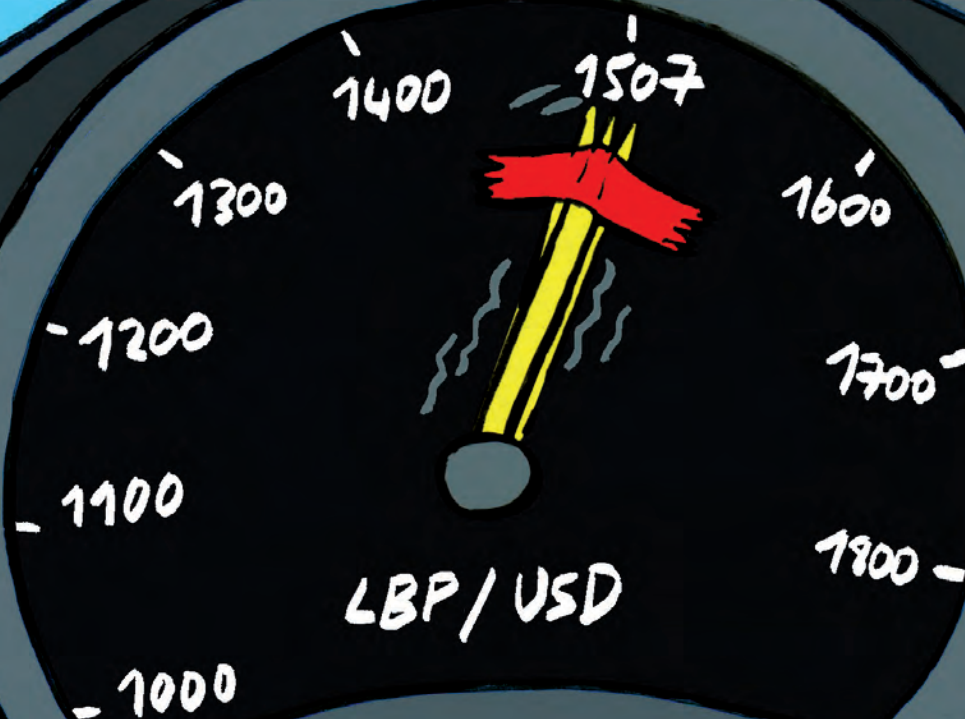


# Executive

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N° 192  
July 2015



## CRUISE CONTROL

The growing risks  
of Lebanon's dollar peg





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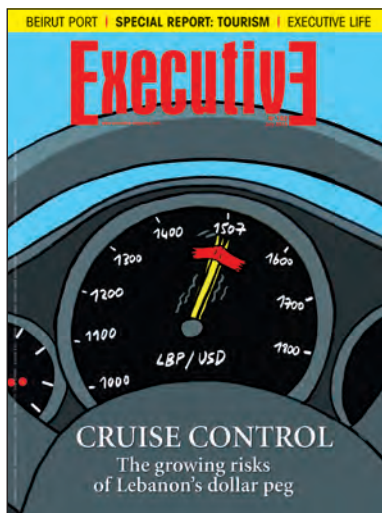
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## SCHIZOPHRENIC POLICYMAKING



When the economy slows, unemployment rises and consumption slumps, smart policymakers blow the dust off their Keynesian economics books and try to figure out which amount of government expenditure coupled with tax cuts would make optimal capital available to stimulate a prosperous cycle. Meanwhile central bankers decrease interest rates to make sure that this same capital does not end up in savings accounts. It worked in the US, Europe is getting inspired but of course our policymakers still find economics a bewildering topic.

While our successive governments have, for the most part, failed to do their jobs, to his credit, central bank Governor Riad Salameh has stepped up to the plate. The Lebanese central bank has actually done things in the past three years to incentivize economic growth. What is out of the ordinary is that Salameh's stimulus packages that have helped the economy inch forward are Keynesian at heart.

Simply put, Salameh was ingeniously able to think beyond monetary policy into the fiscal policy sphere, thus triggering expenditure using central bank initiatives despite our dollar peg and current global interest rate environment both tying his hands. But we will need much more to continue weathering a storm that does not seem likely to blow over anytime soon. We need a courageous government to decrease taxes so that people and corporates have more capital to spend or invest.

At a time when companies are suffering and tourists are not coming in the numbers we saw five years ago, the government must allow companies to return to profitability. Companies must invest what they are earning to grow and employ while we all need to make sure that our politicians keep their hands out of our pockets, gambling with our sweat on their political agendas.

Yasser Akkaoui  
Editor-in-chief



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## QUOTE OF THE MONTH

“EVERY DOMESTIC WORKER NOW HAS A PLACE TO REFER TO, WHICH IS THE LABOR MINISTRY, TO FILE A COMPLAINT IF SUBJECTED TO ANY HARM OR VIOLATION OF [THEIR] DIGNITY”

SEJAAN AZZI, *Lebanese Labor Minister*

> Five policemen were arrested and charged by military prosecutor Saqr Saqr over their involvement in the torture of inmates in the **Roumieh prison**. A video was leaked online showing ISF officers beating and abusing handcuffed kneeling inmates during the quelling of riots in the prison in April 2015. Security forces were able to stop riots that erupted at the prison two days after the videos were made public. Prime Minister Tammam Salam and Interior Minister Nouhad Machnouk promised to hold the guards involved in the acts accountable.

> Fighting took place in the Taytaba neighborhood of the **Ain El Helweh** Palestinian camp between gunmen from Fatah and Jund al-Sham, an Al-Qaeda linked group. The clashes killed two people and wounded 11. Both sides accused the other party of provoking the fight.

> According to recent documents published by **WikiLeaks**, Lebanese Forces leader **Samir Geagea** had asked for

Saudi financial assistance to keep his party from going bankrupt in 2012. In a released letter written by the Saudi ambassador to Lebanon Ali Awad Asiri to the former minister of foreign affairs Prince Saud al-Faisal, the ambassador argued that the kingdom should support Geagea, as “he expressed readiness to do what the kingdom asks him to do,” *The Daily Star* reported.

> Major General Amir Eshel of the **Israeli air force** told the German *Die Zeit* newspaper that the Israeli army would show “no restraint” over targeting civilian centers should a war break out with **Hezbollah**, claiming that the Lebanese party had transferred its military infrastructure to residential areas.

> During a visit to **Erbil** in northern Iraq, Maronite Patriarch **Beshara Rai** called on the international community to take real action so that Iraq’s Christian community could stay in their country.

> Speaking to *The Daily Star*, Beirut’s mayor

Bilal Hamad denied claims that plots along the Ramlet al-Baida beach would be purchased by the municipality, saying that no negotiations have been or are being held with the current landowners.

> MP **Sami Gemayel** was elected the new leader of the **Kataeb Party**, succeeding his father, former president of Lebanon Amine Gemayel.



Sami Gemayel

> US company **NEOS GeoSolutions** held a conference at the Beirut Hilton to announce the results of its onshore oil and gas survey. Speaking at the event, company CEO Jim Hollis said the survey, conducted six months ago, has revealed that the Lebanese onshore has potential for conventional oil and gas reserves, as opposed to shale deposits (see story page 42).

> In a report entitled “Pushed to the Edge: Syrian Refugees Face Increased Restrictions in Lebanon,” **Amnesty International** criticized the growing restrictions placed on **refugees** by the Lebanese


government, which infringe on their basic human rights.

> According to a Byblos Bank report, the **Ministry of Finance** reduced Lebanese **industries’ taxes** on their profits generated from exports of locally manufactured industrial products by 50 percent.

> **Foreign Direct Investment** flows into Lebanon have increased by 6.6 percent to \$3.1 billion year-on-year in 2014, according to the United Nations’ World Investment Report that was presented to regional stakeholders in Beirut on June 24. The uptick in flows to Lebanon was juxtaposed to overall diminishing FDI flows in 2014 globally that fell 16 percent to \$1.23 trillion.

> According to a Byblos Bank report, revenues by the **Port of Beirut** were up by 6 percent in the first four months of 2015 compared to the same period in 2014. The overall revenues for 2015 were of \$72.2 million.

> Numbers released by **Beirut’s Rafik Hariri International Airport** show that the number of passengers at the airport increased by 8.9 percent in the first five months of 2015, compared to the same period in 2014.

> According to **Mercer’s 2015 Cost of Living Survey**, Beirut is the 44th most expensive city in the world, ranking third in all of the MENA region, after Dubai and Abu Dhabi. 



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&gt; BDL

# Taming the central bank

Banque du Liban deserves more transparency

There is a deep rooted intuition or cultural knowledge that monetary power is extremely risky. Long before things like fiat money and central banking made their first appearances, this cultural DNA has come to expression in both prescriptive behavioral myths — such as Aristotle's telling of Midas' self-destructive fixation on the exchange value of everything instead of the use value.

There are enough indications to suggest that the power of central banks has been on a stiff growth trajectory. Testimonials, data points and indirect indications for this stretching of central bank mandates can be found aplenty — just a look at the rise in diverse central bank balance sheets in absolute numbers and in ratio to GDPs is enough to cause some wonderment. Central bank media coverage, academic papers and speeches by central bankers themselves provide ample corroboration.

Even assessing the idea from the opposite perspective is viable. In his recent work “The End of Power”, scholar (Carnegie Endowment), political figure (one-time government minister in Venezuela), editor-in-chief (Foreign Policy), former World Bank executive director Moisés Naím argues that the power of mega-players in the realms of politics, religion, business, culture, union labor and media is weakening. One subset of institutions that is not mentioned once in Naím's book for weakening of its power are central banks.

Lebanon's Banque du Liban (BDL) fits the pattern of central bank power growth in both a general and a very peculiar sense. The size of BDL assets at the end of May 2015 was LBP 136.8 trillion (\$90.74 billion) — not far from twice the country's estimated GDP. When compared with five years ago, end of May 2010, the BDL balance sheet ballooned by almost 60 percent. And when compared with the same month in 1995, the increase was in excess of 1,100 percent.

A hint of more peculiar growth comes from BDL lending to investment banks and financial institutions in 2014. From LBP 102.6 billion (\$68M) at the end of 2013, this infusion of funds shot up to more than LBP 580 billion (\$385M) at the end of 2014.

Of course, my dear Oliver Twist, money doesn't simply grow on trees and the money to finance economic growth in Lebanon must come from somewhere. The national government has been totally consistent in not incentivizing growth. Thus it is nothing but logical that BDL has been growing its reach into the economy.

As politically thinking economists in the conversations about monetary policy for this issue of EXECUTIVE tell us, the largest current danger is not actually the dollar peg but the nation's outsized expansion of debt when compared with Lebanon's economic growth. There is a relationship of dangerous credit growth with the country's imported monetary policy but, as the economists in our conversation also agree, the lever Lebanon has to seek is the one of economic growth.

The diagnosis is that the central bank was right to enter the arena of economic policymaking and fiscal incentive packages because the government had backed down from making its stand in this arena. BDL was right in stepping in to the fray because in the presence of such perils as Lebanon faces today, not doing anything is a greater risk than the risks that are represented by doing something without following standard procedures and the protocols regarding the institutional division of labor.

It does not surprise us therefore that the World Bank just published a mid-June valentine to BDL. If there ever was a multilateral agency declaration of love to any partner institution, this paragraph on page 57 in the World Bank's new Systematic Country Diagnostic on Lebanon must qualify: “Institutions in Lebanon are extremely weak, characterized by both inefficiency and corruption. [...] However, Banque du Liban stands out as an effective and respected institution, because its considerable powers are legally ringfenced, including being financially independent of the government.”

But this to us means also that it is time to bark, and bark insistently, at the tallest and strongest cedar in the national institutional forest. Because there is quite a bit to bark about — and because there is nobody else in the public space worth barking at. And so we want to share our barking space in the confidence that Lebanon's one institution with a “ya Habibi” declaration from the World Bank will become more interactive with the Lebanese sovereign.

We agree that, as the World Bank says, BDL's financial independence from the government is all fine but isn't the real scenario, and problem, that the Lebanese government appears dependent on the central bank? As economist Ghassan Hasbani tells EXECUTIVE, the bank “becomes an operator of the sector and starts replacing the ministry of finance as an executive power and that's a concern.”

Central bank management of Lebanon's economic growth efforts is not providing sufficient results to put concerns over the balance of payments at ease, economist Sami Nader adds. “We are still not absorbing the burden of the debt,” he cautions.

In another concern we share, long term recipes for growth cannot be delivered by a central bank. But structural reform is the central need, as economist Joseph Gemayel highlights. “The solution would be to enhance our competitiveness and increase our exports by way of structural reforms, which would

**“WE ARE STILL  
NOT ABSORBING  
THE BURDEN OF  
THE DEBT”**



require that we reduce our cost of production and/or become more competitive via higher quality or other measures.”

For economic and political thinker Roger Eddé, the situation needs drilling down to the fundamentals of the Lebanese system. “The worst thing that is happening in this country Lebanon, this failed country Lebanon, is that everything is political. That spoils the very idea of independent central bankers. We need not only an independent central bank but we need every appointment to be non-political,” he says.

We have concerns, from both practical and principled economic perspectives, that rigid currency pegs are costly and ultimately unsustainable. We want to keep talking about ways to loosen the total dollar dependency. The country is entwined in more than enough other import dependencies. But we acknowledge that doctrinal purism has no space in the management of serial emergencies, which describe Lebanon.

In agreeing that there is a faint chance for Lebanon to switch to a domestically engineered monetary policy, and in consciously adjusting our metaphors to include both our environment loving and our car-hugging readership segments, we accept that the Lebanese pound will have to tailgate the dollar in convoy driving at least for several further quarters. Yeah, we are stuck with driving according to the Fed’s cruise control.

But then we want to have a cleaner windshield and a better conversation with the team that drives BDL. What BDL communicates today is better than what it used to provide 10 years

ago. Forward guidance on monetary policy is not the only thing worth hearing from a central bank but even when there is not too much to say, such a conversation will be useful to keep the information juices flowing.

Knowing full well that transparency in central banking is not a panacea and can even become an obstacle to decision processes, we still call for a new constructive dialogue and for broadening the stakeholder base in dialogue with BDL. This dialogue, if it engages political economists, academic economists and analysts on a regular basis, including intellectual and social interactions, can for example be a starting point for the formulation of economic platforms and visions by one layer of public interest organizations that Lebanon sorely lacks — political parties that could get into habits of thinking macroeconomically by informed and interactive communication.

We call for more transparency at BDL, because there are still deficits in information flows to analysts, media and the interested public — some of these lacks are extremely basic, such as real time provision of authorized translations of new intermediate circulars or even posting of the Code of Money and Credit with good visibility beyond Arabic speaking stakeholders.

