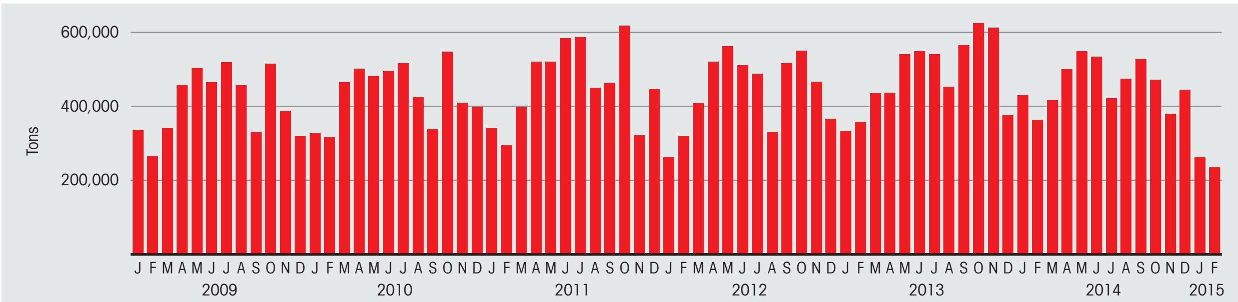
NUMBER OF REAL ESTATE TRANSACTIONS BY MONTH



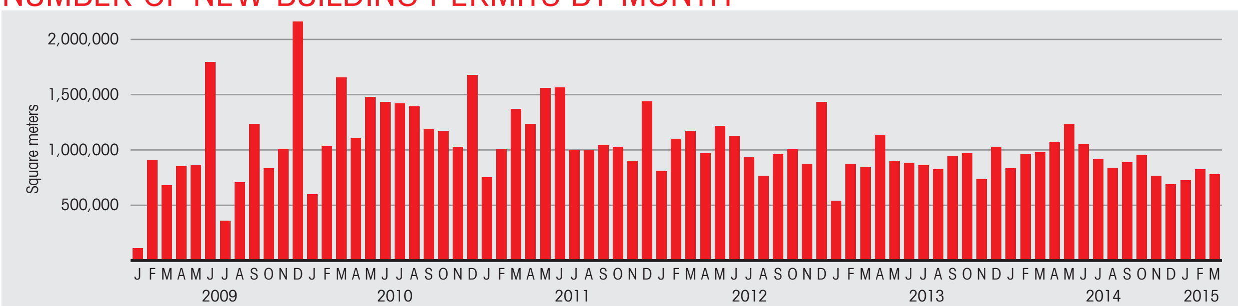
VALUE OF REAL ESTATE TRANSACTIONS BY MONTH



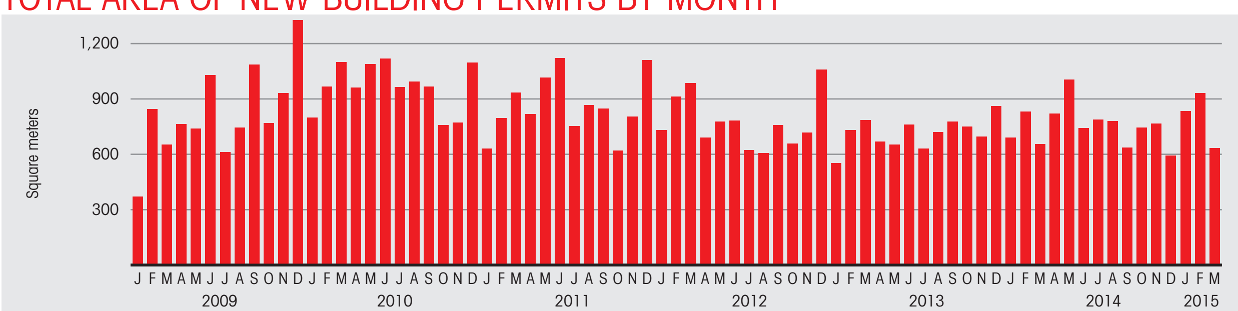
CEMENT DELIVERIES BY MONTH



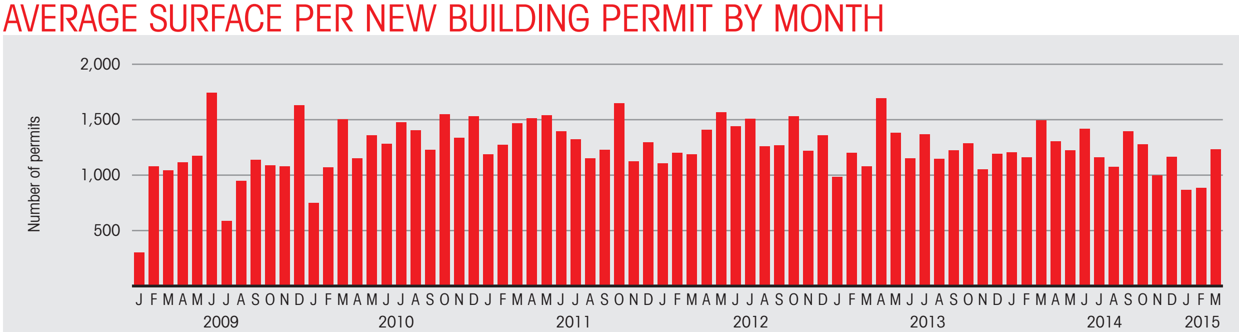
NUMBER OF NEW BUILDING PERMITS BY MONTH



TOTAL AREA OF NEW BUILDING PERMITS BY MONTH



AVERAGE SURFACE PER NEW BUILDING PERMIT BY MONTH



Source: Order of Engineers & Architects, Banque du Liban, Central Administration of Statistics, Directorate General of Land Registry and Cadastre, Credit Libanais, Economena, EXECUTIVE calculations

Striking a balance

Everyone is still in the dark concerning new rent laws *By Jeremy Arbid*

“This law is a step aimed at achieving justice, and after 30 years without a law this step has become necessary and inevitable,” said MP Robert Ghanem, chair of the Parliament’s Administration and Justice Committee, according to the minutes of April’s rent law meeting. The committee had met to amend the law after the Constitutional Council ruled three of its articles invalid. Yet after decades of deliberation and several years drafting and amending the law, Lebanon seems no closer to balancing the tenant–landlord equation — the amended law requires a vote by Parliament and the passing of the budget to make it effective. The long march towards Ghanem’s so called justice is now on hold indefinitely.

After stumbling through years of debate, Parliament, in April 2014, ratified a new rent law. Many legislators opposed the bill, arguing its outcome was unmeasurable — to this day there is no government data on the number of tenants and units that might be affected — with those in support citing the overdue need to rectify the rent market. Despite passing, it remains a contentious law receiving only mixed support from legislators across the political spectrum.

The Legal Agenda, a nongovernmental organization addressing Lebanon’s legal issues, reported that then-President Michel Sleiman, with 10 members of Parliament, challenged the law, arguing that it did not protect tenants’ constitutionally granted rights to housing. A review later by the Constitutional Council in August 2014 ruled three articles of the law invalid — one article concerning the formation of a committee meant to arbitrate disputes over the value of apartments and the correlated rent, and two articles relating to how the committee would mediate disputes, highlighting a lack of procedure for appealing the committee’s decisions. The law’s scheduled implementation for December 2014 was shelved — its validity in question — and instead was sent back to the committee’s drawing board for amendment.

It now awaits a vote in Parliament’s general assembly — an unpredictable prospect given the stalemate over the presidential void. “It all depends on the political parties,” says MP Nadim Gemayel, a member of the Administration and Justice Committee. “Some are saying we’re not going to legislate before having a president,” he says, leaving everyone in limbo, waiting for a clear indication as to where renters stand and how landlords will react.

MP Ghassan Moukheiber had told Executive that he was expecting hundreds of lawsuits when the law’s implementation was scheduled for December 2014; were renters to refuse to pay increased rents, reasoning the law was not applicable, landlords would be filing suits in droves. Those lawsuits have not materialized, says Gemayel, mainly because the continued uncertainty of the law and its implementation timeframe have left tenants and landlords wondering how the proposed amendments will apply.

Gemayel says there were two approaches within the committee to fix the rent law’s shortcomings. The first, he says, was only to correct the law according to the Constitutional Council’s ruling on the three articles before sending it up to the general assembly for a vote. Instead, the committee opted to expand the law’s amendment to include a wider set of articles, says Gemayel. “Since the law came back to us [the committee decided] to amend these articles in order to give more advantages to the tenant,” he says, adding that “the owner will stay and be protected, the law will be applied, but we will give more advantages to the tenant.”

Referring to April’s meeting, Gemayel says the committee proposed amending multiple articles to “place the tenant in a better position, while not increasing the liability of the owner.” Some of the committee’s proposed amendments include extending the period in which the new law goes into effect — 12 years for those whose household incomes are limited and nine years for everyone else; a 15 percent increase over the first four years in the difference between current and new rent, and 20 percent in the last two years; setting the current rent at 4 percent of the sale value of the rented home; limiting who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can assume the rent contract if the primary tenant dies; and creating incentives allowing lease-to-own agreements through the stimulus package.