We call for pit stops with the BDL departments, for regular power breakfasts with the vice governors and for High Economic Tea with the governor.

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## &gt; Tourism

# Promoting tourism starts at home

Municipalities must seize every opportunity to remake themselves as attractive cultural destinations

No cultural tourism enthusiast would feel that a trip to Beijing is complete without visiting the Forbidden City, or to Athens without at least passing by the Acropolis, and the same thing can be said for Paris and the Louvre Museum. While cultural tourism is not the only form of tourism, it is the one that brings in the largest number of visitors to a country. Lebanon, which also has culturally significant antiquities has failed to cultivate these sites as touristic destinations that would match the aforementioned attractions.

Global examples such as Petra in Jordan or the Mayan Temples in Mexico show that developing touristic destinations around culturally significant landmarks can be done and would bring in benefits such as an increased number of visitors to the country, as well as increased economic benefits including investment opportunities in businesses complementary to tourism and employment.

Yet, Lebanon has largely missed this opportunity with only Byblos coming close to being a tourist destination, thanks to private sector investment in the city and the goodwill of its municipality. Other areas with cultural antiquities, such as the temples of Baalbeck or the hippodrome and seaside ruins in Tyre are ignored and left to languish with the little domestic tourism they can bring in (see article page 50).

So what can be done to change that and benefit from our country's potential for cultural tourism? The basic and necessary first step would be a change of attitude by all stakeholders in the tourism industry, starting with the Ministry of Tourism itself, moving away from complaining about their limitations towards a more constructive attitude.

The Ministry of Tourism, charged with promoting and

marketing these cultural sites, should research good examples of touristic destinations centered around cultural antiquities and develop a national plan that can be applied within the Lebanese context. Instead, the Ministry of Tourism has focused its strategy for the next five years on rural tourism. While it is a viable form of tourism for sure, it does not make a lot of sense to prioritize promotion of largely unknown locales over one of Lebanon's most valuable touristic assets — its antiquities and rich cultural history.

Meanwhile, while it benefits the municipalities where cultural ruins are located to cultivate a viable city that will attract tourism — not only do they collect half of the total entrance charges, but they also collect taxes from building permits — it is often left up to a mayor's personal initiative to back tourism projects through facilitating their development in terms of permits and such.

A good municipality can either make or break a touristic destination as there are no institutional practices or national plans to enforce and encourage positive action. Here again, a change of attitude from fatalistic to “can do” would be more beneficial to the city itself. Instead of municipalities complaining about a lack of budget, they could use whatever opportunities or investments they have at hand to attract tourists and more investors, such as in the case of Byblos.

Tourism is touted as being one of the pillars of the Lebanese economy; if this is the case then a more serious and well studied approach should be taken for its development and promotion. One where all stakeholders know their role and energetically follow a national strategy based on specific research and data.







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## &gt; Beirut Port

# A port policy for all

A national strategy organizing Lebanon's maritime transport sector is essential

Lebanon's seafaring culture stretches back to at least the time of the Phoenicians. Our maritime trade has, historically, connected East to West, spreading commerce and culture across the Mediterranean Sea. It was towards the end of their centuries-long rule that the Ottomans dug out what today is Beirut's port and, less than a century later, in the 1950s, the Lebanese government built Tripoli's port. Today our harbors are vital to the economy and a strategy is needed to strengthen our connectivity to and positioning among increasingly competitive global markets.

Ships sailing in and out of our ports carrying goods and freight bring us, for example, the latest electronic gadgets that are designed on one side of the planet, manufactured on the other and shipped across vast oceans to our stores and malls. Lowering the cost of maritime trade is and should remain a priority. Over the past decade, freight lines across the world have increased their container capacity, allowing a level of standardization that has transformed the efficiency and speed of maritime trade. At the Beirut Port, this standardization has at least made imports more efficient — products are cheaper allowing the Lebanese to, as the port's management argues, maintain their purchasing habits. The global goods trade will grow by 4 percent next year, says the World Trade Organization, with a growing share of those goods shipped as containerized cargo. Lebanon's ports must keep up with this trend but building container capacity must also be coordinated.

For our manufacturers, now that land transit across Syria is no longer viable, the ports provide vital access to foreign markets, particularly those in the Gulf. Once the civil war subsides in Syria, our ports could very well be indispensable in the reconstruction that will follow. Syria's plans to expand its ports at Tartus and Latakia are on hold for now, while the links of those ports to Syria's national infrastructure lay in a state of disconnectivity. Tripoli's port might, to a lesser extent, also serve Iraq's reconstruction needs once transit routes reopen.

Much work, however, remains to be done if we are to exploit these future opportunities. Infrastructurally we are weak. The reality is that the port of Beirut is practically isolated from any transportation infrastructure that would make it capable of serving Damascus or Baghdad. The lack of a rail link and the bumper to bumper traffic beginning at the port's roadside entrance will only get worse without a plan for infrastructure investment. Lebanon needs two modern ports at the very least. Tripoli's port may be in the better position



geographically to transport goods to our easterly neighbors, but there is neither a national plan to coordinate the ports vis-à-vis each other nor a plan to build the transportation infrastructure needed for this kind of capacity.

If we want our ports to continue to serve the needs of our growing economy over the long term, and of neighboring economies in the medium term, we need a national strategy. This strategy must focus on port integration within the international logistics value chain as well as the interconnectivity of Lebanon's ports with each other. A national strategy should also organize the way our ports are managed — whether it is full privatization, public-private partnerships, or nationalization — to maximize sustainable economic returns for the nation as a whole. The Beirut Port's management consists of a temporary body whose mandate was never meant as a permanent solution. A port management that is accountable to the government with clear lines of reporting is a necessary first step in articulating such a national strategy, putting in place processes that contribute to decisionmaking at the ports, like major expansion plans.

A national strategy for our ports must be conceived through a coordinated discussion within the framework of the state. It cannot be left to the private sector, a temporary committee or to any other personal interest to decide. It must be a national debate.





# WELCOME TO MY WORLD



En vedette, John Travolta, légende du cinéma, pilote et fou d'aéronautique. Sous les spotlights, le mythique North American X-15, qui a pulvérisé tous les records de vitesse et d'altitude et ouvert les portes de l'espace. A la production, Breitling, le partenaire privilégié de l'aéronautique grâce à ses instruments fiables, précis et novateurs – tel le fameux Chronomat, le chronographe par excellence. Bienvenue dans un monde de légende, d'exploits et de performances.



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# For better or for worse

The tricky task of unpegging Lebanon's lira *By Thomas Schellen*

**I**t was the financial markets' first big surprise of the year. In January 2015, the Swiss National Bank (SNB), the Alpine republic's central bank, scrapped its 1.20 ceiling that limited the franc's ascendancy vis-à-vis the euro. The franc suffered a rare appreciation shock that has been reflected by a higher valuation versus the euro throughout the end of last month with no end in sight. In June, around 1.05 Swiss franc (CHF) sufficed to buy one euro, and as the SNB acknowledged in its June 18 monetary policy assessment update, estimates saw Switzerland's

real GDP at a slight decline in the first quarter of 2015. "In several sectors" profit margins came under significant pressure, "goods exports suffered from the strong Swiss franc appreciation" and unemployment increased slightly, according to the SNB statement.

Outside of Switzerland, the franc's double-digit percent leap in exchange value against Eastern European currencies hit home loan borrowers from Bucharest to Zagreb and Warsaw. In Poland, about half a million home buyers who had financed their mortgages in Swiss

francs were affected. In response, the winner of the presidential election in May 2015, Andrzej Duda, said last month that he wanted to force banks to assume part of the borrowers' cost burden created by the zloty's drop against the franc.

The SNB had removed its cap despite the predictability of negative impacts. The bank thus even had to accept temporary doubts about its reputation as guardian of stability, as globally renowned investment whizz Mohamed El-Erian opined last month in a comment for Bloomberg.

But perhaps the worst disappointment was that the SNB had promised something else just in December 2014. In its monetary policy assessment that month, it observed that deflation risks had increased and the Swiss franc was still high. "Consequently, the SNB will continue to enforce the minimum exchange rate with the utmost determination," it said, adding that the central bank was "prepared to buy foreign currency in unlimited quantities for this purpose."

In the perception of an adroit Lebanese observer of international finance and politics, investor Roger Eddé, the Swiss central bank's decision was "a shame" precisely because "they changed the exchange rate even though they had just said they would not do that. This is anathema in the history of the Swiss central bank and any central bank. They should have done what other central banks have shown: prepare the investors and public opinion ahead of time before implementing such a decision."

Far beyond causing bad emotional vibes, the evidence in the case speaks for itself. As one European economist noted, in the immediate aftermath of the SNB's about-face, the Swiss franc







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experienced its strongest appreciation since the Bretton Woods' system's switch to flexible exchange rates 44 years ago. Unless one is prepared to mislabel the Swiss central bank — a primmer than prim entity among the world's most staid institutions, praised in 2007 on the occasion of the SNB's centenary ceremony as a "stronghold of unity" by then Swiss president Micheline Calmy-Rey — as some sort of rogue financial agent or monetary authority gone insane, one has to accept that this paragon of independent monetary policy found itself forced into an unwanted direction by an irresistible currency pressure from outside — the euro's weakness.

## IF IT CAN HAPPEN TO THE SWISS...

Central banks have committed errors, both forced and unforced, in many instances. A notorious example of a forced error was the Mexican currency crisis (Tequila Crisis). Bad bond issuance choices, political instability, an outbreak of domestic violence and a hike in interest rates by the US Federal Reserve converged in late 1994 to coerce the Mexican central bank into abandoning its dollar peg, thus devaluing the peso. The result was an economic crisis that made it into the history books — and is until today seen as a risk formula for the country with a \$1.4 trillion economy in terms of nominal GDP.

It is also worth remembering that history's worst-ever unforced error by central bankers was the United States' contractionary monetary policy in the 1930s. This miscalculation early in the annals of the Federal Reserve System is today understood as one of, or even the, decisive factor that escalated the crisis of 1929 into the Great Depression.

Switzerland's central bank-triggered problems of 2015, which are of the opposite polarity to the vast majority of monetary policy

problems anywhere in the world over the past 50 years, are of course a walk in the park when compared with what Argentina, Turkey, Thailand, Indonesia, Russia, Brazil, Mexico and others suffered in various economic crises — which all had exchange rate components. But even for the Swiss, it bears repeating, it was a three-year spell of pegging theirs to another currency the too much that forced their incommode action.

That currency pegs are problematic is, today, a standard assumption. A study of the Tequila Crisis by noted American economist Frederic Mishkin back in 1999 concluded rather urgently that the first lesson for emerging markets to

## THAT CURRENCY PEGS ARE PROBLEMATIC IS, TODAY, A STANDARD ASSUMPTION

draw from the Mexican experience is that: "pegged exchange rate regimes are extremely dangerous." A pegged exchange rate is precisely what Lebanon has maintained for more than 20 years, with no change to the peg since 1997.

However, although factors such as political instability, cost of conflicts, mismatched borrowing, unwise fixed exchange rates and external interest rate or price shocks on the currency seem to play into next to every monetary and economic crisis, it would be unsound and extremely unwise to pretend that every such crisis is cut from one and the same cloth and that one could prescribe, by way of some economic ideology or other, infallible recipes against or even for triggering a national economic crisis anywhere. The variables, ratios, and interactions within a country's economy and with political factors are just too many. This is true for every country, and decidedly for Lebanon.

## THE TRACK OF OUR PEG

To investigate the specificity of the Lebanese monetary situation, the consideration does best start from the turning point between multi factional conflict and national reconstruction — the time just after the end of the Lebanese Civil War. In 1992, the Lebanese lira suffered from a devaluation shock (the largest of several that have occurred since 1987), where the exchange value plummeted from better than 1,000 to the dollar to 1,500, 2,000 and finally over 2,700 in August 1992.

The arrival of a new government with massive Saudi backing and other foreign support in October 1992 signaled a change in confidence and reversed the slide of the lira. It was a time when transparency in the institutional division of labor appears to have been an extremely minor concern, but a stability target for the lira was set and a currency peg to the dollar was gradually implemented.

"It would be speculation on my part if I said it was the government or the central bank which set the ultimate target back then. But what I can say is that they worked in harmony, in good collaboration in the first part of the 1990s, combining an expansive fiscal policy to boost economic growth and a restrictive monetary policy to fight inflation," says Joseph Gemayel, professor of economics and dean of the economics department at the Saint-Joseph University (USJ).

"That stopped the fall of the Lebanese pound and the inflation rate was maintained," he continues. "We can understand that during a period of reconstruction and development this is smart. A more negative result was the crowding out effect, namely the pushing up of the interest rates and its negative effect on economic growth."

From today's vantage point, and despite its drawbacks for social equity, that period looks rather good to many chroniclers and economists. "The



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central bank has definitely played a major role in stabilizing the currency, which was key to attracting investors and key to the market. This [currency peg] decision was very wise and I don't buy the view of the critics who are saying that this was artificial," says Sami Nader, an economist and director of the Levant Institute for Strategic Affairs, a think tank in Beirut.

## SO FAR, SO HISTORY

It is one thing to open an emergency patient's windpipe with a tracheotomy when she or he is unable to breathe. It is another thing if the same status is maintained for 20 years. But that is the case for the central bank's dollar peg and monetary policy approach.

For Ghassan Hasbani, founder and chief executive of management and business development consultancy Graycoats, it is obvious that such a *modus operandi* needs rethinking. "It's a risky strategy if too much intervention from the central bank on the monetary policy takes place," he says. "The central bank is the lender. The government is becoming more and more indebted without anything new on the horizon to at least show for repayment, and without economic growth to give confidence. So the central bank is now operating, in my view, in emergency mode, but emergency mode cannot become permanent mode because this is unsustainable."

The question why, devised as a temporary emergency mechanism, the currency peg has remained daily practice of BDL is answered by economists broadly with reference to the political and security risks that Lebanon is exposed to, but the reasons they see range further from the psychological to the political and constitutional.

Nader says he is in favor of a less foreign-dependent monetary policy, but calls political risk the real key issue. "The question if we can loosen our monetary policy is directly related

to political risk; the lower the political risk, the greater your ability to have an independent or national monetary policy. Our monetary policy is a hedging policy, first of all hedging the political risk," he opines.

As EXECUTIVE found when engaging a good number of bank economists and academics in the past year in monetary policy conversations, the general consensus is that the issue of an independent monetary policy is ripe for being addressed. However, according to the viewpoint of many, this discussion should be undertaken not now, but at a time of greater political stability.

Gemayel reasons that the central bank should have acted differently when it had a chance to modify the currency peg from one with the US dollar as nominal anchor to one tied to a basket of currencies. "BDL is an institution working in a difficult environment and performing better than many other public institutions in Lebanon. There were errors, of course, and I criticized the way of pegging to the dollar instead of switching to a basket of currencies about 15 years ago. But they are trying," he says.

The USJ professor also points to negative psychological impacts of a currency float and drop in the lira's exchange value. Abandoning the currency peg would harm the middle class most of all, because this population segment comprises many borrowers of dollar-denominated loans, he explains. A weakening in the lira's exchange rate would negatively affect the middle class the most and this should absolutely be avoided because the middle class had already been hit with a wealth destruction trauma back in the 1980s when they were net lenders in the financial system.

For investor Eddé, who is also a political stakeholder as head of the National Peace Party, the current situation of Lebanon's monetary policy and the path towards a solution of the issue are both

connected to fundamental change needs. "We have no monetary policy — we have a crisis management policy and we have been doing it since Prime Minister Rafik Hariri came to power and brought his stock broker from Merrill Lynch to be the governor of the central bank. That won't happen in any [developed country] but it still worked because of the backing of Saudi Arabia and ... our friends in the Arab World. We are in a crisis management and not in a normal management and I think we will remain in a crisis management as long as we have not remade the constitutional structure of Lebanon."

Having said all that, honest debating over Lebanon's monetary policy, fiscal policy and the politics of

**"WE WILL REMAIN IN A CRISIS MANAGEMENT AS LONG AS WE HAVE NOT REMADE THE CONSTITUTIONAL STRUCTURE OF LEBANON"**

everything economic appears prudent and called for more than ever because, in the present global economic setting, pressures and dichotomies are on the rise. For well over a year, the monetary policy divergences between the Fed and the European Central Bank have influenced and often dominated public discussions — to the point that more than a few European and American central bankers were worried because they sensed increased politicization of monetary policy in tandem with unrealistic heightening of expectations for monetary policy to deliver impossible results.

Even if one disregards the absolute obvious — that the Lebanese monetary policy of the past two decades has been, and still is, indiscriminately bound to follow Federal Reserve decisions because of the Lebanese pound's dollar peg — it





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seems undeniable that management of money supply and interest rates of the next few years, i.e. monetary policy, would have to be responsive to US decisions in pursuit of the Fed's necessary reduction of its balance sheet.

The caveat is that economic research has been delivering new data and new interpretations of the value or non-value of independent monetary policy that provide questions that were not understood when Lebanon initiated its "emergency" dollar peg in the early 1990s.

## THE BLOODY GLOBAL CYCLES

A recent challenge stems from research by French economist Hélène Rey. She points to evidence for the existence of a global financial cycle where "gross capital inflows, leverage, credit growth and asset prices dance largely to the same tune." Using the Chicago Board Options Exchange Market Volatility Index (VIX) as a gauge, Rey finds that this global financial cycle's pattern of capital

inflows and outflows "is synchronized with fluctuations in world market risk aversion and uncertainty as proxied by the VIX."

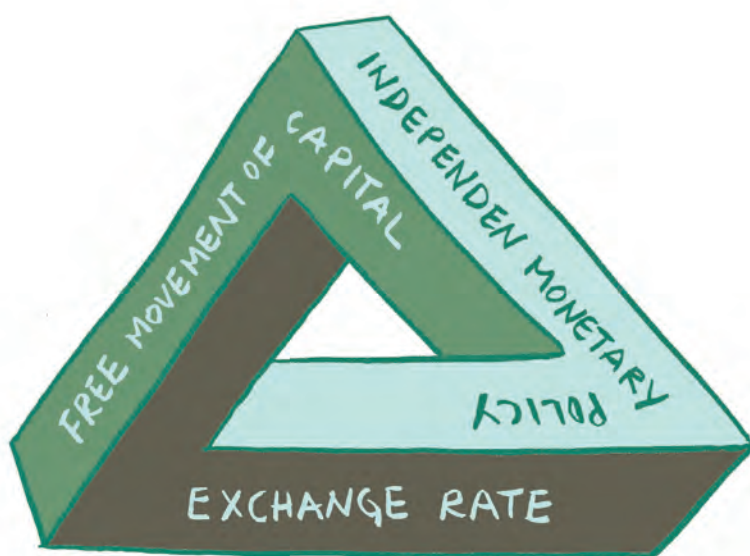
What she says her research implies is a fundamental dilemma that developing countries — and especially small developing economies that have previously been victimized by superpower indifference to their wellbeing — will not be able to evade.

"Fluctuating exchange rates cannot insulate economies from the global financial cycle, when capital is mobile," Rey says, arguing that "Monetary conditions in large financial centers such as the United States shape the global financial cycle." This concentrated monetary power in the centers of financial might influences all countries connected to it that embrace the free movement of capital, irrespective of whether these small players adhere to a floating exchange rate or to a currency peg to the US dollar or basket. In the bottom line of this perspective, free movement of capital and independent monetary policy are mutually exclusive choices.

The reality of a country's participation in the global economy when seen from this angle suggests a practical revision of another economic thought about the limits of monetary policy freedom. This discovery was that of the economic trilemma, highlighted in the late 1990s by economists Maurice Obstfeld and Alan Taylor, which explained that countries delude themselves if they believe they can simultaneously permit free movement of capital, maintain a currency peg and pursue an independent monetary policy, in the sense of independence from the monetary policy of the economic power whose currency they use as nominal anchor.

The three sides of this triangle are important because each represents a desirable goal for a nation. Free movement of capital is perceived as a prime avenue for wealth creation for a country's investors who can act on opportunities abroad, and for the country by attracting investments and money into one's own economy. Having one's currency linked to a nominal anchor is a fine thing for securing exchange rate stability and warding off volatility and risk for economic stakeholders, especially corporate foreign investors and local exporters. The capability to decide when and how to infuse money into the own economy and the ability to determine the interest rates that apply to the national market is highly valued in order to direct economic development to the maximum benefit of the central bank's ultimate sovereign, the people.

The trilemma, or impossibility of it all, is that a state cannot pursue all three goals at the same time. By Rey's reasoning, the practical reality is that small developing economies don't need to worry if they have control over their monetary policy because they did not adopt a floating currency. If they move against a country's interests, the big global cycles will ruin their day anyway — even with a float installed.





## ECONOMIC CHOICES: FOLLOW THE LEADER OR — JUST FOLLOW

It may be non-exclusionary insights that the interconnectedness of the global financial economy and the role of market maker Fed makes it illusionary to believe in central bank autonomy on the one hand and on the other hand that skillful and self-guided application of monetary policy tools is crucial for managing the minutiae of growth and financial sustainability in a national economy even under or especially in the presence of extraneous influences that restrict independence.

When viewing the challenges to monetary policy in Lebanon, all bank economists, academic economists and political economists who engaged in conversations with EXECUTIVE exhibited parallel views that durable solutions for the country's economic challenges will have to be anchored on structural reforms. The monetary policy ownership should be reclaimed as far as independent monetary

policy is a realistic proposition in the evolving global context that all economic stakeholders are mandated to understand better and better. But for the moment, perhaps better not to rock the boat too much while it swims in choppy waters. The risk du jour, and de l'année, for the Lebanese financial balancing act is


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**“NOW IN THE FOURTH  
CONSECUTIVE YEAR,  
OUR DEBT IS GROWING  
FIVE OR SIX TIMES  
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the widening growth of debt when compared with the growth of GDP. “Debt is increasing at 8 percent, GDP is increasing at less than 2 percent. That's the main concern,” says Hasbani. “Everyone is concerned about the situation where, now in the fourth consecutive year, our debt is growing five or six times

faster than the economy; so we need growth in order to absorb the burden of the debt. If we don't [grow], we are heading to the crisis scenario,” says Nader.

This mismatch of growing debt finance needs and slow growth could become a wider challenge for the central bank and all participants in the Lebanese economy, Gemayel says in ever so measured words. “Today we have a situation of decreasing economic growth rates for already several years. I am not saying that everybody is happy with this but the problem comes in when the balance of payments turns negative. This will cause pressure on the Lebanese pound. Until now we don't have this pressure but we are just at the limit. The main risk is the balance of payments because if, and I am speaking hypothetically, the balance of payments will be negative for many consecutive periods [quarters], the central bank in my view may be pushed to manage the exchange rate by a different policy.” 

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# The evolving role of the central bank

In Lebanon and across the globe, the place of the central bank is far from definite *By Thomas Schellen*

“**T**he overall duty of the [Lebanese Central] Bank shall be the safeguard[ing] of currency as fundamental guarantee for permanent economic and social development, and more specifically:

- safeguarding a sound Lebanese currency
- safeguarding economic stability
- safeguarding the basic structure of the banking system
- developing the monetary and financial market”

*Article 70, The Code of Money and Credit*

Humans want more. In a recent speech about the impact of European monetary policy on interest rates, Germany's top central banker Jens Weidmann cited research at the crossing point of behavioral economics and neurology, showing that nominal growth in personal income creates a jolt of pleasure even when the real income is stagnant. Although the price of goods available to them doubled during an experiment measuring emotional responses to wage changes, he said, participants' MRI scans showed increased blood flow in a brain area responsible for moods when they received twice the wage.

“In short, when having constant real income but higher nominal earnings, participants in the experiment were of a better mood” Weidmann offered as explanation for why the current European low interest rate environment of less than 1 percent is perceived badly by consumers. Different to earlier periods of negative real returns on deposits when interest rates of 5 percent on bank deposits were completely consumed by 7 percent inflation, the Bundesbank

president noted that current low interest rates in the eurozone are still facilitating, albeit minimal, positive returns because inflation is even lower than interest rates.

But rational and modest does not seem to be the trick when it comes to the relationship between human minds and money. This suggests that our financial economies are constantly and dangerously exposed to the irrational, period — and not just sometimes to irrational exuberance as per Alan Greenspan's often quoted word.

## CENTRAL BANKS AND THE STATE

The curious mission of keeping finance rational is what central banks have been increasingly tasked with in the industrial and post-industrial ages. More specifically, this mission is encapsulated in the goal of producing price stability, which counts among the essential mandates of the Federal Reserve System in the United States and is the primary goal or outright *raison d'être* of other top central banks such as the Swiss National Bank, the Bank of England, the Bank of Japan and the European Central Bank (ECB).

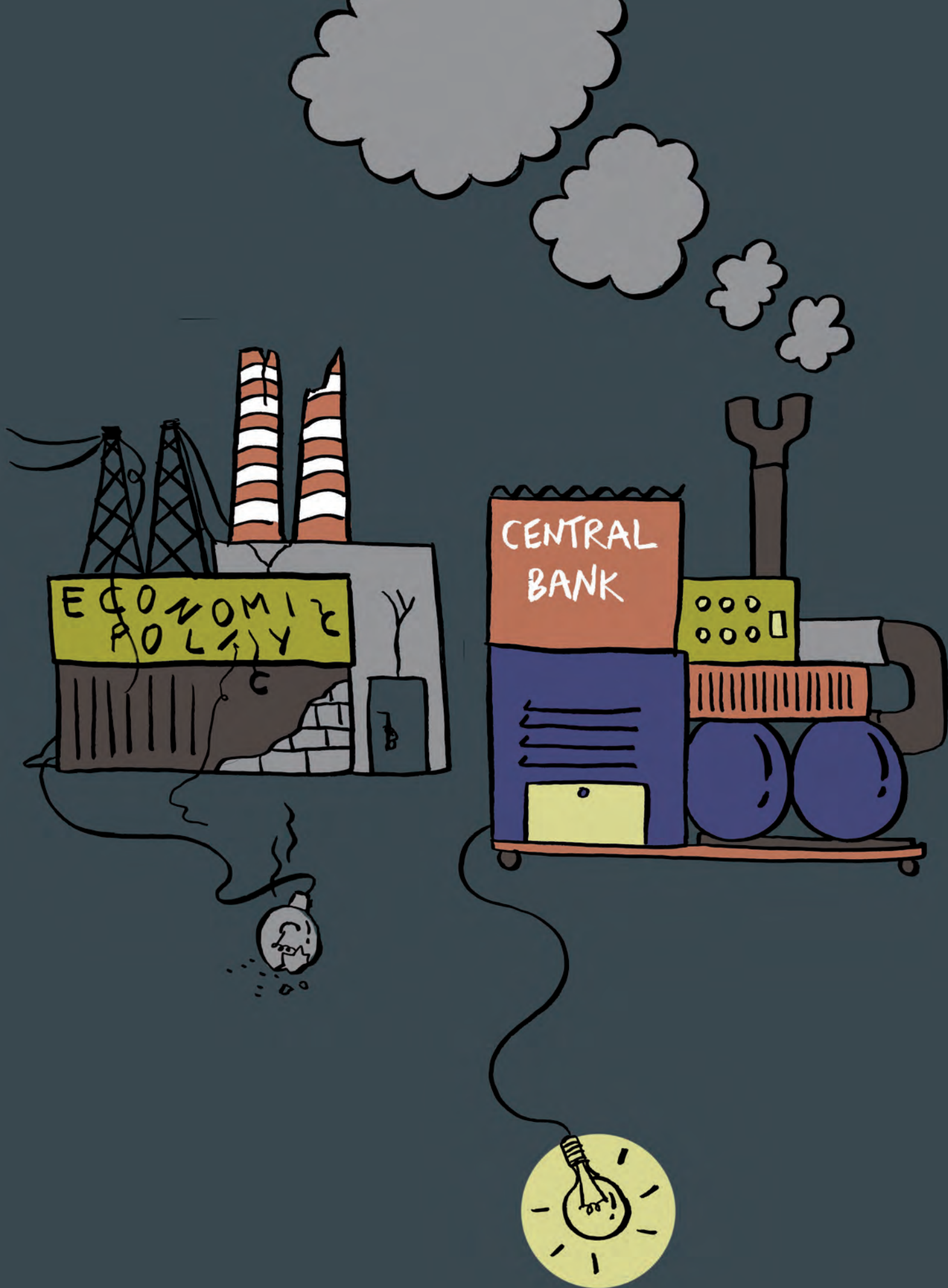
Central banks are younger institutional concepts than the subdivision of state power into the legislative, executive and judiciary, which enlightenment thinker Montesquieu discussed as the most successful public sector management model. Montesquieu did not include an economic agency in his description of the successful British system — no wonder given that they had barely entered their conceptual formation stage. When the French philosopher of the state visited European capitals and described their systems of governance in the first half of the

18th century, the earliest institutions of the type that in today's hindsight are called central banks had just been formed, but under mandates that were far removed from present day public interest objectives.