A rent-to-own agreement would require a separate law, Gemayel says, indicating that such a bill has not yet surfaced from the subcommittee. He adds that a rent-to-own law is very important "for those who cannot take a loan or pay the [downpayment] in the loan, so this will make it easier for them to rent with the option to buy." How it all might work is still unclear. Rony Lahoud, director of the Public Corporation for Housing (PCH), who attended the April committee meeting, suggests the PCH might be the implementer of a rent-to-own law, though he says the agency is not currently involved in the rental market.

The number of tenants renting under the old law remains unclear. Ministry of Finance figures, published previously by Executive in May 2012, indicate around 140,000 properties were rented before 1992 throughout Lebanon, meaning they would fall under the old rent. Some dispute these numbers. Joseph Zoghaib of the Association of Landlords in Lebanon told Executive in 2012 that, using taxation records and copies of rent contracts, the association estimated that old contracts numbered 81,000, while new contracts stood somewhere between 40,000 and 50,000. Since the law was first proposed in 2012, no government body has been tasked with collecting these statistics.

THE YEARS LONG MARCH TOWARDS GHANEM'S SO CALLED JUSTICE IS NOW ON HOLD INDEFINITELY

Gemayel bluntly acknowledges the government's dearth of quantitative data available to plan the law. "We don't have any documentation — any official documents — the Ministry of Finance doesn't have numbers, the Public Corporation for Housing only has new numbers, so we had to work very blindly," he says. The number of those falling under old rent contracts is vital for predicting the impact of the new law, particularly since it calls for establishing a fund at the Ministry of Finance to pay increases in full for those tenants that cannot afford the price increase.

The proposed amendments to the law stipulate that for those tenants whose household income does not exceed three times the minimum wage (a household not earning more than LBP 2,025,000 [$1,343]), the government would pay the entire increase over a nine year period. For households whose income does not exceed five times the minimum wage (LBP 3,375,000 [$2,239]), the government will cover 80 percent of the increase in the same period. This fund, according to minutes from the Administration and Justice Committee April meeting, would not exceed $1.5 billion over the nine year increase period.

"We've created the fund on paper," says Gemayel but, practically speaking, it does not exist. In December, Moukheiber told Executive that such a fund remains theoretical because it would require funding mechanisms, as it will be a new expense for the government, meaning a new budget law must be passed. It is under Parliament's purview to approve the government's budget, though it has failed to do so since 2006. In mid May, the Council of Ministers began debating the 2015 draft budget, but, in an email exchange with Executive, director general of the Ministry of Finance Alain Bifani confirmed that the draft budget does not consider funding for the rent law.

The amended law is plagued with deficiencies. There is no accurate government data on the number of rent contracts that fall under the old law, indicating lawmakers have no idea how many total households will need funding assistance, whether full assistance or 80 percent coverage. Furthermore, this lack of data raises questions as to whether the proposed $1.5 billion funding amount is sufficient and, in the event that Parliament passes a budget, where that money might be sourced.

Committee chair Ghanem, in outlining the intention of the law's amendments, stated that, "In order to not make the error of giving preference to one side over the other (i.e. between owners and tenants), we endeavored to create a real formula called balance, which ensures for the first side — the tenant — a minimum of justice, represented by not allowing his forced displacement from his house, thus losing the roof that protects him. On the other hand, in terms of the owners, [we seek to] ensure they obtain the minimum of constitutional rights to their property after justice was frozen for 30 years in which no law fair to owners was issued, knowing that many owners were sometimes paid a rent fee per month equivalent to what the tenant paid for cable or a similar service."

While Ghanem's words and the committee's intentions may be pure, the legislative process to reform rent contracts reflects an opposite attitude to that of Lebanon's lawmakers. Over three years have passed since the bill was first introduced and, with the law back in the general assembly, it will now languish further because of the presidential void. Yet some of the components needed to implement the law — including the fund to help low income tenants pay rent — require a new budget. In addition, the proposed rent-to-own option would require unique legislation. The balance that rent law reform might strike is not likely to help those most in need in the immediate future — Lebanon's renters and owners will have to wait quite a while longer to know how they stand to be affected.


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A place all their own

Lebanon's landmark housing scheme is working, but difficult obstacles lie ahead *By Thomas Schellen*

So that every family may own a home. This, according to the chair–director general of Lebanon's Public Corporation for Housing (PCH), Rony Lahoud, is the overarching idea under which the understaffed government agency pursues its mission of examining an endless stream of loan applications from Lebanese citizens. "It is hard work, but it's amazing at the same time because when we are giving a loan to the citizen, we are telling him, 'yeah you are going to have your own apartment where you can build your family," he says.

Lahoud's career stops included work in banking and banking related IT companies outside of Lebanon before he joined PCH as ranking public servant and was confirmed as the agency's chair and director general (CDG) on May 9, 2014, as part of a wave of high level administrative appointments that constituted one of the last governmental decisions before the end of President Michel Sleiman's term.

According to Lahoud the PCH approves about 6,000 loan applications per year and has had close to 67,000 loans in its records since it started operations in September 1999. Housing loans with PCH support account for half the real estate market — numerically but not in value. "The value of these loans is about LBP 7.300 trillion [$4.842 billion], and that is cumulative; we are talking here [of] all the years since September 14, 1999, which was when the first loan was given."

> "YOU ARE GOING TO HAVE YOUR OWN APARTMENT WHERE YOU CAN BUILD YOUR FAMILY"

While Executive reporters wait for Lahoud to arrive at his office, some of these loan applications are being delivered; an employee pushes in a classic wire mesh supermarket shopping cart that is not loaded with groceries but stacked high with paper folders, each of them bulging with application documents. Signing these endless files is one of the arduous daily duties of his role, Lahoud confirms during the interview, but according to him the agency is on the brink of enhancing its processes through computerization and automation.

Making work flow with limited means and archaic methods is a common sight today around ministries and administrative units in the Lebanese public sector. Fundamentally to blame for this is always the nation's chronic lack of fiscal breath that transpires into financial and operational asthma of government departments. Plus, as far as operational cash flows, the periodic occurrence of political disagreements among government players poses a constant risk of disruptions.

Short term funding deficiencies were also what brought the PCH into the headlines last year when commercial banks became wary of outstanding payments under the agency's responsibility, reported, to the tune of $60 million. "The biggest problem was the cash that the PCH needs each month to transfer to the banks for paying interest of the loans given to the citizens where we are paying about LBP 17 billion [$11.3 million] per month," Lahoud explains.

The transfers are essential under the complex mechanism by which the PCH and commercial banks collaborate in granting housing loans whose beneficiaries enjoy credit terms that are much more affordable than in standard housing loans (see explainer page 68). For this mission of sponsoring housing finance for Lebanese citizens in the reasonably priced range of the market, the PCH is entitled to draw on certain property related government revenues, such as a portion of construction and building permit fees.

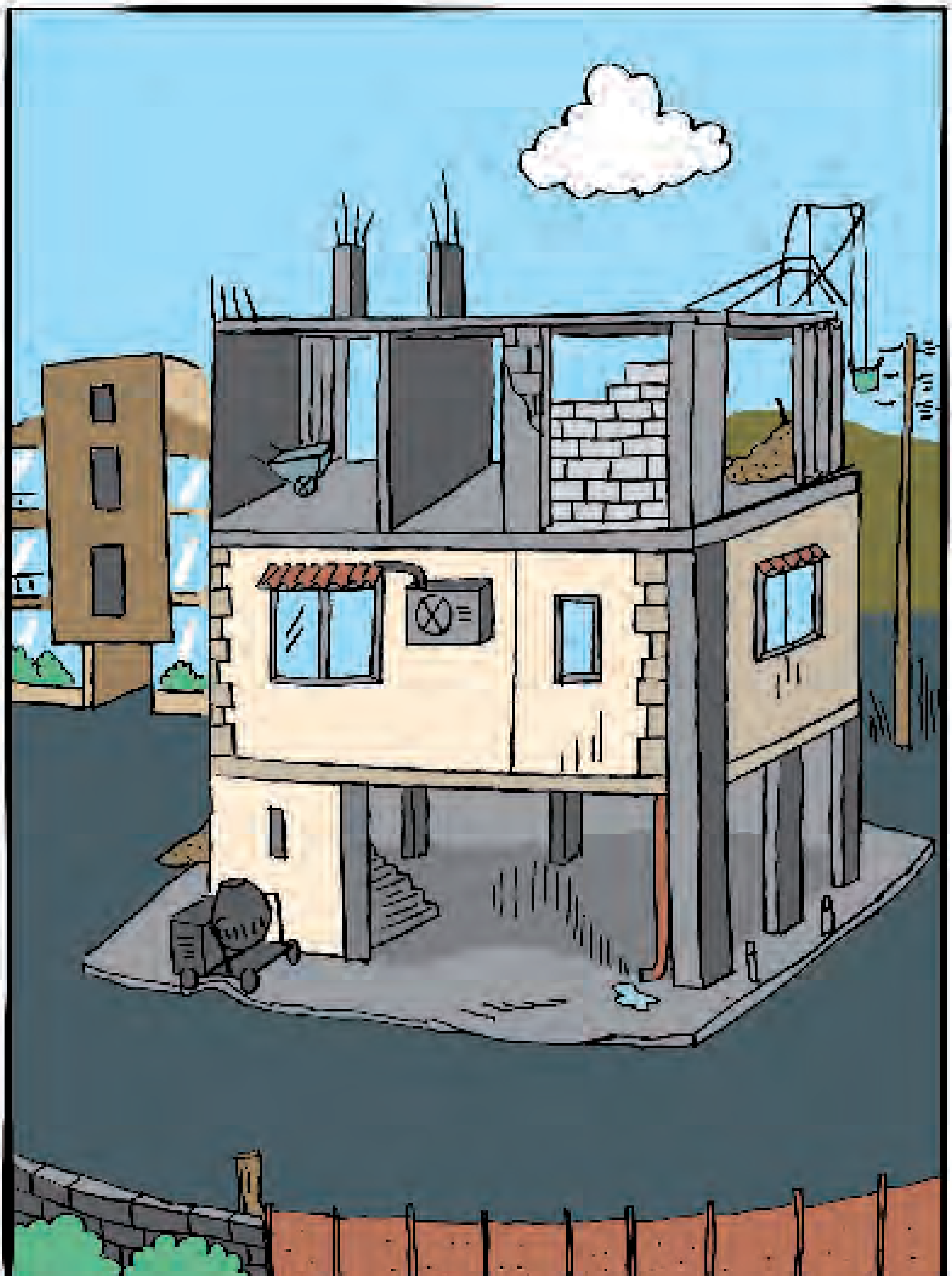
ON THE CUSP OF AUTOMATION

The money tap was turned back on through discussions with the two involved ministries, finance and social affairs, and with the prime minister and the speaker of the house, Lahoud adds. In securing these funds at the end of last year it was ascertained that the PCH could continue to approve new housing loans in 2015, but that appears to be far from the last of its challenges.

A core structural need is already lined up. The PCH needs to expand and renew its human resources, Lahoud says, because it has a current headcount of about 100 employees, many of whom are approaching mandatory retirement age. To be fully staffed for its operations in the Beirut head office and four satellite offices, and for collaborating with banks — currently 29 collaborations are in place — the agency needs "about 180 employees," he says.

In moving into the information age, Lahoud says PCH will soon bring technical measures to bear, "like implementing an internal automation system for our work, and everything will be soon computerized starting with the launch of our website in the near future."

He adds that the PCH needs to revise its organization charts and add new key positions, such as an IT manager.



Beyond being a task for management and internal organizational development, however, this challenge also seems to entail external and political components as decrees and approvals are required.

For about half of its existence to date — from 2007 until 2014 — the PCH was also operating without a CDG after its founding CDG Antoine Chamoun retired from the position. The organization thus was not able to expand its reach as much as might have been needed and despite the program's importance for young families and mid income earners, this clientele's awareness and understanding of what the PCH was offering was often lacking.

Some informal intermediaries and unlicensed property agents, which are still a major force in the Lebanese real estate market, deceived people about the PCH loans and there is a general deficiency in awareness among potential loan clients, Lahoud concedes. "This is why we are now placing great emphasis on awareness and communicating. We are going to use all kinds of communication tools — our website, emails, our Facebook page and even SMS, [as well as] do a lot of different stuff like presentations on television and radio programs just to alert everybody that we are here, and here to hear you and to help you."

THE PCH COULD CONTINUE TO APPROVE NEW HOUSING LOANS IN 2015 BUT THAT APPEARS TO BE FAR FROM THE LAST OF ITS CHALLENGES

In practical terms, the awarding of a PCH loan currently consumes on average about 10 weeks, with processes requiring loan applications to be examined by both the issuing banks and the PCH in steps that involve moving the files several times between the participating bank and the agency before the six member PCH Board signs off on a loan. According to Lahoud it is currently three banks that account for almost half of the lending activity with PCH sponsorship, namely Credit Libanais, BLOM and Byblos.

BEYOND LOANS

The task of providing Lebanese citizens with affordable homes is ever more ambitious as no one has a clear understanding of the actual structure and state of the national housing situation, as far as home ownership rates and ratios of owned to rented residences or rent price levels across municipalities are concerned.

Nonetheless, and notwithstanding large political requirements — which usually constitute obstacles — of new legislation, the PCH envisions its future role expanding into the development of individual housing supply in rural areas of Lebanon, in collaboration with municipalities. After securing its finances and developing its human and technical capabilities, this will be the third part of the PCH growth strategy, Lahoud says. "It will be about new projects where we are going to start building some apartments under a low cost frame for the [eligible] people in the village." This, he adds, will also be done with a view to relieve pressure on Beirut as a population center, by enabling people to reside in rural areas with improved housing and living conditions.

Legal requirements for such measures, however, will entail the passing of new laws such as one facilitating rent-to-own options in the national real estate environment. The PCH sees its role in the provision of homes as serving 50 percent of the total real estate market in the future — which Lahoud estimates as constituting a need for 8,000 to 9,000 new units per year. But as far as getting to the state where socioeconomically winning projects can be implemented in collaboration with municipalities, or under advanced rent and housing legislation, he is not committing to a time estimate. He says, "It is not [going to come] quickly. We need to change some specifications and features in the laws, which we have started to work on. Maybe this will take some time, but at least we started thinking."

PCH: An explainer

Public Corporation for Housing financing is no easy money *By Thomas Schellen*

The housing loans that commercial banks offer with the support of the Public Corporation for Housing (PCH), colloquially known as Iskan loans or PCH loans, are engineered according to a smart financing formula that is advantageous for borrowers but nothing short of complicated. When a first time home buyer with Lebanese nationality and residency has been approved for a PCH loan, and has deposited their 10 percent down payment for the home purchase, they can access 90 percent of the approved loan amount at the participating commercial bank that has agreed to issue the loan. This bank will wire the remaining 10 percent of the loan to the PCH, where this amount is held in an interest bearing account to the benefit of the borrower.

Under the tripartite loan agreement between borrower, bank and PCH, the borrower will then be responsible for paying down the principal of the loan to the issuing bank, and must do so during the first half of the agreed total loan period (up to 30 years). In parallel to this, the PCH assumes the responsibility for paying the monthly interest that the bank is owed on the loan amount.

As the borrower thus decreases his bank debt to zero through installments over the first half of the loan period, he incurs a new, smaller debt to the PCH which serviced the loan's interest rate component on his behalf. This debt plus 3 percent is what the borrower has to settle with the PCH in the second half of the loan period. In terms of the required monthly installments, the borrower will have to pay far less in the second half of the loan period when compared with his obligations in the first half.

The financing formula makes great sense because the interest rate component on a long term loan becomes a heavier cost burden the longer the interest applies. By receiving the PCH's support in settling the interest on the principal loan within the first half of the financing period, the borrower is provided with a much more affordable total loan cost.

As PCH director general Rony Lahoud says, the borrower's total payable amount on a borrowed principal of $180,000 shrinks from over $300,000 in a conventional 30 year loan contract to less than $250,000 in a PCH contract, at the same interest rate example of 4.67 percent. Additional financial advantages for borrowers comprise the exemption from fees that amount to about 7 percent of a unit's value, according to Lahoud, who claims that the total benefits of a PCH loan at the upper end of the available range can sweeten a move into a new home with financial cost savings to the tune of $70,000 or $80,000 when compared with a conventional bank loan.

However, the PCH loan will not meet every need and comes with a set of eligibility requirements. The loan amount ceiling has been raised twice since the PCH formula was introduced in 1999 but the current ceiling of $180,000 per loan still restricts the paid out credit to a maximum of $162,000 under the 90 percent disbursement rule. This rule reduces the repayment installments that borrowers have to make in the second half of the loan period, but the financing cap overall does not give young families room for large jumps.

The PCH loan range allows borrowers to finance home refurbishing/restoration, as well as use funds for the completion of at least half finished apartments or the expansion of an existing home. However, when it comes to the typical first time buyer ambition of acquiring a finished, brand new apartment, choices will not be vast even a good distance away from the economic fleshpots of Beirut, given the prices asked for new apartment units even in somewhat affordable areas where a couple might seek to live and commute from. Financing an apartment in Beirut via a PCH loan under the current per square meter property prices in the capital would usually be out of the question, as Lahoud concedes.

The PCH loan is not made easier by carrying borrower qualifications that include minimum age (above 21), employment duration (2 years) and maximum age (65 at conclusion of loan repayments), plus a monthly family income ceiling of 10 times the $450 monthly minimum wage on top of limitations for the size of the financed dwelling (200 square meters).