These precursor “central banks” in Sweden and England were firstly banks to the sovereigns and their — usually conflict-related — borrowing needs. Footing on earlier money lending traditions where taxes and levies did not suffice to finance royal wars and regal consumption, the first banks associated with central banking were given privilege of currency issuance as part of their reward formula for investors with enough risk appetite and willingness to lend to their sovereign, whether it be a king or an emerging nation state. With passage of the next few centuries, the role of central banks morphed from being bankers of kings and privately held lenders to the state to becoming organs of the state and, increasingly, branches of government.

Growing from a more democratic root than central banks in the Old World, the Fed in the United States was created on a state affirming track in response to financial market problems of early 20th century capitalism, most notably the Knickerbocker Trust crisis and stock market panic in 1907. The Federal Reserve System, which celebrated its 100th birthday at the end of 2013, became in many ways a blueprint for present day central banking. Being state organs, however, until deep into the 20th century did not necessarily mean that central banks had autonomy or clear orientation towards national economic growth. Germany's Reichsbank, for example, was all too easily converted into an instrument of totalitarianism under Nazism.







## BANQUE DU LIBAN

In our part of the world, the Ottoman Empire participated in a central bank from the middle of the 19th century whose majority shareholders were British financiers and a forerunner institution of French bank BNP Paribas. Along the eastern and southern rim of the Mediterranean, including Lebanon under British and French mandate rules after the demise of the Ottoman Empire, central banks were making their initial appearances as foreign owned or dependent institutions that were authorized for currency issuance by mandate powers and then national governments.

After several decades of relying on currency issuance at Banque de Syrie/Banque de Syrie et du Liban, the Lebanese Parliament in 1963 established the legal framework for Banque du Liban (BDL), which commenced operations in 1964. Situated in a world region that had emerged from centuries of foreign domination and was permeated by political troubles and confrontations, the institution of BDL appeared very modern and primed for the evolving functions of a central bank, judging by the law that established it.

Governed by the Code of Money and Credit, BDL is tasked with four mandates according to the Code's article 70: safeguarding the currency, economic stability and the banking system, as well as developing financial and capital markets. Key operational functions of BDL are covered by article 81, and the institution's role as banker to the Lebanese state is set out in article 85.

In line with its mandate, BDL plays an extensive role in the licensing and supervision of the banking sector. The relationship between the central bank and the government is defined in article 71, which reads, "The Bank shall cooperate with the Government, advising it on matters of economic and financial policy, so

as to promote the highest degree of coordination between its mission and the Government's objectives."

The interaction between BDL and the government is further elaborated on in the Code's article 72, which says the Bank is to act as adviser and warner to the government: it may propose measures that it deems positive regarding the balance of payments, movement of prices, public finance and economic development in broad terms. It ought to draw the government's attention to facts that in central bank judgment could be harmful to national economy and currency. The government shall seek its advice on "matters related to money" and invite the central bank

### BDL PLAYS AN EXTENSIVE ROLE IN THE LICENSING AND SUPERVISION OF THE BANKING SECTOR

governor to join in deliberations of such questions.

Along with the procedure for appointing the central bank governor and the position's resilience against political influencing, the processes for sorting out conflicts between a central bank and the government are key considerations for assessing the effectiveness with which central banking institutions can act as guardians of confidence and stable development of a national economy or, nowadays, transnational economic spheres.

### INDEPENDENCE OF CENTRAL BANKS

Central bank independence from outside interference is generally viewed as decisive for the institution's ability to achieve its mandate of price stability in the economy. This perception goes hand in hand with the assumption, which gained widespread acceptance since the 1980s, that central bank independence

is excellent for the economy. When the International Monetary Fund (IMF) — in its function as the swarm intellect hive of the world's central bankers — published an overview of Central Bank Independence (CBI) some years ago, the spirit of the research was driven by the ruling assumptions that, when it comes to the issue of monetary policy, central bank independence is a practice associated with democratic countries or their increasing democratization and that central bank independence is fortuitously correlated with both higher transparency of the institution and, crucially, also with lower inflation.

However, the claim that CBI is good for keeping inflation under control is not totally clear cut. As the authors of the IMF supported paper noted, "While the theoretical case for CBI appears to have been accepted, empirical studies have found surprisingly limited evidence of independence delivering its promised anti-inflation benefits in practice."

Critics of the CBI paradigm, and central banking and multilateral agencies like the IMF in general, go much farther. Not to delve here into the accusations that globalization foes and occupy movements level against institutions such as the World Bank, ECB, G8 and wealth per se, both some highly noted and some lesser known development economists are very skeptical of the tying together of central bank agendas under orchestration by multilateral agencies and large economic powers. To give just one academic example, rather vocal economist Joerg Bibow at Skidmore College in the US once not long ago derided mainstream CBI literature as being of "theoretical shallowness and practical irrelevance."

In his own elaborations, Bibow highlights a post Keynesian perspective on central banking, citing the master of demand side economics as favoring independence in the



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choice of tools or instruments for achieving monetary goals but not in the setting of these goals. According to Bibow, “Keynes wanted the central bank to cooperate on an even level with the Treasury, while reserving ultimate responsibility over monetary policy for the government, which, in turn, is subjected to parliamentary control.”

Central bank independence becomes even more of a conundrum when seeing the increasing importance of monetary policy and incisive central bank measures in the years since the Great Recession, versus the perplexity related to democratic legitimization of the institution. Thomas Piketty, the best selling French economist, went as far as describing central banks as “the only public institution capable of averting a total collapse of the economy and society in an emergency.”

In his analysis of the responses to the global crisis of 2008, Piketty says that a Great Depression-style collapse of the financial system was averted because governments and central banks of the wealthy countries this time around agreed to create the liquidity necessary to avoid the waves of bank failures that led the world to the brink of the abyss in the 1930s.

One may want to debate the true extent of central banking power in the present time, and Piketty acknowledges that central banks “did not really provide a durable response to the structural problems that made the crisis possible, including the crying lack of financial transparency and the rise of inequality.”

Notwithstanding their shortfalls as total solution givers (Piketty of course sees the seed for a superior answer in a global wealth tax), it would today be hard to find a credible voice that would dispute the overall importance and massive expansion of influence of central banks in the post 2008 era. The Fed has the balance sheet size of a financial superpower never seen before in history, and for the past

year and a half, international markets shuddered in anticipation of every statement by Fed chair Janet Yellen. Never did the concept of “patience” attract more ad hoc attention than when Yellen addressed finance stakeholders in 2014 and the first quarter of 2015.

## DESIGNING ECONOMIC POLICY FROM EUROPE TO LEBANON

In Europe, the question of half a continent’s political future and economic fortune is associated with the matter of “structural reforms” expounded relentlessly by ECB head Mario Draghi. As *EXECUTIVE* goes to print, the latest factor in this debate is a brand new European “roadmap for the future of the economic and monetary union” — a catalogue of proposed developments and new economic and financial instruments, centered on “joint decision making in common institutions.”

This discussion paper, published under lead authorship of European Commission President Jean-Claude Juncker, describes the Economic and Monetary Union (EMU) with a media quotation-inducing moniker as “a house that was built over decades but only partially finished.”

To be able to withstand huffing and puffing by any big bad wolf of whatever upcoming existential crisis, the EMU according to the roadmap needs to advance by implementing a greater economic union, financial union, fiscal union and finally (for establishing the foundation of it all) political union. To top out the new structure, a euro area treasury — a government entity that would be the natural policy-setting correspondent for the ECB — is to be created by 2025 at the latest, the discussion paper proposes.

Whatever form and success rate this EMU process will produce in the next 10 years, it appears indubitable that it will have far reaching implications for reshaping both the powers and needed controls

of the European Central Bank and for informing, due to the European economic size, central banking in developed and emerging economies. Plus, as the evolution of central banking in the global political and economic contexts of the current time by all signs will continue to be a process of many new turns and uncertainties, the story of this fundamental institution is evidently far from complete and can be expected to deliver many further surprises.

Lebanon, as a small economy with multiple interconnections and outright dependencies on global finance, will be massively influenced by whatever happens at the Fed, ECB and perhaps other central banks between Bern and Beijing. This interdependence is the large outlook, probably regardless of the eventual adoption of an autonomous national monetary policy practice in Beirut.

However, when viewing the state of central banking not from the Washingtonian halls of political power, or from the lofty heights of academic discourse, but from the muddy and many holed sidewalks of business journalism in Beirut, the immediate question is not about BDL’s role in implementing monetary policy and managing the currency peg or its important responsibility in regulating and supervising banks and financial companies.

Even the crucial issue of legitimating central banks under democratic principles while enabling them to act without political interference is not today’s topic for concern in Lebanon. Nay, what the country has to deal with is a question that is not part of any established international debate, political or academic: what are the implications if a central bank is assuming the de facto job of designing economic policy and at the same time issuing and implementing incentives for economic growth because the government is on an extended trip into no decisions land?





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# A fine time for fintech

The soul of fintech may be Findex *By Thomas Schellen*

No, fintech is not the code name for the joint research and development capabilities of Finland based Nokia and France's Alcatel-Lucent. And for those who are troubled by the idea of being unaware of the latest buzzword, the term is not actually all that new. Blending the words financial and technology, fintech has been around for years as a descriptor of bland, back office information technology solutions provided to firms in the financial industry. As of late, however, the term is buzzing with redefinitions, and startups all over the planet appear bent to hire backend developers for fintech projects.

One cuddly definition of fintech ventures is that "they build and implement technology which is used to make financial markets and systems more efficient." According to its authors at the student-led fintech club at the Wharton Business School in the United States, this

entails companies in areas ranging from crowdfunding and peer-to-peer lending to algorithmic asset management and thematic investing, as well as payments, data collection, credit scoring, education lending, digital currency, exchanges, working capital management, cyber security "and even quantum computing."

Other definitions of fintech are more aggressive, emphasizing that companies in this area are commonly tech startups out to push the buttons of established banking and financial services companies by being more agile, cheaper and absolutely superior in innovating information technology products and services when compared with the big banks.

Whatever definition one favors, the sector of entrepreneurial ventures is receiving international attention, not in the least due to optimistic consulting reports that investments in fintech startups have tripled twice in the past four years — to over \$12 billion in 2014.

The list of new companies is long and growing globally as well as in Lebanon, albeit at a comparatively subdued rate in the latter case. Local startups such as PinPay, Bnooki and Via Mobile — all companies which EXECUTIVE has reported on under our entrepreneurship coverage — are alive and progressing well along their various tracks of development.

As Via Mobile's chief executive Karim Khoury tells EXECUTIVE, his venture — which was part of our Top 20 Entrepreneurs in 2014 — is growing as planned and has been helped by maturing market conditions where the e-payments concept is increasingly being accepted. Competition among fintech companies according to him is currently playing out in a smallish field of eight local companies. New contenders are expected to enter the fray but candidates are playing their cards close. The competition among the actors is overall healthy but consumers tend to get confused by the different new apps and solutions, he says, yet adds optimistically, "The market will start to consolidate soon. I expect mergers in the very near future."

In Khoury's view, the current high media focus on anything fintech is something of a hype and reminiscent of the time a few years ago when everybody was obsessing with talking about "the cloud."

Fintech itself as an investment opportunity on the other hand is anything but hype, says Henri Asseily, managing partner at newly formed Leap Ventures, a late-stage venture capital firm dedicated to the Lebanese market.

"We have already seen a number of companies that are in the fintech space. I don't think it is hype. I think it's warranted. Fintech is there and it is key, but whether the entrepreneurs





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in Lebanon are going to do something that is world class, I don't know yet. It really depends on if we see companies that are worth investing in," he tells EXECUTIVE on the sidelines of Leap Venture's launch in Beirut last month.

Leap Ventures has received fintech funding requests in the \$5 million range, and that is interesting to the VC firm, Asseily adds, but has yet to examine these proposals. While Leap Ventures' limited partners are all from the Lebanese banking sector, he sees no reason why the firm would not invest in a qualified fintech company, as long as there is no existing strategic investor involved that is too close to the target company. "This [connection to the banks] is no conflict of interest," he exclaims. "It is a great opportunity for fintech companies. [If] they come to us and if they have a great product, we call up all our banks and say, 'try the product, pilot it!' Our job is to put the product on the market."

The idea, promoted in numerous fintech descriptions, of disrupting banks, attacking their high fees and taking financial business down to "the people" sounds hip. But in reality, new fintech contenders will often find themselves at least in the longer run having to aim for a symbiotic relationship with the established financial giants. This message that traditional lenders and tech entrepreneurs need each other is increasingly reverberating with the banking industry and analysts in developed markets.

Given its prominent and, in regional terms, very sophisticated banking sector, Lebanon seems bound to adopt such a symbiotic view as the fintech sphere expands beyond its currently very minor dimension. However, budding fintech operators are still confronted with perception barriers, says fintech hopeful Elise Moussa. Having spotted an entrepreneurial opportunity in facilitating mobile payments for retail

goods after moving from Boston to Beirut in 2012, she initially contacted banks to present her photo-based solution enabling consumers to make goods purchases of up to \$25, which she called Snapay. But finding banks to be "scared of anything that has to do with payments on a mobile phone," she says she iterated her concept and shifted to telecommunications operators as target partners.

Her approach is to bootstrap her company until it has "some traction" before seeking major funding. Money is not the top problem in achieving an entrepreneurial opportunity in Lebanon, she says. "The number one issue is if we can apply the old rules and regulations to new technologies,

**"THE MARKET WILL  
START TO CONSOLIDATE  
SOON. I EXPECT  
MERGERS IN THE VERY  
NEAR FUTURE"**

and the answer is absolutely not. No amount of money can really solve this problem and it is a delicate dance between what the market needs and wants and what regulation is doing."

## INDEX AND FINTECH

Fintech entrepreneurs like Khoury and Moussa have no problem thinking big and envision possibilities to serve hundreds of millions of un- or under-banked people with mobile financial services in the Middle East and beyond. And indeed, the real measure of success for fintech as an industry may well not lie in the development of another convenience-enhancing tool for bank clients but in how effective they can contribute to the growth of financial inclusion.

Measured by the Financial Inclusion Index (Findex), almost 40 percent of the world's adults in 2014 did not have access to financial services via either a conventional bank account or a mobile account,

according to a World Bank survey finding released this April. It was the second survey of this type after 2011 and showed — although probably not yet highly robust on all statistical fronts — an estimated 700 million persons increase in the number of people holding financial access via a formal financial institution or mobile account.