FINANCING AN APARTMENT IN BEIRUT VIA A PCH LOAN WOULD USUALLY BE OUT OF THE QUESTION

Not to forget Lebanese nationality and the required proven ability to service the loan payments from a family's income. One bank's sample Iskan loan calculator illustrates this important practical restriction by throwing out an $80,000 borrowing limit for a 20 year loan and monthly repayment dues of one third of the applicant's income when the applicant puts in a monthly family income of $2,000.

As sensical as the PCH loan's social and economic eligibility requirements are from the perspective of tailoring this home finance option for the presumed primary target group of average-income couples and young working parents, it is difficult to perceive the scheme's host of conditions and specificities as unbureaucratic. It must also be recognized that the loan criteria bar access to marginal earners who may be the most in need of dignified yet affordable housing in a functioning community.

Putting aside the conceptual restrictions, organizational challenges for the PCH and the various other barriers that young homebuyers face in the proverbially uncertain Lebanese economy, it seems all the more remarkable that the complex scheme has served almost 67,000 households in their home finance needs to date.

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Charting a path

Opening the path to affordable middle income housing

Decades of research has shown that affordable housing is a cornerstone of urban livability and wellbeing. Beyond providing shelter, housing is a platform for improving health, education, economic activity and social stability. Affordable, good quality and stable housing is often associated with less stress and better overall health. Similarly, satisfactory housing can improve school performance by providing adequate space for study and minimizing the disruptions associated with frequent family moves. Investments in housing have numerous economic benefits through expenditures on construction, labor materials and services; increased local economic competitiveness, to the extent that lower housing costs are viewed as a comparative advantage by employers and workers; and financial innovations, such as the development of capital markets, bond markets and derivatives that enable investors to transfer risk, further increasing the supply of capital. The benefits of housing extend to neighborhoods where families have access to opportunities and support services they need, thereby contributing to overall social stability. As such, housing is among the most important public policy areas, and one of the most complex and challenging because it lies at the intersection of people and money; of public purpose and private assets.

A HOUSING CRISIS

There is little doubt that Beirut lacks affordable housing. Even our notorious aversion to numbers fails to mask the scale of the housing crisis. Delayed marriages, extended family households and numerous other social patterns attest to this problem. Furthermore, long commutes, forced displacements

and increasing social homogeneity indicate that Beirut is losing what is left of a once vibrant community, a community where residents of all ages, household sizes, and sectarian and socioeconomic backgrounds found opportunities to interact, develop ties and meet changing housing needs through different life stages, without losing social and family networks. The threat is further exacerbated by the eroding basis of middle income housing in the city's central areas, as exemplified perhaps most eloquently by the numerous towers that now signal ongoing gentrification processes, as well as recent legislative moves to revoke the old rent law.

There is also little doubt that public sector interventions in the form of direct housing provision (in very rare instances) and credit facilities are insufficient. The brunt of the effort for housing provision has rested on middle and low income households who typically carry the heavy burden of financing developers through forward payments that require them to disburse installments over several years before they access the coveted apartment. Enticed by the large demand for affordable housing, developers have creatively looked for solutions to reduce costs by either building smaller apartments or introducing projects in locations outside the city proper where land prices are more affordable. Since 2006, the share of Beirut in total sales value has been gradually declining relative to other regions in the country, specifically in the Metn and Keserwan regions. Concurrently, commercial banks have been complementing the efforts of private developers by providing mortgage loans that cater to the needs of middle income groups. To boost these efforts, Banque du Liban has introduced stimulus packages over the past few years that supported the real estate sector by extending subsidized loans, capped at about $500,000, to eligible Lebanese. In addition, and since 1997, the Public Housing Corporation has provided subsidies that extend the period of housing loan repayment by refinancing housing mortgages over longer time periods for the lowest bracket of indebted households. Albeit important, these interventions have had a limited impact, particularly as they have focused on demand-side subsidies while the cost of housing supply (specifically land) has spiked. Real estate prices sharply increased during the first two decades following the end of the Civil War, widening the gap between the supply and demand of affordable housing in central locations. Between 2005 and 2010, strong demand and low interest rates led to a highly speculative real estate market in central Beirut that privileged high end housing and pushed prices up by 20 percent and 30 percent per year during the same period. These factors render the supply and cost of land a primary challenge for housing policymakers to target.

OUR MESSAGE IS SIMPLE: MIDDLE INCOME HOUSING IS NOT ONLY DESIRABLE, IT IS ATTAINABLE

PRACTICAL STEPS TOWARDS AFFORDABILITY

Our message is simple: middle income housing is not only desirable, it is attainable. To this end, however, we need to draft a national housing strategy that would consolidate political commitment and positive imagination. It takes a governance system that embraces its role as the defender of a common, shared good, that includes both developers, builders, property owners and other stakeholders to address the housing problem across the lower and middle market segments. Middle income housing offers the potential for fruitful collaborations between the public and private sectors — unlike the lowest income housing market that requires deeper subsidies and a larger role for the public and nonprofit sectors. To this end, Lebanon — and particularly Beirut — possesses a unique asset in the vibrant and competent entrepreneurial financial and building sectors. Within the framework of a national housing strategy, it is imperative to engage these actors as partners in the production of affordable housing. Such a partnership will however require a more aggressive regulatory and planning role for public agencies, along the lines of the interventions proposed below.

1. Enlarging the radius of urbanization: The expansion of the urbanization radius provides the opportunity to increase the supply of affordable land. This expansion is in fact well underway, but it occurs at the ad hoc initiative of developers, and with numerous negative effects. Today, suburban dwellers incur long and taxing commutes, suffer from poor levels of infrastructure services, inexistent amenities (e.g. playgrounds), as well as a social stigma associated with 'leaving the city' and/or living in localities where they are seen as 'outsiders.' Other impacts are shared more widely and include sprawl, environmental degradation, pollution, the destruction of agricultural lands and others.

The integration of the current sprawling suburbs under a coordinated and organized Greater Beirut Authority has the potential to produce a larger, more livable urban agglomeration that responds better to the housing needs of the city's growing population. The first task of such an authority would be to define the boundaries of the metropolitan city limits, identifying the most adequate zones of urban expansion. Within zones earmarked for urbanization, incentives (e.g. higher exploitation ratios, infrastructure developments) can be introduced to encourage development. The public authority could also encourage mixed use community developments that include a mixture of housing, office, retail and/or other amenities integrated into walkable neighborhoods, improving the quality of life and reducing the need for travel. The Greater Beirut Authority should furthermore make the introduction of public transportation and Transit Oriented Developments (TODs) one of its main priorities, improving connections and mobility, and integrating the territory into a unified network. Given that research has shown unequivocal positive correlations between the proximity of households to transit and positive health indicators, improvements in air quality and reductions to levels of greenhouse gas emissions, investment in shared infrastructure should be a main priority.

MIDDLE INCOME HOUSING OFFERS THE POTENTIAL FOR COLLABORATIONS BETWEEN THE PUBLIC AND PRIVATE SECTORS

2. Introducing incentive schemes: Governments can also directly intervene to boost the supply of middle income housing both in the current municipal districts and the larger agglomeration areas, if the latter is adopted. This could be achieved through a number of incentive programs, such as: (i) Turnkey building on underutilized government land, under which the government provides the front and back end of the development value chain — land up front, and guaranteed offtake commitments by qualified middle income buyers — and in between developers make a satisfactory profit while delivering homes at a lower cost than if they had to pay for the land; (ii) Incentives to build on private land, whereby governments offer private developers with access to land financial and non financial incentives to build middle income housing (as partial or whole projects). Although the current building law offers developers many advantages, the growing need for middle income housing is probably worth a deeper discussion between stakeholders to investigate whether the government could offer further 'reasonable' incentives to developers who commit to developing middle income housing in earmarked locations. Incentives could include easing and shortening government approval processes, relaxing planning regulations (such as parking requirements), density bonuses, low cost financing and government concessionary packages that reduce production related costs, including materials and infrastructure. As with the first option, the completed homes could be sold directly to consumers, operated as rental property (usually managed by nonprofit corporations), or purchased by the government through guaranteed bulk offtake commitments.

3. Controlling speculation: Conversely, and to reverse the current trend of speculative investments and prevent it from spreading further in the larger agglomerations, measures are needed to improve affordability in newly integrated areas but also in quarters of the existing municipal city. The success of the market in balancing the supply and demand of housing depends on catering to the demand of a city's residents. Unfortunately, when the bulk of supply targets absentee high net worth owners, property prices become totally out of sync with local income levels, further widening the gap between housing supply and local needs. Furthermore, having absentee owners negatively impacts the vibrancy and livability of neighborhoods. To this end, housing policymakers in other countries have developed, tested and adopted a handful of tools that control speculation and its negative impacts, while providing incentives to developers, ensuring a reasonable profit and that positive impacts are felt by the communities in which they are building.