According to a review of the second Findex survey by advocates of microfinance and financial inclusion, the increase in the number of people with financial access over only three years comprises over 500 million people who used a traditional channel, plus 160 million who came in as part of population growth and some 41 million from mobile accounts.

Analysis by Gallup, which conducted the survey for the World Bank's Global Financial Inclusion database, shows a comparably low account penetration of 14 percent for conventional and less than 1 percent for mobile access in the Middle East. In sub-Saharan Africa, where overall financial access is the second lowest in the world after the Middle East, mobile accounts were particularly strong drivers of financial inclusion and almost one third of all adults with formal financial access relied on their mobiles as entry point to the financial system.

The World Bank sees access to regulated financial services as a potential bridge out of poverty and has set itself a hyper ambitious target of 100 percent universal financial access by 2020. The measurements of financial inclusion can be expected to improve over the next few years and deliver an increasingly sharp picture on the respective Findex success rates of traditional channels versus mobile accounts via fintech companies. This will be the litmus test if fintech entrepreneurs can make true on their visions of being positive disruptors to the economies of developing countries.





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WEALTH MANAGEMENT



# Church and state

The growing battle over the Port of Beirut's future *By Jeremy Arbid*



Earlier this year, EXECUTIVE started an investigation into an expansion project at the Port of Beirut (POB) aimed at enhancing capabilities and readying Lebanon's primary port for future competition. The plan was to create a multi-purpose terminal — at a cost of \$129 million — building a new quay to accommodate larger seafaring vessels and filling the Basin 4 to create a backyard for general cargo and container storage.

The project's key measure of filling in Basin 4 caused a huge stir as soon as contractors commenced work. The first line of opposition was as vocal as it was obvious: truckers, fearing for their livelihoods, blocked POB access. Their union argued that filling Basin 4 would eliminate trucking jobs for general cargo — materials ranging from steel girders, baled and boxed goods to cars.

However, it quickly emerged that the truckers' grievances were barely the tip of a much wider disagreement over Lebanon's maritime transport.

EXECUTIVE contacted a wide range of stakeholders — some of whom made themselves very hard to reach. Others were initially slow to respond but very forthcoming once we discovered that the epicenter of the debate was located in a very unlikely place: Bkirki — seat of the Maronite Catholic Patriarchate.

Clerical intermediation at the hub of Lebanese Christianity led to the formation of a committee of Christian political parties focused on the economic need for a national maritime transport strategy. The Bkirki-led committee is looking beyond the plight of the truckers: they point to the port as a strategic public asset whose current expansion planning is, in the committee members' assessment, neither institutionally sound nor properly aligned with the development needs of the nation's economy.

"If this [plan] was part of a whole new look for 2050 and the next 35 years, and were this port to play a very important role in the rebuilding of

Syria [then] okay, I would take off my hat and say let's do it. But I read the feasibility study. It's all bullshit," says Fadi Abboud, industrialist, former minister of tourism and participant in the Bkirki-led committee. Ghasan Hasbani, chief economic adviser to the Lebanese Forces and also a participant in the Bkirki-led committee, says that port management is only concerned with how to maximize its revenues without taking into account what impact the expansion project may hold for the economy at large. "They [the port management] are doing what they believe is best for the port itself and the revenues of the port. They are not taking into account the impact on the economy, on society and on the social and public responsibility of the Port of Beirut, which is very important," Hasbani says.

It is all part of a larger power struggle for control of the management of the port — with the truckers' union seemingly a pawn towards this end. Those in opposition decry



the illegal status of the port's board of directors — they charge that it is a temporary committee. Indeed, operations were handed over from a private company in 1990 to this committee under the expectation that a law would be passed to formalize the structure of Lebanon's ports. It never materialized. Leveraging a stay on the project, the Bkirki-led committee is demanding the government articulate a national strategy to organize the ports. As EXECUTIVE goes to print, the POB expansion project remains on hold indefinitely in the face of significant opposition, and additional stakeholders are entering the fray.

## A TRUCKING SIDESHOW

In December 2014 the truckers' union began protesting the expansion plan, arguing it would negatively impact their livelihoods while also contesting the legality of the project. The truckers, in fear for their jobs, ran to Bkirki for support — the trucks' owners are majority Christian, says Minister of Culture Raymond Arajji, whose Marada party participates in the Bkirki-led committee. The Church promised to look into the matter, with Bishop Boulos Sayyah enlisting Christian political parties — Free Patriotic Movement, Kataeb, Marada and the Lebanese Forces — to the cause.

The pressure worked. In January, the responsible parliamentary committee issued a statement calling for work on the expansion project to stop and asking the council of ministers to intervene. However, the commotion raised by the union has quickly spiraled into a debate over the port's management as a strategic asset of the state, leaving the concerns of the union as a secondary issue.

EXECUTIVE's interview requests with truckers' union leader Naim Sawaya remain unanswered, but interviews with participants of the Bkirki-led committee confirm that the truckers do fear their livelihoods

are at stake. To them, any restructuring of the port's strategy might jeopardize their employment in a similar fashion to that of the stevedores more than a decade ago. The installation of the blue and red gantry cranes at the port rendered obsolete the basic manual labor of unloading and loading cargo from ships. The port's director, Hassan Kraytem, in an April interview told EXECUTIVE that maximizing efficiency in the port's operations was the goal. The introduction of the gantry cranes and a focus on containerization at the port has allowed gains in efficiency, Kraytem acknowledges, but has marked a shift in employment structure. "True. Work in the port has changed a lot and the number of employees has come down, by choice and by force," he admits. A new multi-purpose terminal would allow the unloading and loading of ships carrying containers or general cargo around the clock

## “[THE TRUCKERS] MOVED BECAUSE THEY WERE THE ONLY ONES WHO COULD EXERCISE PRESSURE”

every day of the year, he says, whereas the quays of Basin 4 now service ships for only eight hours per day.

The truckers' fear, Arajji says, is based on the assumption that the filling of the Basin 4 will kill their business — particularly general cargo activity. They depend on freight coming into the Beirut Port and believe that “if you fill [Basin 4], this cargo wouldn't be able to discharge, and the trucks, in principle owned by Christians, will be impacted because this kind of cargo will be redirected to Tripoli. In Tripoli, trucks owned by Christians cannot enter the [port],” Arajji says. The truckers have been working within the current framework: specific companies and drivers

have been servicing the Beirut Port not under formal contracts but through general arrangements, with trucking companies having a non-competitive environment secure to themselves. It is “a monopoly in fact, a de facto monopoly,” Arajji says.

Kraytem told EXECUTIVE in the April interview that the closure of Basin 4 and the construction of a multi-purpose terminal in its place would not negatively impact general cargo. He does acknowledge that the port's overall growth rates will continue to focus on container traffic, adding that transshipment at the port now accounts for one third of its traffic, with the rest being local. Kraytem says the expansion will increase container traffic, and that general cargo will also be received at the planned multi purpose terminal. He says they'll have much more work, and that truckers can transport containers as much as they drive general cargo.

## DIFFERING MOTIVES

The Lebanese Forces' Hasbani confirms the plight of the truckers as a triggering event, but not the crux of the issue. Abboud corroborates this notion, saying, “Yes, [the truckers] moved because they were the only ones who could exercise pressure — if not for them, what could we do?” The Bkirki-led committee is backing the union but for strategic reasons only, and opinions within the committee range from mere disagreement with the truckers to railing against them as a bloated monopoly.

Arajji indicated that the truckers held a monopoly over general cargo at the port. Abboud reiterates this notion. He tells EXECUTIVE that, “In their mind, [filling] Basin 4 means the beginning of not allowing conventional ships [carrying general cargo]. They are trying to fight for their rights and the monopoly they have. They [mobilized] simply because they are under the impression





that maybe general cargo will move to Tripoli.”

Abboud offers a harsher judgment on the truckers. He says their monopolies at the ports hinder the country’s manufacturers. Their transit of freight between the port and factories is extremely slow, cumbersome and expensive “because it’s another fucking monopoly. You cannot buy your own truck and send it to the port. Everybody who tried failed. In principle you can, but you will never be able to get it [through],” he says.

The truckers, however, are convinced of their cause, says Arajji, who is one of four ministers participating in the Bkirki-led committee — the others being Minister of Economy Alain Hakim, Minister of Education Elias Bou Saab, and Minister of Energy and Water Arthur Nazarian. Abboud, a Free Patriotic Movement supporter and informal advisor to Bishop Sayyah revealed to EXECUTIVE that “[the truckers] had their own reasons. Their own reasons have nothing to do with the economy of the country. We are with them in strategy and tactics — for the strategy we think they are right.”

## PORT MANAGEMENT

The truckers astutely grasp that they would be among the first affected by a shift in port strategy.

Those in the Bkirki-led committee realized, based on the movement by the truckers, that changes at the POB were not in their economic interest. What began as a labor issue is now the cause célèbre on the political front, and the economic stakeholders to be affected tend to be on the Christian side — not in a religious dimension, but a communal one in support of industrialists in the greater Metn.

The Bkirki-led committee is questioning the legality of the port’s management as a main component of their takeover strategy, specifically challenging the port’s ability to undertake any expansion project without government approval. For its part, the port’s management justifies its plans by pointing to a previous cabinet decree as all the approval it needs. The Bkirki-led committee challenges this interpretation. They argue that since the port’s managing team is a temporary one, it cannot undertake expansions without new approval from the Council of Ministers.

The legal challenge stretches deeper. The Bkirki-led committee is raising questions over the port’s legitimacy to spend the tariffs it collects. “It’s neither a public company nor a private company, nor a department within the government, with no clear reporting lines to anyone except a dotted line to the minister. It has its own bank account at Banque du Liban. It does not fall under the jurisdiction of the audit council, so it does not get audited by the government at all,” Hasbani challenges.

Abboud adds that, since before his time as minister of tourism, he has been stonewalled on the tax issue. He says the role of the Church throughout all of this has provided a useful platform to push the issue. “We went to Bkirki because there is no president,” Abboud tells EXECUTIVE. “To be totally honest with you, [this was] the only way I could think of to turn this around, because I have been defeated for the last 15 years, before I was even a minister in the Cabinet. Usually Bkirki, when we ask for their interference, say they will not interfere in such a way — they will simply call the president: ‘Please Mr. President, put this whole issue in a Cabinet meeting.’”

But Abboud is adamant that the tariffs the port collects are illegal taxes. “You cannot collect taxes from the people and not pay them to the budget — this money goes to private banks, and [Kraytem] spends the money as he wishes. This is what has been happening for the last 25 years, which is absolutely incredible. I sent [a letter] to the Shura Council asking them how a temporary committee can collect taxes from the people and not pay it to the budget? This question is now more than three years old and has never been answered.”

## NATIONAL STRATEGY NEEDED

The Bkirki-led committee is pushing further. They want to integrate Lebanon’s ports into a national strategy, and their objection to this specific





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expansion project — as one not in the public interest — has, in their opinion, highlighted such a need. They also say the project does not consider the impact to the nation's economy but only serves the port's desire to increase its revenue. Predictably Kraytem, the port's manager, disagrees. He says that Lebanon would be losing economically and strategically, and that it would negatively impact Lebanese consumers if the expansion project were not implemented.

Where exactly the port lays in economic importance to the nation is not up for debate, but how it intersects with other sectors of the economy, they say, must be prioritized. "We asked if there is a national plan for the ports. There was none. We asked if there is a national strategy for maritime transport. There was none. We asked for the position of the government. There was none," Hasbani tells EXECUTIVE. The Bkirki-led committee is of the opinion that Lebanon's ports, since they are public assets vital to the nation's economy, should be incorporated into a national strategy integrating maritime transport with land infrastructure. "This is what we're demanding," Hasbani continues, "first of all a strategy; second an independ-

### "WE ASKED IF THERE IS A NATIONAL PLAN FOR THE PORTS. THERE WAS NONE"

ent regulator; third a clear structure of how the ports will be managed — public-private partnership, privatization, nationalization — we have to have a decision by the government and it has to be a full national discussion, not just one minister or one group."

If and when the government might commence this debate is still unclear — its silence on the whole issue is deafening. The ministry responsible for the port has been publicly absent from the discussion, seemingly content to allow the port's future to be debated outside the framework of the state. EXECUTIVE's interview requests to the Minister of Public Works Ghazi Zaiter, as well as separate requests to its director general for land and maritime transport, Abdul-Hafiz Kayssi, remain unanswered. Abboud also says that Prime Minister Tammam Salam has so far declined to put the expansion issue on the agenda of the Council of Ministers. He tells EXECUTIVE that, "I

spent two and a half hours with him [in March]: 'You are the head of this Cabinet, you are the prime minister, how can you say you don't want to look at this file?'"

EXECUTIVE has also learned that an additional stakeholder has requested the project be put on hold — the Lebanese Army. The army is reportedly anticipating delivery of several new frigates, and the port's First Basin is said to be too shallow to moor those warships. Filling Basin 4, the Army is concerned, might also limit the access of UN and foreign military ships — possibly jeopardizing international treaties.

Clearly, the Port of Beirut is a strategic asset — it is Lebanon's maritime transport hub, the point of entry for a great majority of Lebanon's consumables and raw materials, as well as the site of export for most of the goods produced here, with major implications for the nation's economy. A national strategy organizing Lebanon's ports is needed, the Bkirki-led committee correctly points out, to address infrastructure challenges that are limiting shipping efficiency, as well as to determine the roles of Lebanon's ports and how they will be managed.





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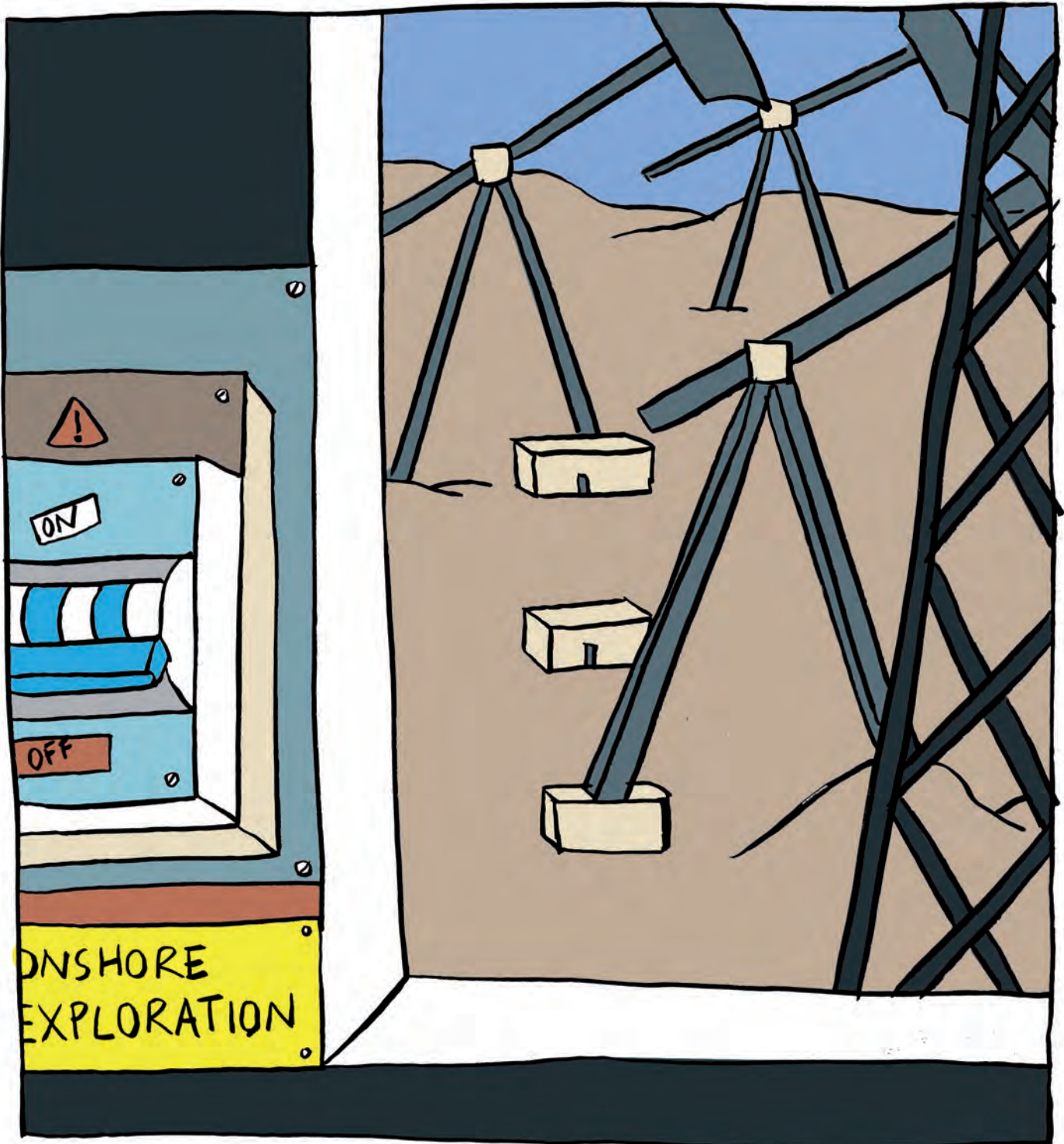
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# Looking good

Survey says high prospectivity for onshore oil and gas *By Matt Nash*





**W**hile some locals have allegedly found small amounts of oil or gas in the Bekaa Valley while looking for an entirely different resource, namely water, there is no Lebanese version of Jed Clampett — the fictitious US hillbilly-turned-millionaire who accidentally struck oil while not so skillfully “shootin’ at some food.” That said, data from a new hydrocarbon exploration survey that focused on the northern half of Lebanon as well as the coast, suggest that buried a bit deeper than an errant bullet could travel Lebanon may have onshore oil and gas deposits. Nothing is certain before drilling begins and not all deposits are necessarily commercially recoverable reserves, but prospects in the portions of the Bekaa surveyed look good. The question moving forward will be when drilling will begin and under what legal framework will it happen.

## OIL, OIL EVERYWHERE

Jim Hollis, CEO of NEOS GeoSolutions, likes to tell a joke. “This goes back to something I said [at a conference] yesterday, ‘The first thing they teach us is: The best place to find oil is where there’s oil,’” he quips in an interview with *EXECUTIVE* some 17 hours before trotting the one-liner out again at a survey data presentation event. “We look for patterns, and what’s awesome about Lebanon is, if you look around the neighborhood, there are lots of plays,” he continues.

Indeed, oil and gas finds in Syria seem to follow a southwest path from the north east of the country right up to the Lebanese border. There are oil and gas fields in Israel, too. And while the geopolitical differences among the three countries are vast, NEOS GeoSolutions — the American company that completed a survey of 6,000

square kilometers on- and offshore Lebanon — believes that geologically Lebanon has a lot in common with both Syria and Israel. Beneath the borders none actually agree on are two resource-rich basins that all three can potentially exploit or further develop, as the case may be.

Like Wissam Chbat — an official from Lebanon’s Petroleum Administration (LPA) who gave a speech at the launch of the survey’s results — Hollis spoke rather definitively about the presence of onshore oil and gas without playing a guessing game about the amount of what might be where. Both have an interest in talking up prospectivity — Hollis wants to sell survey data and Chbat wants to attract oil and gas companies — that is, however, constrained by a need to maintain

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## “CURRENTLY, THE LEGAL FRAMEWORK IS BASICALLY SUITABLE”

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credibility in the future. As part of the survey results package — which are now on sale for interested oil and gas companies — NEOS produced a map of what Hollis described as “hot spots” or “sweet spots” deemed worthy of further investigation.

The next step from a resource development perspective would be to bring in oil and gas companies to either conduct additional, targeted surveying or to simply begin drilling, depending on a company or consortium’s risk appetite. While the LPA drafted a new law that would apply to onshore exploration and production — as the 2010 legislation that created the LPA applies only offshore — Chbat explains that the existing legal framework allows the Cabinet to sign

contracts with companies to explore and, potentially, produce whenever it sees fit. In fact, he says, in the 1950s the government granted onshore exploration and production concessions — which never resulted in any commercially viable finds and were canceled in the 1990s. Today’s Cabinet could very well do so again.

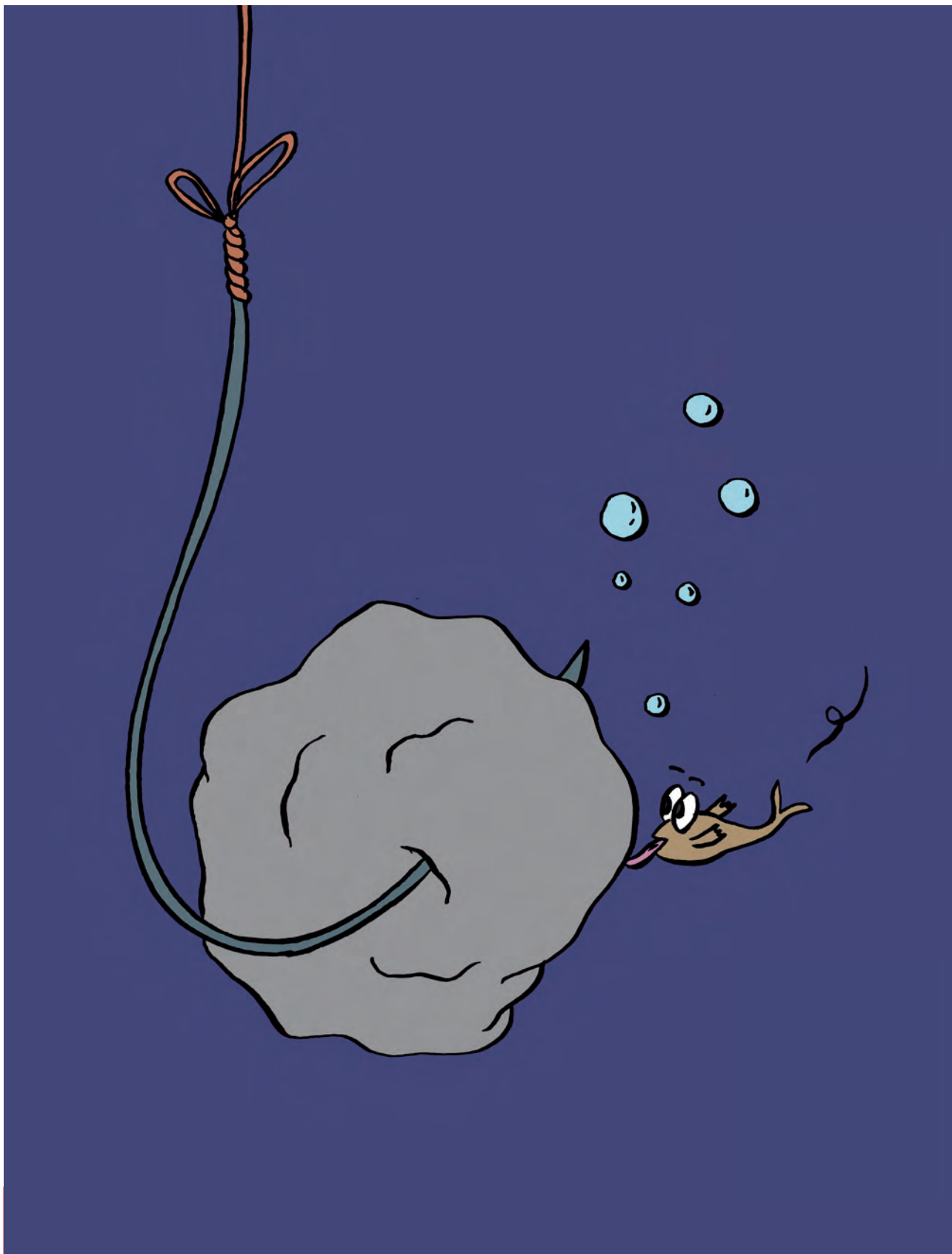
## PLAYING BY THE BOOK

“If investors want to proceed, how?” Chbat asks rhetorically while addressing an audience at the survey’s data delivery ceremony. He explains that a mining law from 1933, coupled with another piece of legislation from 1975, and taken in conjunction with a 2011 Cabinet decision and a 2013 decision by the Minister of Energy and Water, together provide a legal path for the Cabinet to act without need for a completely new legal text. Passing a new legal text would require parliamentary approval, which tends to follow what experience shows can be over a decade of “debate.” The Cabinet’s power to move unilaterally towards onshore exploration and production is significant because, particularly in the Lebanese context, drilling onshore would be both technically easier and significantly cheaper than drilling in the country’s ultra-deep offshore. “The council of ministers can issue a decree for an [onshore] exploration and production sharing agreement” similar to the one for offshore that the Cabinet has been studying for years now, Chbat says. The LPA is still pushing for totally new legislation to have a firmer legal footing down the road. However, Chbat notes, “Currently, the legal framework is basically suitable.” Whether the Cabinet seizes this opportunity in light of the promising new data, though, is anybody’s guess. 



# Mixing oil and insurance

Time and political deadlock on the side of Lebanon's would-be oil and gas underwriters *By Jeremy Arbid*





**N**ot even a political shutdown of the oil and gas file can discourage Lebanese insurers from preparing for this industry — they, after all, do know a thing or two about risk. But as local insurers gathered at a June conference to discuss the finer points of oil and gas indemnity, a lack of consensus surfaced as to whether they will have priority to assure the assets of exploration companies when they come to town — a right granted as per Lebanon's insurance law. The government is due to debate this aspect of the legal framework ironing out the details with Lebanon's insurance association.

While that all plays out, a more interesting aspect to ponder is whether local insurers will have the financial leverage to assure oil and gas projects. Together, Lebanese firms generate annual premiums of \$1.5 billion and are liquid enough with equities totaling around \$1 billion. One oil rig, for example, valued at around \$150 million would have liabilities in the hundreds of millions of dollars. Talk of forming an insurance pool will allow them to share more risk limiting exposure and liability. Lebanese insurers want their piece of the cake, but it is yet unclear how much net premiums the local players might reap from an oil and gas industry.

## COMPROMISE BETWEEN INTERNATIONAL AND LEBANESE FIRMS

Confusion over whether local companies will have insurance priority is the immediate point in a developing debate between ACAL — Lebanon's association of insurance companies — and the government. Lebanon's petroleum activities regulation — a collection of application decrees filling out the offshore petroleum resources law — says that oil and gas exploration companies will be free to self insure their operating risk through a wholly owned unit. Many international oil companies (IOCs) have captive insurance subsidiaries that they use to insure their operating risk. For them, it makes more sense economically

to insource risk management because it allows profits generated from premium payments to float back up to the parent organization. In other words, self insuring would allow IOCs to skirt premium payments to Lebanese insurance firms. That, says ACAL, conflicts with the country's indemnity law stipulating the financial protection of any asset through a local insurer.

A compromise is in the works says Max Zaccar, president of ACAL. He told a conference audience in early June that an insurance pool might be formed, “We are putting in place a system so that all the insurances of the oil and gas industry are placed with the 50 insurance companies in Lebanon [through] international reinsurers.” But the particulars of ACAL's ongoing discussion with the government, he said, were too precious for the public's ears. Wissam Zahabi, the Lebanese Petroleum Administration's economic pointman, told *EXECUTIVE* on the sidelines of the conference that local insurers “retaining a percentage [of risk]” would add value and compound returns to Lebanon's economy. “This is an industry that has huge application,” he says, adding that “ACAL is proposing a scheme and we are working with them to make sure [local insurers] are liable jointly and to ensure they have the solvency and the capacity.”


## LOCAL SOLVENCY

Whether local insurers do have the solvency or expertise to take on financially massive exploration projects in Lebanese waters is a different question entirely. They will most likely form an insurance pool to spread risk across the 50 insurance companies operating in Lebanon. According to expert brokers of international oil and gas insurance contracts, none or next to none of the local insurers have enough capital to insure the bigger projects of oil exploration. Lebanese insurance companies are too small to go it alone. Pooling their resources together would allow them to take on a greater share of risk, but at this point it's not really clear how much.

The likelihood is that such a pool might take on only a fraction of the risk while passing a greater portion of risk to the larger, more global insurance players. “We'll definitely need a reinsurance market,” says Jalal Tabaja, a senior manager specialized in marine and energy reinsurance at Chedid Re, a regional firm. “We're talking about billions of dollars in assets. Each one is a billion or \$500 million or so, and it's not easy to cover it locally. So we do need a reinsurance market to distribute the risk.”

Insurance would indeed represent a lust-worthy opportunity for the local economy, but nobody really knows how much in gross premiums an oil and gas insurance industry might be generated in the Lebanese market. The greater potential is for follow-on business not directly related to operating risk, the type of commercial activities not currently insured in Lebanon. These insurance demands may appear as companies spring up to facilitate oil and gas exploration — those companies servicing rigs and production facilities — and, possibly later, a refining industry.

Lebanese technocrats have taken note of the insurance experience from the Gulf oil producers. In most instances, Arab companies passed on all the risk to international reinsurers. Even later on they did not build these capabilities, with the possible exception of Saudi Aramco, which built its own risk management business line, but generally they have not been very strong in capability because their insurance markets are not robust.