CHANGING MINDSETS, CREATING INCENTIVES

One such tool is 'inclusionary zoning', which requires a shift in the mindset from one where building development is automatically considered desirable, to one where the lucrative profits typically reaped by developers are partially shared with the community. In other words — and while bearing in mind that to be viable, developments have to be profitable — it is time to also think of capturing part of the value increases to benefit local communities. In an inclusionary zoning mandate, all residential development must allocate a portion (say 10-20 percent) of housing for middle income households. Inclusionary zoning is used in many high value and expanding cities,

including several US and European ones. Such mandates, if properly enforced, represent opportunities to supplement limited public sector resources, and tap into part of the wealth created in the real estate market for social and economic purposes. Yet to succeed, inclusionary zoning must be properly calibrated so that the value lost from the below-market affordable homes is made up in development profits elsewhere in the same property. This is determined by: (i) the percentage and affordability level of the housing units required; (ii) the extent to which developers have a say in who lives in the middle income units to support healthy integration among residents; and (iii) the extent to which any costs imposed on developers are offset by public incentives as discussed above. Many cities rely on creative financial structures to improve the feasibility of these projects, such as granting affordable housing developers the ability to sell air rights to third party investors and developers (New York City) or using tax credits to leverage private capital and investor equity (most US cities). Moreover, some cities allow developers to substitute the inclusionary zoning requirement with a 'linkage payment,' or a stipulated cash amount per square meter, considered a social contribution that landowners must make on high value land approved for all types of new developments.

IT IS TIME TO ALSO THINK OF CAPTURING PART OF THE VALUE INCREASES TO BENEFIT LOCAL COMMUNITIES

Another important measure, although seemingly unpopular, is a system of property taxation on properties valued above a certain threshold. Such taxation can control real estate speculation and limit increases in real estate prices, therefore increasing the possibility of producing affordable housing. Current taxation systems are insufficient and inadequate: they fail to assess the actual value of property, neglect to distinguish between types of property (e.g. agricultural, development) and leave numerous loopholes that allow developers to evade even minimal taxes.

4. Establish a housing assistance fund: Such a fund could be established through channeling various government resources, some of which were listed above, and includes: (i) existing taxes, such as value added taxes on construction material; (ii) property taxes, long overdue for reform in Lebanon to ensure that the government does not leave money behind by failing to tax the most expensive homes at rates close to their market value; and (iii) new 'linkage payments,' considered a social contribution that landowners must make on high value land approved for new development. The housing assistance fund could support important housing programs such as a 'Rental Vouchers Program' to offer ongoing payments to rental properties' owners and hence assist low and middle income households, or 'Stabilized Housing Programs,' through which the government plays a counter-cyclical role by purchasing adequate excess supply for the benefit of middle income households. Its role could also be obvious in providing reasonable alternatives to low and middle income communities currently benefiting from the dysfunctional, yet so far irreplaceable, 'old rent control' system. In Morocco, for instance, the government imposed a 5 percent tax on the sale of cement in 1999, to fund the Housing Solidarity Fund (HSF) for urban regeneration. Recently, this tax has expanded to include steel and sand. The HSF together with the Real Estate Inclusion Fund — also financed through the cement industry — provide $250 million for urban upgrading schemes. In Lebanon, this measure was introduced modestly when deposits placed to secure work permits for foreign migrant workers were allocated to subsidize housing loans by the Housing Bank. However, the role and resources of such a fund could be widely expanded.

In the absence of adequate government support, private developers have already intervened to ease the housing burden on low and middle income families. It is time, however, for the government to support their efforts by enhancing what they have built, encourage them to build more in specific locations and inspire them to become socially responsible. In order to create an equitable and affordable city, we have to ensure that new developments result in quality, affordable housing that also provides significant public benefit. Of course, the core of socially responsible development is when developers contribute to the surrounding community and support the local economy, through providing affordable housing and/or other neighborhood amenities like parks and open spaces. Such measures have become the norm in numerous cities around the world and may be easily adapted in Lebanon, where the practice of negotiating building rights is common.

Contrary to what might seem logical, developing luxury projects for affluent buyers is not the only way to make profits in the real estate business. Building middle income housing may provide developers the opportunity to do something important that still provides a reasonable return. With proper planning and incentive structures, affordable housing projects can be viable for developers without much compromise on their bottom lines.

All the initiatives mentioned above require an able and committed government, without which very little can be done to genuinely ease the pressure of rising housing costs on middle and low income families. Ultimately it is up to government officials to champion socially responsible development, implement policies that are respectful of existing communities and ensure affordable housing to people of all incomes.

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Renting on Lebanon's black market

With rent prices sky high, Syrian tenants are paying the price

Sitting in the gloom of the single room that is now her family's home, shadows from the small candle placed between us — the room's only light — played against the wall as Asmar spoke of her flight from Syria.

Asmar, who preferred not to give her surname, is just one of the estimated one million Syrian refugees now renting accommodation in Lebanon. Two years since she arrived in Beirut's Shatila Palestinian refugee camp, a small bundle of clothes all that she brought from the rubble of her home, Asmar still lives in the room she first rented. With a lack of affordable rental properties, rental prices and eviction rates have soared, while unregistered tenancies, deliberately left without formal contracts to avoid taxation and legal regulation, appear to be the new norm. Since 2011, the influx of Syrians has brought new challenges to Lebanon's rental market.

In an unlit, unheated room, sharing a bathroom and a rubbish strewn courtyard with four other families, for Asmar, the difficulties of this new market are all too clear. Her husband has been missing in Syria for over a year after returning for his father's funeral. Without his $300 income to pay the $250 rent, were it not for the United Nations High Commissioner for Refugees (UNHCR) considering her a vulnerable case, she and her two young daughters would be alone on the streets of Beirut: a victim of forced eviction.

It is the tragedy of her situation, rather than the abuse of a landlord, that threatened to force Asmar from her home. However, as a tenant in Lebanon's rental black market, she is trapped in a regulatory vacuum that poses worrying consequences not just for Syria's vulnerable citizens but also for Lebanon.

OUT ON THE STREET

When Asmar first arrived in Shatila, her husband never thought to ask for a written lease agreement. With no papers and no proof of her right to live there, when her landlord threatened to force her onto the street, there was little she could do. It is a situation worryingly common among Syrians in Lebanon. A December 2014 report on evictions by the Norwegian Refugee Council (NRC) and Save the Children found that in three of the four areas assessed in Beirut and Mount Lebanon, less than 10 percent of households possessed a written lease. Where families had been evicted — and 6.6 percent have been since arriving in Lebanon — 98 percent did not have a formal rental agreement.

If not for the UNHCR, Asmar and her two young daughters would be alone on Beirut's streets

Without any formal legal agreement, refugees are easy victims of abuse. “Syrians feel vulnerable enough to accept these [informal agreements] or they feel that they don’t know how they’re going to stay so they take on these [leases],” said Nadim Houry, regional director of Human Rights Watch (HRW). “For them, there’s almost no tenancy security.”

PAPER TRIALS

But provision of rights is by no means guaranteed through written contracts. A 2014 UNHCR study found that most evictions of Syrian refugees are due to the inability of the tenant to pay the agreed rent. While a legitimate justification for action against the tenant, evictions frequently occur outside legal frameworks and in violation of Lebanese law, which requires a court order for forced expulsions.

When Asmar’s landlord started threatening to force her and her daughters out onto the street, she didn’t know what to do. Without her husband, who had registered them as refugees and received the standard UNHCR information about their legal rights, she was helpless, with no idea she was even entitled to any rights.

While going to court may not bolster Syrian tenants’ legal standing, such procedures could provide an opportunity for government intervention. Conceding that “the government has no intention to negotiate in the rental process,” Ahmad Kassem, senior shelter expert at the Ministry of Social Affairs (MoSA), admits that interventions can take place. “When it comes to evictions over rent non payment, aside from NGO advocacy, we are able to lobby the Ministry of Interior, not to pressure, but to encourage municipalities to disregard evictions.”

But even such actions depend totally on there being formal recognition of rental agreements. The positive result is negligible. “The state is just absent from the [housing] sphere completely,” said HRW’s Houry, “it’s leaving it to market forces and not just even that, but power relations. And in such power relations, Syrians are often the weakest.”

Vulnerable as they are, Syrians are rarely seen as blameless parties in cases of rent abuse. Talking exclusively to Executive, Nabil de Freige, minister for administrative reform, condemned renters who avoided registration. “For Syrians renting, it’s [to] their advantage to pay everything and to register the contract,” he said. “If no taxes are paid [on the income the landlord receives as rent], [the tenants] don’t have any rights. They can go to prison.”

However, de Freige made it clear that all fault cannot be placed on the tenant. “How can I expect to rent you my apartment without a contract? It’s against the law and against my interests.”

“If the tenant has any small problem with the landlord and they go to the authorities, if the contract is not signed or legalized, they will not pay attention to him,” he added. “It’s the fault of both but it’s much more the fault of the property owner.”

Syrian tenants often have no formal leasing agreement with their landlords


Whole families often rent single rooms in shared houses

A TAXING AFFAIR

For Houry, the reason behind unregistered, contractless renting is simple: "Landlords don't want to pay taxes." Renting to desperate Syrians may be a lucrative business, but it is also one that enjoys unparalleled privacy from the prying eyes of the state's taxman.

Lebanese law stipulates that all tenancy agreements must be registered with the local municipality, thereby rendering the income taxable. In practice, however, according to Adib Tohme, professor of Law at Sagesse University, unregistered tenants are "invisible" to the authorities. While written agreements can be used as proof of occupancy, oral lease contracts are not unenforceable. "It is within the discretion of the court to decide whether there is a contract or not," Tohme said, "Oral contracts can be proved by all means of proof — the proof rests on the claimant."

Exact calculations of tax loss are almost impossible to find in a market in the regulatory shadows, however in the house Asmar occupies, eight other Syrian families pay $250 rent per month, with additional charges for electricity. Registering a tenant requires a written lease, something that Asmar's husband was never offered, so her Lebanese landlord enjoys a monthly income of over $2,000, tax free — just from one property in a Beirut slum. In the two years she has lived there, Asmar hasn't seen one government official inquire about who is living there; 'don't ask, don't tell' seems to suit the taxman just fine.

> "A LANDLORD SEES A DESPERATE SYRIAN FAMILY AND THEY'RE GOING TO TRY AND MAKE A QUICK BUCK"

The question of whether unregistered tenancies are policed is "one to be asked to the municipalities," said MoSA's Kassem. "Some do, some don't. There is an interest to get the tax benefit from any lease agreement, but it totally depends on the willingness of the municipality to go through the process [of policing] — on the national level there's no work on this."

QUICK FIXES

This rental black market has not gone unnoticed and efforts are underway to bring greater security to Syrian renters in Lebanon. An interagency scheme led by UNHCR to encourage formal rental agreements has assisted around 15,000 displaced Syrian families through house rehabilitation since 2012. The project involves offering non structural home improvements to Lebanese landlords in exchange for 12 months occupancy free of charge or rent reduction. A formal rental agreement is a prerequisite condition for landlords to be able to access the improvements, even if it doesn't force landlords to register tenants.

"Due to the limited availability of housing that most Syrians can afford, most refugees live in sub-standard accommodation," Kassem said. "While providing obvious benefits to refugee tenants, this scheme reduces economic vulnerability and increases security for the beneficiary household. It's good for both."

THE HOME ADVANTAGE

If the refugee experience is one marked by insecurity, then renting property to Syrians provides remarkable security to the Lebanese landlord. Even with this year's visa restrictions for Syrians, there remains a steady — albeit significantly reduced — flow of refugees pouring across Lebanon's borders. With a severely limited supply of affordable housing, the market is weighted heavily in favor of Lebanese landlords.

"Syrians are made to pay a premium to reside in the same place," HRW's Houry told Executive. "There's real pressure on the housing market. A landlord sees a desperate Syrian family and they're going to try and make a quick buck."

Unaware of housing options available in the local market and with limited funds, many Syrians like Asmar are forced into what little is affordable: rooms in shared houses. For landlords this provides far greater returns, even at the cost of rising rents for Lebanese locals.

Providing far greater returns, landlords are turning to Syrians, not local renters to make their money, pricing Lebanese looking for full apartments out of the market — a situation that both MoSA and UN partners told Executive they see as concerning. But with UNHCR estimating that rent from Syrians contributes $34 million monthly to the local economy, from a Lebanese perspective there is more than enough incentive to keep rents high.

Ultimately, the willingness to allow tenancies to go unregistered is the foremost obstacle to enacting regulation of the rental market. "When it comes to the benefits of the Lebanese hosts, municipalities do not stand against rental abuses — simply because there is a benefit to the people," MoSA's Kassem said. "Municipalities think elections — there is always a political dimension to the decision made."

SGBL announced its $10 million participation in the investment fund "Leap Investments I," which was established in accordance with the terms of the intermediate circular 331 of the **central bank** and reached $71 million at the first "closing."

The **Building Alliance for Local Advancement, Development and Investment** program, funded by the **United States Agency for International Development** and implemented by **René Moawad Foundation** laid the foundation stone for a fruit cold storage facility in Ehmej, Jbeil.

Persil and **Tamanna** have joined forces yet again to positively transform the lives of children with life threatening illnesses.

May 19, 2015, marked the date of the official launch of the all new **The Luxury Network** VIP Loyalty Discount Card at the newly opened luxury restaurant Nobu at the **Four Seasons Hotel** Doha, Qatar.

Research commissioned by **Etihad Airways** has quantified a range of government and court sanctioned benefits and concessions received by the three biggest US carriers, **Delta Airlines, United Airlines and American Airlines Group**, and other airlines with which they have merged.

The Roof at **Four Seasons Hotel**, Beirut reopened its doors for another season — marking a perfect start to summer.

To kick off the summer season, **BHV** department store brought together style experts and fashionistas for a special in-store fashion workshop to introduce a wide and varied range of trends supported by the long standing know how of its exclusive international brands.

The all new **BMW X5M** and **BMW X6M** have arrived in Lebanon. Combining hallmark high performance engineering with everyday practicality, these models are set to further strengthen BMW's X models, which currently account for around 50 percent of BMW sales in the Middle East.

On April 25, **Zenith** was at the finish line in **Biarritz**, chronograph in hand, in order to officially list the times of the competitors and definitively confirm the victory of the Jean-Pierre Lajournade/Christophe Bouchet crew at the wheel of their **Jaguar** Type E 3.8L.

The new Luminor Marina 8 Days presents again in a contemporary key — but with great fidelity to the original examples of the period – many of the innovations which have made the **Panerai** history.

To encourage families in Lebanon to explore Europe and plan an affordable summer holiday, **British Airways** offered special fares from 18 May to 24 May with travel before 30 November 2015.

Flydubai published new research focusing on the latest travel trends, behaviors and preferences based on the analysis of over 4,000 independent opinions that are compiled every week from its passengers.

Samsung Electronics Co., Ltd. announced two new additions to its Level series of smart Bluetooth™ audio products, Samsung Level On Wireless and Samsung Level Link.

In May 2015, **Gefinor Rotana** Beirut appointed Francis Moubarak as new Front Office Manager.

Gap's Styld.by program is launching in Lebanon. The program revolves around partnering with local fashion and lifestyle influencers around the globe to reinvent the online catalog experience by showcasing individuals' unique style through photos and videos.

Samsung Electronics Co. Ltd., announced that Galaxy S6 and Galaxy S6 Edge received eco-friendly certificates from four major markets, the US, the UK, Russia and Brazil.

Dubai-based **flydubai** was named 'Best Regional Airline serving the Middle East' at the 2015 Business Traveler Middle East Awards held in Dubai in May.

H.E. Riad Salameh Governor of **Banque du Liban** will open the inaugural **Euromoney Lebanon Conference** on June 9 at the Four Seasons Hotel, Beirut.

In line with the promising expectations for a better year in Lebanon, and since the country is progressing in terms of tourism and security, Beirut based **Rotana** hotels introduce new packages and offers to their customers.

Bassma, an NGO dedicated to empowering underprivileged families, launched its first ever World Family Day campaign, with the support of **Nancy Ajram,** from May 15 to May 31, with a conference followed by a brunch at the Raouche Arjaan by **Rotana** Hotel.

Beirut Design Week will launch June 1, 2015 at **Beirut Souks** under the theme "Social Beings," based on the principles of BDW that seek to nurture the relations between the people that make up the creative industry of Lebanon through the sharing of skills and expertise.

On the occasion of "the International Girls in ICT Day," an **International Telecommunications Union** initiative, **Alfa**, managed by **Orascom Telecom,** for the third year organized a tour in the company offices for female students from several Lebanese schools.

On Saturday, May 16, **Bellevue University Medical Center**, in collaboration with MSD Levant, hosted the "Diabetes Complications in 2015: Updates" conference.

The collaboration between **Brioni** and world renowned photographer James Welling brings to life conceptual and avant garde flower compositions that transposed onto the Spring-Summer 2015 collection.

Under the Patronage of his Excellency Akram Chehayeb, Minister of Agriculture, represented by Anwar Daou, **Château Ksara**, Lebanon's oldest winery, and **Wine & Spirit Education Trust** announced on May 10 that the internationally recognized WSET qualifications would be available in Lebanon.

Rotana shined again at **Horeca** 2015 exhibition as the lights were shed on the cooks of Rotana Group, who excelled in their participation in various cooking competitions, demonstrating the highest standards of creativity and professionalism.

Truecaller announced its completely redesigned app for Windows Phone 8, which supports the company's global mission to transform the phonebook with a new set of useful features improving the communications experience.

Taking the preppy court classic in a bold new direction, the Stan Smith **adidas** model goes wild for the summer with the Wrapped Animal Pack.

Rolls-Royce Motor Cars announced the name of its forthcoming new car, an exciting and sensuous drophead, which will be known as Rolls-Royce Dawn.

It is **Officine Panerai**, the high end Italian sports watch brand, that displayed the time for visitors at **EXPO 2015**, the Universal Exposition being held in Milan from May 1 to October 31, 2015.

Nissan will donate 10 million yen to the **World Food Program**, which is aiding rescue efforts by providing food for the people in the affected areas of Nepal.