Lebanese insurers have time on their side — we can thank politicians, for once, for the ongoing delay. Lebanon's insurance industry will need to prepare its human and financial capital needs. There are yet further, more difficult hurdles to leap. Sharing information among competitors is currently a big barrier — an insurance pool will require certain levels of information sharing and collaboration among companies, a battle likely to unfold once an insurance pool is set up. 







# SEASONS IN THE SUN

Lebanon's hospitality and tourism industry  
gears up for the summer *By Nabila Rahhal*

**T**he first half of 2015 has been good for the Lebanese hospitality and tourism sector and, across the industry, hopes are high for a positive summer season. “With respect to the economic and security climate, it has actually been quite good. One would imagine it to be worse than it really is, considering what’s going on in the region and what is portrayed on the local news. But in reality, the industry and Lebanese entrepreneurs and businesspeople seem to be persistent and quite good at living day by day and making sure the situation doesn’t affect them,” says Ziad Kamel, secretary of the Syndicate of Owners of Restaurants, Cafés, Night Clubs and Pastries in Lebanon, and partner in the Alleyway Group. He believes this is due to a sort of numbness to the situation, where not only Lebanese businesspeople, but the general public as well, have gotten used to accepting the current regional and political climate.

The number of visitors entering Lebanon has been on a steady double digit rise this year, with the first four months of 2015 seeing 399,049 visitors as opposed to 331,708 visitors in the same period last year. Hotel occupancy in Beirut’s four and five star hotels was also 12 percent higher for the first four months of 2015 than it was for the same period in 2014, according to Ernst and Young’s Middle East Hotel Benchmark Survey report. Owners of boutique hotels and guest-houses — which have become more and more common in the regions outside of Beirut — speak of being fully booked on weekends for weeks in advance (see article page 60), with both local Lebanese residents and foreigners choosing them for their holidays.

Beach resort operators also believe that the season, which began in May this year, is off to a good start, with hopes that it will continue this way despite the interruption

## NUMBER OF VISITORS TO TOURISTIC SITES IN LEBANON

	2012	2013	2014	Change 2012-2013	Change 2013-2014
Baalbeck	77,429	48,792	33,900	-36.98%	-30.52%
Byblos	83,891	69,508	72,007	-17.14%	3.60%
Sidon	45,305	30,468	24,069	-32.75%	-21.00%
Tripoli	3,247	1,153	1,465	-64.49%	27.06%
Tyre	6,764	5,656	8,383	-16.38%	48.21%

Source: Ministry of Tourism



**EY MIDDLE EAST HOTEL BENCHMARK SURVEY**

Year-to-Date Performance (January 2015–April 2015)

Currency: US\$

	Occupancy			Average room rate			Rooms yield		
	2015%	2014%	Change	2015	2014	Change	2015	2014	Change
<b>Bahrain</b>									
Manama	51.0	52.0	–1.0%	193	199	–3.3%	98	104	–5.3%
<b>Egypt</b>									
Cairo — City	47.0	31.0	16.0%	102	77	33.2%	48	24	98.6%
<b>Jordan</b>									
Amman	53.0	63.0	–10.0%	154	158	–2.6%	83	101	–18.2%
<b>Kuwait</b>									
Kuwait	58.0	56.0	2.0%	269	301	–10.5%	158	170	–6.7%
<b>Lebanon</b>									
Beirut	54.0	42.0	12.0%	173	163	6.2%	94	69	35.6%
<b>Qatar</b>									
Doha	76.0	71.0	5.0%	262	237	10.3%	200	169	18.5%
<b>Saudi Arabia</b>									
Jeddah	74.0	77.0	–3.0%	257	248	3.4%	191	192	–0.7%
Madina	82.0	81.0	1.0%	191	168	13.8%	157	137	15.0%
Riyadh	71.0	72.0	–1.0%	218	223	–2.3%	155	161	–3.9%
<b>UAE</b>									
Abu Dhabi	82.0	82.0	0.0%	227	220	3.5%	187	181	3.1%
Dubai — Beach	86.0	83.0	3.0%	448	481	–6.8%	387	399	–3.2%
Dubai — City	86.0	90.0	–4.0%	221	242	–8.7%	192	219	–12.3%
Dubai — Overall	86.0	87.0	–1.0%	303	325	–6.7%	262	284	–7.9%

**Notes:***Figures may not add up due to rounding.**“Dubai — Overall” includes Dubai Beach, Dubai City and Dubai Apartment Hotels.**Source: Benchmark, April 2015*

in business that the holy month of Ramadan brings (see article page 64).

The Ministry of Tourism is proceeding at full speed with the implementation of the Rural Tourism Strategy, developed in collaboration with the NGO Beyond Beirut and funded by USAID. The strategy aims to develop most of Lebanon's rural areas — such as Ehmej or Douma in North Lebanon — in the hopes of attracting those interested in leisure and adventure tourism, such as biking or mountain climbing. Kamel explains that during the summer season, the successful venues outside of Beirut tend to be along the beaches or in the mountains, where a lot of outdoor activities and tourism happen and, because of their seasonal limitations, there is a natural focus on these areas by visitors and stakeholders alike. “But with an added push from the businessmen in these areas out of Beirut, and from the Ministry of Tourism, this will help them perform better than if they just relied on their seasonality,” Kamel says.

On the other hand, cultural tourism in Lebanon, to antiquity sites such as Byblos' citadel or Tyre's hippodrome or the temples of Baalbeck, is still viable, with some areas receiving more visitors than others due to factors including perception of security issues and how much of a tourist destination the city that hosts these sites is (see article page 50). The most important factor for all operators that could either make or break the hospitality and tourism sector, is the security situation, which until now has been relatively stable. “I think the general trend is that as long as the situation is not manifesting itself on the streets, then business goes on, life goes on. As long as the status quo is maintained, then I think we are geared up for a pretty good summer, because Beirut and Lebanon actually look peaceful now compared to what is going on in Syria. As long as the negative situation stays out of Beirut and other urban areas, people tend to get over it very quickly,” Kamel concludes.



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# Reconstructing cultural tourism

Creating touristic destinations from Lebanon's antiquity sites *By Nabila Rahhal*

**Y**ou see them adorning the walls of Beirut's Rafik Hariri International Airport and the Ministry of Tourism, in picture books about Lebanon or even flashing by in advertisements promoting the country. Images depicting Lebanon's sites of antiquity, accompanied by a logo of the country's name written in Arabic calligraphy, have become etched in people's minds as symbols representing Lebanese tourism.

The reality, however, is different from the images. Instead of the cities that host these renowned archeological sites being swarmed with tourists and visitors, many of them — with few exceptions — are mere shadows of their potential in terms of touristic revenues.

According to figures gathered from the Ministry of Tourism, 2013 saw a double digits percentage drop in the number of visitors to cultural antiquity sites compared to 2012, ranging from a 65 percent drop in Tripoli or a 37 drop in Baalbeck, to a 16 percent drop in Tyre or 18 percent in Beiteddine. While the number of visitors rose in 2014, it was still low when compared to the proportion of tourist visits in other ancient cities also rich with heritage sites, such as Athens or Rome.

The reasons given for such a meager performance vary among the public and private sector stakeholders involved in the preservation and promotion of Lebanon's archeological antiquities. **EXECUTIVE** took a closer look at three cultural antiquity sites in Lebanon to see what their current condition is, and what factors are involved in developing a touristic destination around them.

## WHO'S WHO IN CULTURAL RUINS?

While many entities play a role in preserving Lebanon's antiquity sites, they are directly managed by the Directorate General of Antiquities (DGA), which was under the Ministry of Tourism until 1992 and became a part of the Ministry of Culture after its formation. The DGA is responsible for the management, conservation and maintenance of the sites. This can range from the smallest details — such as cleanliness — to decisions related to further excavations or the addition of infrastructure — such as museums or signage — geared to enhance visitors' experiences. The DGA has one specialized archaeologist in each region of Lebanon who oversees the cultural antiquities and is responsible for handling the sites' needs in coordination with the director, who is based in Beirut. When it comes to the marketing of archeological sites, the DGA collaborates with the Ministry of Tourism to promote the attraction, usually as part of its tourism strategy, through the international exhibitions they take part in or the media

they produce, which includes brochures, advertisements and billboards.

"We cooperate with the Ministry of Tourism and provide them with any information they need, but they usually only want general guidelines, which can be used to market these sites under certain strategies," says Ali Badawi, the DGA's archeologist in charge of Tyre's ruins. He adds that the Ministry of Tourism is also responsible for the development of complementary activities near the site that would enhance its touristic appeal.

## THE WORLD HERITAGE LIST

When a cultural antiquity is placed on the UNESCO World Heritage list, more value and prestige is given to the site, and consequently more responsibility for its preservation is placed on the DGA.

There are 1,007 sites across the globe listed as World Heritage sites, with sites classified as natural (found in nature), cultural (man-made with cultural value) or a mix of both. Lebanon has four cultural sites listed — Baalbeck, Byblos, Tyre and Anjar — and one natural, the Qadisha Valley in the north.

Joseph Kreidi, program officer of the cultural sector at UNESCO, explains that for a site to be placed on the World Heritage list, it has to meet a long list of criteria and standards. The most important requirements are that the site has an outstanding universal appeal and a management plan outlining how it will be preserved and developed. UNESCO makes sure the country adheres to the management plan through a field visit every two years.

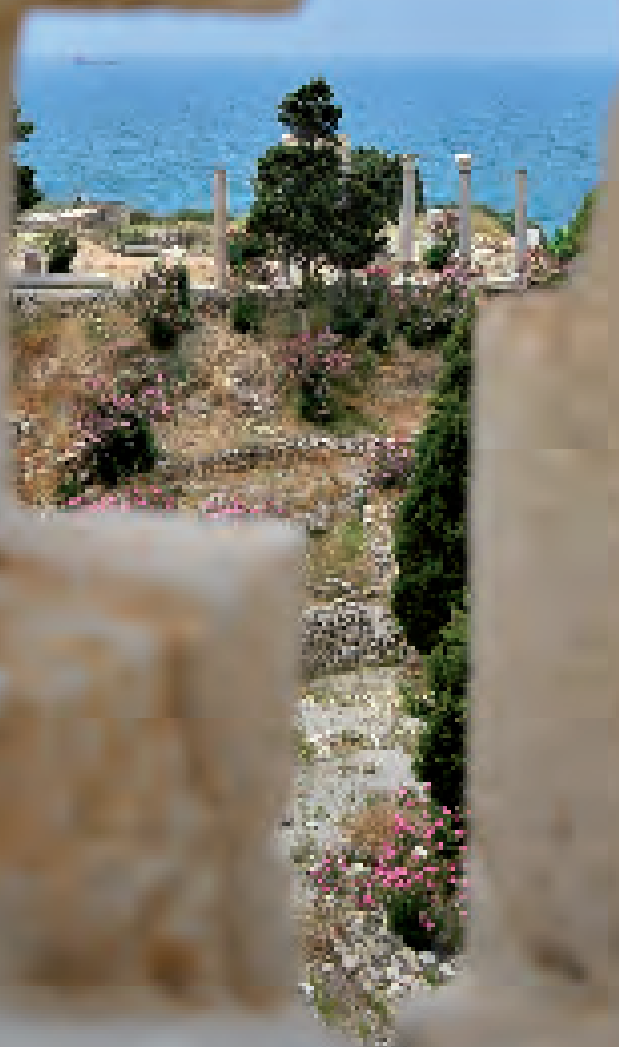
"The value of a site becoming a World Heritage one is that it gains universal value and ownership in that all international bodies are concerned and have the right to question what happens to it," Kreidi says. This translates into more funding for preservation or rehabilitation projects from international bodies, such as the World Bank-funded programs to preserve the temples of Baalbeck from pollution and the citadel of Byblos from weather related elements.

## MUNICIPAL AND COMMUNITY SUPPORT

Being representatives of their communities, the municipalities of the cities where the ruins are located are both benefactors and stakeholders in the development of their sites. According to the representatives of the DGA interviewed for this article, the municipalities directly benefit from these sites through admissions fees, of which they get half, with the other half going into the government's coffers. The admissions fees range from \$3 for the ruins of Tyre to \$10 for the temples of



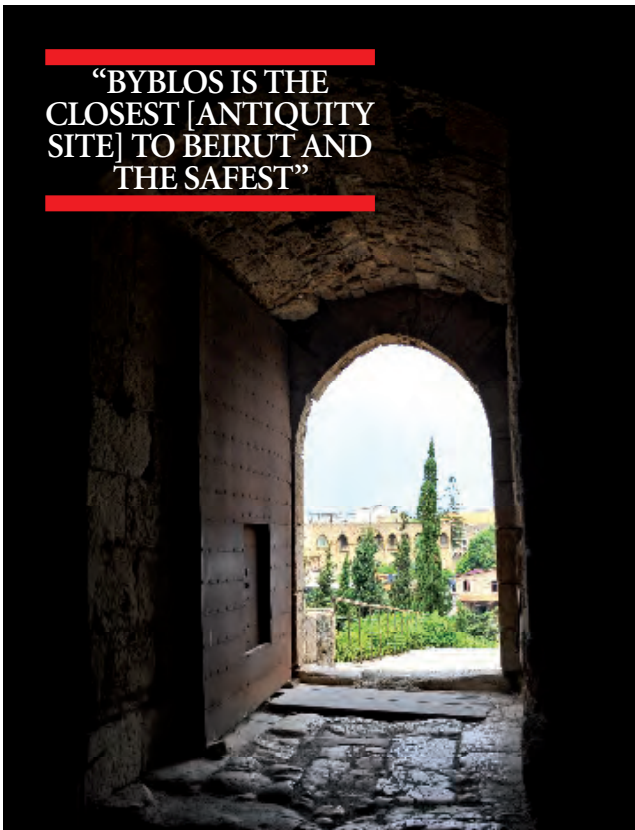
*Tyre's seaside  
ruins date back  
to the Roman  
rule*







**“BYBLOS IS THE  
CLOSEST [ANTIQUITY  
SITE] TO BEIRUT AND  
THE SAFEST”**



Baalbeck, with the exact amount depending on the size of the site and the visitors' nationality.

The municipalities also indirectly benefit from the increased economic activity that these sites bring to the city, especially when the city is well equipped with venues that provide additional opportunities for leisure, such as restaurants and hotels. According to those interviewed for this article, the municipalities' cooperation is always sought when developing projects in the cities where antiquity sites are based, as the end goal for all those involved is the viability of the site and its surrounding town, which can only be achieved by working together.