Bassoul Heneine s.a.l. has introduced **BMW Mobi**, an optimized BMW website for mobile devices and desktops, to cater for the growing number of people using technology to access information.

Creditbank s.a.l. in March and April handed out 108 prepaid gift cards worth thousands of dollars to the lucky winners of the domiciliation draw that took place on January 20, 2015.

Ulysse Nardin marches forward in watchmaking innovation with the "Hannibal" Minute Repeater Westminster carillon tourbillon jaquemarts.

The **CMA CGM Group** is pleased to announce that the CMA CGM KERGUELEN, the group's largest vessel, was christened in Le Havre, France in the presence of Jacques R. Saadé, Chairman and Chief Executive Officer of CMA CGM Group, Catherine Hayot, the vessel's godmother, and many institutional and political representatives, partners and clients.

Marking the international Heart Failure awareness week, **Novartis Pharma Services** organized a comprehensive media workshop designed to establish a common ground for understanding this life-threatening disease.

The quest for Lebanon's best mixologist continues as Burst 2 of **Diageo's** World Class Competition took place on April 28 at Indie Lounge.

Nissan's recently facelifted subcompact crossover, the Nissan Juke, is recording staggeringly buoyant sales throughout the GCC countries.

On the occasion of Europe Day, the delegation of the **European Union**, in collaboration with the EU member states, organized the "EU-Lebanon Cooperation Days" at Biel, on May 8–9, under the theme "Working Together, Moving Forward."

In a ceremony held on the margin of the 2015 edition of the **Union of Arab Banks**' Annual Arab Banking Conference, "Financing for Development," which was held on April 27–28, 2015 at Cairo's Conrad Hotel, **Bank Audi** received two awards.

Bassoul Heneine sal have recently introduced into the Lebanese car market the latest model of the **Renault** Duster; a reliable and robust vehicle with a firmly established reputation.

Mario Moretti Polegato, founder and president of Geox, visited Lebanon on the occasion of the latest expansion and opening of the fifth store, taking the opportunity to emphasize an ongoing and continuing partnership between **Geox** and **Hamra Shopping & Trading Co**.

INDEVCO hosted the Brazilian ambassador to Lebanon, Jorge Geraldo Kadri, for a tour inside its Zouk Industrial Complex.

Diageo Global Travel & Middle East, GTME, announced key changes in its structure enabling the global leader to evolve into a much more customer centric organization and ensure a faster response to its growing regional markets' needs.

Infiniti delivered 2,286 vehicles across the Middle East markets as it closed out the first quarter of 2015. Registering a growth of 23.9 percent, Infiniti's sales saw the brand maintain its position as the fastest growing premium automotive brand in the region.

The appearance of the Radiomir 1940 is of exemplary simplicity, yet every detail reveals the complexity of the design, robustness, ease of reading and visibility in the dark which have distinguished **Panerai** watches since their first appearance.

Banque Libano-Française revealed that "Lucky to Be Young," launched incognito in 2014, was its youth platform created to communicate with the upcoming generation.

Continuing the company's long tradition of engineering innovation, Swiss luxury watch manufacturer **IWC Schaffhausen** is announcing the launch of a new device: IWC Connect.

The **University of the Holy Spirit Kaslik** commemorated the 40th onset of the Lebanese war with an exhibition entitled FARGO by artist Tarek Chemaly, who is also a member of its academic body.

The **Topshop** design team reworked a number of **adidas Originals** classics including the Superstar jacket and shoes, the oversize logo tee, side stripe pants and shorts, to reflect the distinctive Topshop design aesthetic.

Bassoul-Heneine sal, the official **BMW Group** importer in Lebanon, has announced that the new BMW 4 Series Coupé and Convertible have arrived, adding to an already strong and innovative portfolio of BMW vehicles in showrooms across Lebanon.

Opera Gallery announces its debut in Lebanon with the grand opening of its gallery in a prestigious quarter in downtown Beirut, on June 4, 2015.

CONFERENCES

DATE	NAME	ORGANIZERS	CONTACT / E-MAIL	WEBSITE
LEBANON				
9 Jun	The Euromoney Lebanon Conference	Euromoney Conferences	+44 20779 8452; freddy.cobbold@euromoneyplc.com	www.euromoneyconferences.com
11-12 Jun	The Fifth Risk Management Annual Forum	Union of Arab Banks	+961 1 377 800; uab@uabonline.org	www.uabonline.org
9-11 Sep	International Beirut Energy Forum	MCE Group	+961 9 900 110; bef@beirutenergyforum.com	www.beirutenergyforum.com
DUBAI				
1-4 Jun	Fifth GCC Government and Business Future and Young Leaders Conference	Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
2-3 Jun	Middle East Event Show	Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
7-11 Jun	Sixth GCC New Economic Strategies Conference	Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
15-16 Jun	The Third Media Economic Forum on: The Role of Media in Promoting the Economic Boom in the Arab World	Union of Arab Banks	+961 1 377 800; uab@uabonline.org	www.uabonline.org
2-6 Aug	GCC Real Estate and Housing Development Conference	Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
4 Aug	Twelfth GCC Financial Markets and Listed Companies Conference	Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
5 Aug	GCC Construction Conference	Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
10-13 Aug	GCC Construction Conference	Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
1-2 Sep	Smart Cities	Meed Events	+971 4 818 0200; events@meed.com	www.meed.com
7 Sep	Global Real Estate Summit	Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
15-16 Sep	Middle East & Africa Syndicated Loans Conference	Euromoney Conferences	+44 20779 8452; freddy.cobbold@euromoneyplc.com	www.euromoneyconferences.com
29-30 Sep	Fifth GCC Municipalities and Smart Cities Conference	Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
ABU DHABI				
9-10 Jun	Arabian Banking Technology Exhibition & Conference 2015	Bahrain Exhibitions	+973 1755 8800; sfa@pinnacleimg.com	www.abteclive.com
KSA				
2-3 Jun	Kingdom Asset Development	Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleminggulf.com
11-12 Sep	Product Development in Financial Services	Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleminggulf.com
EGYPT				
2 Jun	Invest in Egypt 2015	Meed Events	+971 4818 0200; events@meed.com	www.meed.com
14-16 Sep	Egypt Real Estate Summit	Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
JORDAN				
26-27 Aug	The Small and Medium Enterprises Forum	Union of Arab Banks	+961 1 377 800; uab@uabonline.org	www.uabonline.org

MEN'S WORLD Exhibition Opens its Doors with Sweeping Success

A world dedicated to men's interests opened its doors at La Marina Joseph Khoury, Dbayeh with an impressive turnout. Organized by FEW s.a.r.l., **MEN's WORLD**, a one-of-a-kind exhibition, was held under the patronage of the Minister of Tourism, HE Michel Pharaon in partnership with Waterfront City, SGBL Bank and Libano-Suisse insurance. More than 100 exhibitors displayed their products and services devoted solely to the modern man in a mesmerizing setting and a laid-back atmosphere. The Minister cut the opening ribbon in the presence of prominent local and international figures, including diplomats, high-ranking officials, and businessmen, in addition to media outlets and representatives of the exhibition's partners and sponsors, namely British Airways, La Mie Doree, Professionals, MTV, NRJ, Nostalgie, Annahar, Virgin Megastore and Grand Cinemas.

Spread over 3,500 square meters, this first edition of **MEN'S WORLD** exhibition showcased more than 300 brands. It is the venue where men of all ages and interests can find cars, bikes, boats, clothes, sports apparel, jewelry, fashion accessories, beach wear, footwear, design furniture, home accessories and so much more. A VIP lounge has also been set up where exhibitors received their guests in a very sophisticated ambience. Live bands, daily shows and private receptions were also on the agenda of this 4-day exhibition.

FEW is a trendsetter in the event planning and management scene with Lina El Haj, Joelle Ghannam and Brigitte Khoury at the helm. **MEN'S WORLD** is their vision of a unique exhibition that caters to the needs of the modern man. "We have put together an exciting agenda for the exhibition as we are keen to provide visitors with a wide array of products related to the luxurious lifestyle while offering at the same time an entertaining atmosphere to cater for all ages," said FEW representatives.

For his part, Mr.Samer Bissat, Senior Development Director at Majid Al Futtaim Properties - Communities, said, '' We were very much looking forward in hosting **Men's World** exhibition at our premises here at Waterfront City Dbayeh ...
He added "As the development comes to life, we are committed to deliver this living environment and creating great moments for everyone every day. Waterfront City will offer residents and visitors an unparalleled experience, by combining an ideal business park for professionals, and a variety of residences to choose from, as well as numerous leisure and entertainment outlets."

MEN'S WORLD exhibition was held from May 21 to May 24, 2015 from 4:00 p.m. to 10:00 p.m. at La Marina Joseph Khoury, Dbayeh

FEW sarl (Fairs & Exhibitions World)
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E-mail: info@fewlb.com

EXHIBITIONS

DATE	NAME	ORGANIZERS	CONTACT / E-MAIL	WEBSITE
LEBANON				
1-7 Jun	Beirut Design Week	MENA Research Design Center	+961 1249 082; participant@beirutdesignweek.org	www.beirutdesignweek.org
2-5 Jun	Project Lebanon	IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
8-10 Sep	Middle East Security Show	Strategic and Security Services	+961 1 974 530; contact@smesbeirut.com	www.smesbeirut.com
28-29 Sep	PilingTech Lebanon	IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
28-30 Sep	Beirut International Property Fair	Promoteam	+961 1 339 050; sm@promoteam-ltd.com	www.promoteam-ltd.com
DUBAI				
2-3 Jun	Middle East Event Show	Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
2-4 Jun	Automecanica Dubai	EPOC Messe Frankfurt	+971 4 389 4500; info@epocmessefrankfurt.com	www.epocmessefrankfurt.com
2-4 Jun	Hardware + Tools Middle East	EPOC Messe Frankfurt	+971 4 389 4500; info@epocmessefrankfurt.com	www.epocmessefrankfurt.com
7 Sep	Cityscape Global	Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
14-15 Sep	Telecoms World Middle East	Terrapinn Middle East	+971 14440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
14-16 Sep	Materials Handling Middle East	EPOC Messe Frankfurt	+971 4 389 4500; info@epocmessefrankfurt.com	www.epocmessefrankfurt.com
14-16 Sep	Paper Arabia 2015	Al Fajer Information & Services	+971 4 340 6888; alfajer@emirates.net.ae	www.alfajer.net
15-16 Sep	The Training and Development Show Middle East 2015	Terrapinn Middle East	+971 14440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
15-16 Sep	The Digital Education Show Middle East	Terrapinn Middle East	+971 14440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
28-29 Sep	Smart Parking UAE	IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
KSA				
16-18 Sep	Plastics and Petrochem Arabia	BME Global	+44 207 511 9582; info@bme-global.com	www.bme-global.com
EGYPT				
16-19 Sep	Cityscape Egypt	Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
QATAR				
7-8 Sep	Future Interior Qatar	IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
BAHRAIN				
15-17 Sep	Middle East Process and Engineering Conference and Exhibition	Middle East Energy Events	+973 17558800; alexis@mee-events.com	www.mepec.org
KUWAIT				
14-16 Sep	The Big 5 Kuwait International Fair	DMG Events	+971 4 4380355; dmgdubai@dmgeventsme.com	www.dmgeventsme.com
OMAN				
7-9 Sep	Food and Hospitality Show	Oman Expo	+968 246 60124; info@omanexpo.com	www.omanexpo.com

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> Oil & gas

Exploration on hold

Attention turns to developing Cyprus' Aphrodite gas field

A setting sun symbolizes Cyprus' poor luck exploring for oil and gas resources

The third well drilled in Cyprus' Exclusive Economic Zone (EEZ) failed to reveal commercially exploitable natural gas reserves. Italian multinational Eni's Saipem 1000 drillship drilled to a depth of 5,485 meters in Amathusa, in Block 9, without yielding positive results.

This is the second failed attempt by the Eni-KOGAS consortium in Cyprus' EEZ. The consortium is hoping to get similar treatment to that given to Total, and submitted a request to extend its exploration license. As it stands today, the license expires in February 2016, with the consortium negotiating with Nicosia for a two year extension. Eni reportedly plans to use this period to form a more precise picture of the previously unexplored area and reevaluate the geological model and data collected in both drills.

With Total and Eni's failure to locate commercially exploitable quantities of natural gas, all five blocks awarded in the second licensing round to big fanfare in 2013 yielded disappointing results. Of course, this does not rule out positive results in the future with the possible extension of the exploration program — granted for Total, and hoped for by Eni.

EXPLORATORY DRILLING ON HOLD

If Eni's failure in Onasagoras and Amathusa, both in Block 9, is in itself a setback for Cyprus (although not entirely unexpected given the success rate for drilling at such depths),

AFTER TWO UNSUCCESSFUL WELLS AND OVER $300 MILLION SPENT, THE PROGRAM IS SHROUDED IN DOUBT

it does not mark the end of bad news for Nicosia. The Eni-KOGAS consortium, which holds exploration rights in Blocks 2, 3 and 9, is legally bound to drill at least four wells in its current exploration program. But, after two unsuccessful wells and over $300 million spent, the program is shrouded in doubt. No exploratory drilling is expected this year in Cyprus (the Saipem 1000 drillship is scheduled to undergo maintenance lasting around five months) and could possibly be delayed for much longer. Indeed, with current oil prices, the Italian company has suffered significant losses in the last quarter of 2014, leading to cutbacks and the decision to sell up to €8 billion ($8.9 billion) of assets. Its priorities seem to lie a bit further south, after pledging to invest $5 billion in Egypt. Similarly, Noble has suspended further drilling plans in Block 12 due to the slashing of its exploration budget.

RESUMPTION OF NEGOTIATIONS

The disruption of offshore exploration, which is not expected to resume before 2016 or even 2017, in addition to the expiration of Turkey's NAVTEX (navigational telex warning) and the withdrawal of its seismic research vessel Barbaros Hayreddin Paşa from Cyprus' EEZ, opened a window of opportunity to resume negotiations between Greek and Turkish Cypriots. The election of President Mustafa Akıncı — seen as a moderate — in Northern Cyprus on April 26, brought hope, for the first time in years, that the Cyprus problem (or Cyprob as it is sometimes called) can actually be settled.

Contacts resumed on May 15. Greek Cypriots would have headed to the negotiation table with a stronger hand had they made a new discovery, which would have made them much more at ease in monetizing their gas resources. Instead, developing the ± 4 tcf Aphrodite gas field is in itself a challenge in the current context. This seems to have brought the Turkish option back to the table as one of the means to monetize Cypriot gas, even faster than negotiators.

DEVELOPMENT OF APHRODITE

With the break in exploratory drilling, Aphrodite remains the only Cypriot gas discovery to date and will remain so in the short to medium term. Noble Energy is expected to submit its development plan in the next few weeks but has never committed to an exact date, inevitably casting doubt on its plans.

The plan is likely to involve a floating production, storage and offloading (FPSO) unit producing 800 mmcf of gas per day, and subsea pipelines to possible destinations, which in addition to Cyprus may include Egypt. Already, there are difficulties. It appears Noble Energy and Delek, the owners of Aphrodite, are hesitant when it comes to contributing to infrastructure work beyond the development of the field, which would ultimately leave it to the buyers and interested parties to transport the gas to its final destination.

Noble is also obligated to find export markets to proceed with the development of Aphrodite, since the local market is so small (requiring less than 35 billion cubic feet of gas per year) that it does not, on its own, justify development costs. Egypt, with its idle LNG plants and vast local market, emerges as the most logical option. The Egyptian Natural Gas Holding Company (EGAS) is negotiating to import approximately 700 million cubic feet of gas per day from Aphrodite. Gas will be transported via a pipeline that would be completed "within two and a half to three years," according to a statement by EGAS chairman Khaled Abdel Badie to Daily News Egypt.

WITH THE BREAK IN EXPLORATORY DRILLING, APHRODITE REMAINS THE ONLY CYPRIOT GAS DISCOVERY TO DATE

But Egypt is setting 2018 as a target year to become self sufficient in gas, and plans to stop imports by 2020. In addition, the Egyptian LNG option also comes with its own sets of challenges, although they can be managed in a way so as to alleviate their impact and make the Egypt option more viable. First, the combined capacity of the two LNG plants in Egypt is 12.2 mtpa and the operators are in discussions with other potential providers, including the Leviathan and Tamar partnerships, BP and BG (for supplies from Egyptian gas fields). This means not all of these suppliers can be accommodated. It is not exclusively a matter of 'first come, first served', as other elements such as geopolitics and prices are also taken into account, but timing is very important. Second, there is a risk Cypriot LNG might not be competitive in European markets where LNG is now delivered at around $7 per mmBtu (or even Asian markets, with similar prices). Taking into consideration the price of gas at the well, and adding the costs of transport to Egypt, liquefaction, transportation to Europe, regasification and profits, the end-user price could end up at $12 per mmBtu. Granted, LNG prices regularly fluctuate and cannot be predicted years in advance, but the LNG glut whose impact we are beginning to feel is expected to continue with additional supplies hitting the markets in the next few years, and an expected return to grace for nuclear energy in Asia. Barring a major catastrophe, these developments may indicate that prices are unlikely to return to their all time high in the foreseeable future.

There might still be another option, namely marine transport of compressed natural gas, allowing exports to Europe, although it doesn't seem to generate much enthusiasm given it is still untested (the first ever carrier currently being designed for Indonesia's PLN is expected to become operational in May 2016).

Changing market conditions, inflated expectations, a subjective assessment of geopolitics and political risks, unreasonable bets and so on might explain why Cyprus had to abandon grandiose ambitions and make the most out of what it already discovered — in itself significant — all while, rightfully, bracing for more. Unfortunately, these are symptoms we are all too familiar with in Lebanon.

MONA SUKKARIEH is the cofounder of Middle East Strategic Perspectives, a Beirut based political risk consultancy.


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