However, the relationship between the public sector — charged with the management and development of the cultural antiquities, along with the cities hosting them — and the private sector — which has the finances needed to invest in revitalizing these cities — is not always a smooth one, with both parties often deeming the other exploitative.

## **BYBLOS: THE MAKINGS OF A DESTINATION**

Archeological sites alone are not enough to build a touristic destination, as complementary activities are needed to encourage visitors to extend their stay in the city by a couple of hours or even a day or two.

Named the Arab Capital of Tourism for 2016, it seems that Byblos has achieved the goal of becoming a top tourist

spot for both domestic and international tourism. The citadel, its main cultural antiquity site, received 90,000 visitors in 2014 according to Tania Zaven, the DGA archaeologist responsible for the Mount Lebanon area, who says that peak season for the citadel is from April to June, when most schools choose to send their students on field trips.

“Byblos is the closest [antiquity site] to Beirut and the safest, so maybe this is why visitors come here. They also have the option of the beach, hotels and restaurants, which helps us attract people to our antiquities, plus the fact that it is a World Heritage site,” says Zaven, explaining the appeal of the city.

Meanwhile, Ayoub Bark, vice president of Byblos' municipal board, says there were around 15,000 visitors over a period of three days at the wine festival, which was held in the old port earlier in June. The municipality proudly speaks of the upcoming schedule of summer events — which include, aside from the annual international festival, a bicycle tour, a film festival and a 3D animation screening on the walls of the citadel.

Yet Bark feels the creation of a cultural tourism destination is bigger than the scope of the municipality and a larger part of the work should be handled by the government through the ministries of tourism, public works, culture and transportation. These ministries need to work together in their respective capacities to improve access to Byblos, and



A woman wearing a black riding helmet, a dark leather jacket, and breeches is riding a white horse. The horse is in mid-air, clearing a wooden jump with red and white striped rails. The background is a blurred indoor arena with large windows.

# 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.



to properly promote and develop the area. "What we as a municipality did is allow the old city to remain viable: We are maintaining its cleanliness, beautifying it and making it environmentally friendly by gradually increasing the pedestrian areas and widening the sidewalk," Ayoub says.

Roger Eddé, CEO of Eddé Sands, is one of the biggest investors in Byblos, beginning with the development of Eddé Sands Hotel and Wellness Resort 12 years ago, which he sees as the foundation and heart of his later investments in the region. Namely, Eddé Yard and its many outlets in the old city's souks that played a major role in reviving the area, according to Rafael Sfeir, mayor of Byblos from 2000 to 2004. "The cornerstone for creating a destination is always the flagship project and then, to fill the spaces between these cornerstones, you get other smaller investors to invest," Eddé says, explaining how Byblos evolved into the touristic destination it is today.

Eddé estimates that his projects in Byblos have contributed to the economy of the city and its regional GDP a minimum of 20 to 100 times of what he has invested into the area. Yet, he feels that, to a large extent, the public sector has placed many obstacles in his way and he views them as detrimental to touristic investments.

Initially, when Eddé first conceived of Eddé Sands Resort, then-mayor Sfeir welcomed the idea. "When I met Mr. Eddé and we were discussing the project, I was acutely aware of the importance of such a project for Byblos. But this was personal because I was aware of the importance. It was not institutional," Sfeir says. He explains that he does not see this process becoming institutional within the current framework of the Lebanese law, where local governments only care about generating more revenue from taxes.

"They charge us fees and taxes, and they make conditions whereas we have no legal protection anywhere else in the system. It starts at the level of government and goes down to the level of municipalities where you are asked to pay this or that kind of amount, which is subject to change," says Fadi Eddé, CEO of Eddé Sands Hotel and Wellness Resort and Roger's younger brother, who also views the public sector as exploitative.

While the speed and breadth that Byblos has been developing has its merits for the area's touristic status and economy, Zaven worries it comes at the expense of the preservation of the old city and its authenticity which, as a World Heritage Site, must maintain certain standards.

"Because the entire city is an archeological one, there are potentially more ruins still lying beneath the surface of the souks. Therefore, before any construction or alterations take place, we have to give our approval in collaboration with the municipality. We both want the same thing, which is the viability of Byblos as a touristic area, but we at the Ministry of Culture think in the long term and don't want to compromise the authenticity and charm of the area. It is a balancing act," she concludes.

## **BALBECK: LIVING IN PAST GLORY**

In the 1950s, Baalbeck was a city renowned for its rich cultural life with thousands of visitors flocking to its temple to watch international stars perform under the moonlight. The city had four five star hotels at a time when it was hard to find that many quality hotels anywhere else in the country, recounts Mohamad Wehbe, the representative of the Lebanese Tour Guides Syndicate and a guide in Baalbeck.

More recently, and before the war in Syria, Baalbeck had an active touristic life. Laure Salloum, DGA archeologist



*The majestic Baalbeck temple*



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**Palmyra Hotel**

in Baalbeck and Hermel, explains that tourists visiting Syria, Iraq or Turkey would include Baalbeck on their itinerary en route to Aleppo.

Today, the famed Palmyra Hotel's 27 rooms are collecting dust and while a hotel project, Kenaan, was launched around three years ago in proximity to Baalbeck's fresh water spring, no significant investments in tourism have been made since. There are only a few restaurants in direct proximity to the temples and the shops catering to tourists are either almost empty of goods or closed.

A manager on duty at the Palmyra Hotel says that, save for the period of the festival when they are almost full, they barely get any bookings and consider a week when they have just five booked rooms a "very good one." Bahzad Asfahani, owner of the 70 year old Restaurant Al-Ajami in the city, says touristic activity in Baalbeck has been slowing down for the past 10 years and is almost at a standstill now: "Things never really got back to the way they used to be before the Civil War when Baalbeck was always full of foreigners and cultural events," he recalls.

Hamad Hasan, mayor of Baalbeck, says the municipality's share of touristic returns from the temples in 2003 reached \$2.5 million while last year it was \$86,000 only, with figures from the Ministry of Tourism showing

that the number of visitors to the temple has decreased by 30 percent since 2014.

"Baalbeck has one of the oldest and most well known temples in the world, but despite this, the city is marginalized and neglected. This means there is a glitch in the area's public policy. Therefore, a policy should be developed for Baalbeck city, which would look at ways to capitalize on the presence of this temple for the general good of its citizens and the quality of their public life," says Mohammad Ayoub, founder and director of Nahnoo, an NGO which works on various issues related to public life in Lebanon. One potential idea proposed by Ayoub is that the site play host to a series of events in Baalbeck, rather than just one central event, the Baalbeck International Festival.

The DGA is aware of the challenges facing Baalbeck, and Salloum says that since 2011, the temple of Baalbeck and its surroundings have been undergoing a conservation and rehabilitation project funded by the World Bank entitled Cultural Heritage Urban Development (CHUD), whose goal is to allow people to benefit from the touristic area in their city.

One of the ways the DGA is achieving this goal, through the CHUD project, is by increasing the areas which tourists can visit within the temple by developing access to the ruins and rerouting the entrance to it through the medieval city adjacent to the currently "open to the public" space in the temples.

The Ministry of Culture is also looking into developing other touristic attractions within the Baalbeck region, which Salloum says is rich with history and potential. Projects include public gardens on the slopes of the Eastern Lebanon mountain range or the rehabilitation of existing natural landmarks such as Hajar el Hibla (Stone

of the Pregnant Woman) in Baalbeck, which is among the largest monoliths ever quarried. "Such projects will improve the touristic experience in Baalbeck and people will be encouraged to spend more time in the region," she says.

Since it is part of a World Heritage site, the old souk area a walking distance to the north of the temple site should be in harmony with its surroundings and remain authentic, Salloum says, adding that parts of the souk are being restored to their former and authentic stonewall façades through the CHUD project, an act she hopes will also attract more tourists to the city. "We encourage the development of restaurants and hostels in the old city as long as they remain in harmony with the temples, which are at the heart of tourism in the region."

For his part, Hasan calls on the Ministry of Tourism to support Baalbeck: "When Baalbeck was one of the richest cities in Lebanon, they were our partners supporting us and sharing in the profits. Today, when we are poor and we need their support, they turn their backs on us and support areas

## **"THINGS NEVER REALLY GOT BACK TO THE WAY THEY USED TO BE BEFORE THE CIVIL WAR"**



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which are only for leisure tourism. The Ministry of Tourism should include Baalbeck in its tourism strategy because Baalbeck is a cultural landmark and has a rich history.”

Still, not all is lost, and Hasan is optimistic that a better touristic season is ahead now that the security situation is being addressed in the Qalamoun mountain range along Lebanon and Syria’s border. Despite everything, Salloum says that the Baalbeck temple is still one of the most visited sites in Lebanon because of its size and fame, but that the city itself needs to be better developed touristically to encourage visitors to the temples to spend time there instead of going to Zahle for leisure activities.

## TYRE: A TOURISTIC DESTINATION ON THE RISE

Before the onset of the Civil War, excavation works were taking place at high speed in Tyre with a 600-strong team working on both the hippodrome and seaside ruins until 1976, explains Badawi, the DGA archaeologist based in Tyre. “When we resumed work in the 1990s, our main goal was to preserve what we had, which was deteriorating because of erosion, before uncovering the ruins that still lie beneath the surface,” Badawi says. The war also saw the development of what UNESCO’s Kreidi calls illegal high rises — the buildings overlooking the main Tyre antiquity site — which did not get approval or permits from the DGA before construction.

Two Palestinian camps were also built on the outskirts of the excavated ruins, under which more ruins are thought to lie. “To look at the positive side, there are no buildings in the camps and the ruins are buried underneath with nothing destroying them,” Kreidi says. He adds that all this occurred during the chaos of the war, but that today the municipality of Tyre is very aware of the cultural importance of its antiquities and is used as a model of cooperation by UNESCO.


Badawi also speaks highly of the municipality of Tyre, giving an example of how, when the ruins’ cleaning crew had retired and the government was unable to hire a new one, the municipality began sending its city cleaning team to maintain cleanliness of the sites. “Honestly, in Lebanon, the cooperation of the municipality depends on the municipality itself. For example, in Tyre, the municipality is convinced that the site is part of the city and this is why they have claimed ownership of these ruins,” Badawi says.

In terms of what Badawi calls tourism infrastructure, Tyre has witnessed a steady rise in the number of restaurants and hotels, especially in the old city, with three hotels or guesthouses opening in the last three years and two similar projects in the works. “Restaurants and hotels are among the main pillars of a destination, along with some leisure activities to make a stay more enjoyable. We have the beaches for leisure, both for public and private usage, and there are

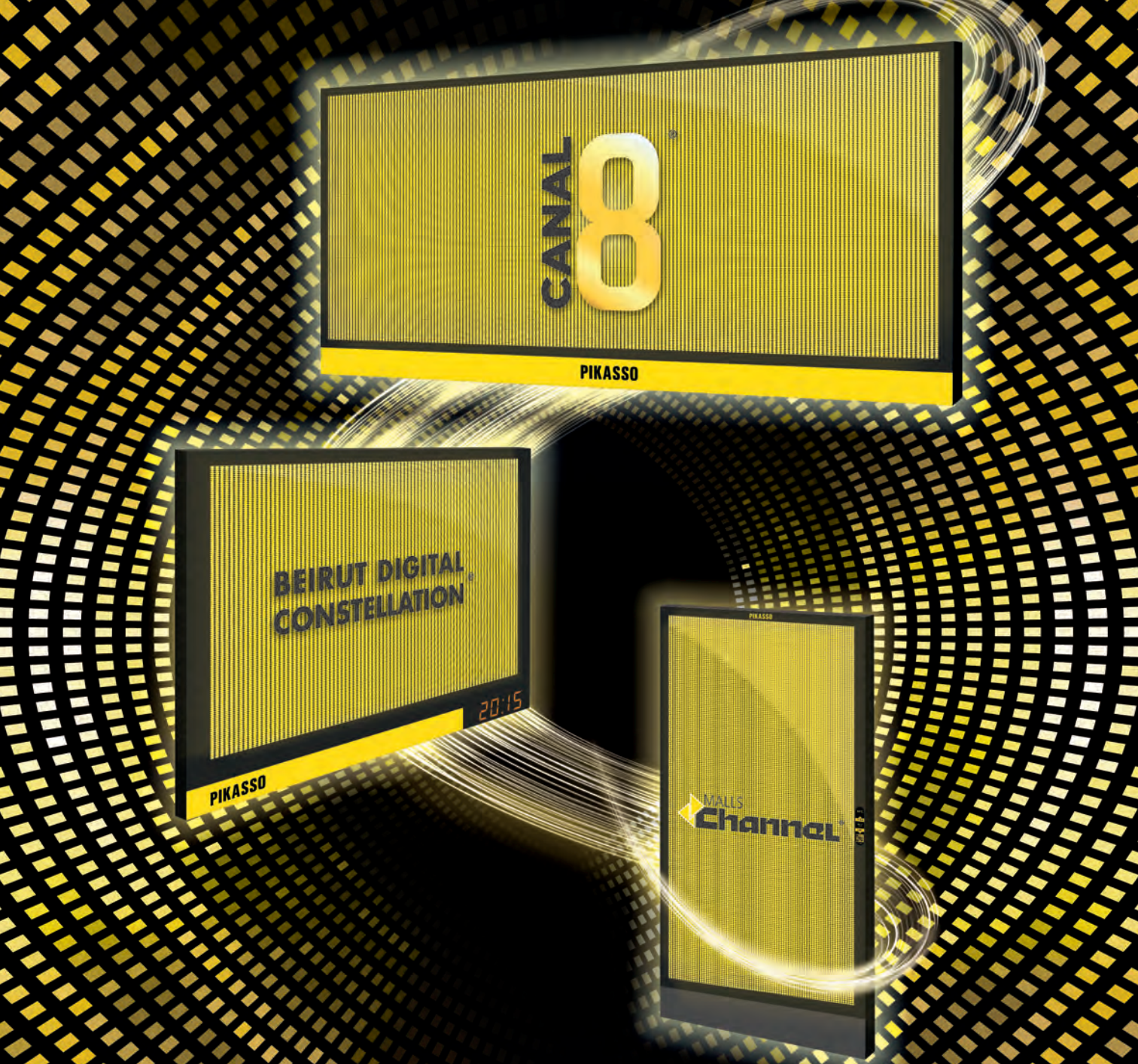


**“WHEN WE RESUMED  
WORK IN THE 1990S,  
OUR MAIN GOAL WAS  
TO PRESERVE WHAT  
WE HAD”**

many investments along the coast,” he explains, emphasizing that despite all these being private sector investments, they wouldn’t have been successful had the municipality not facilitated the process, encouraged investments, and developed the beauty and infrastructure of the city.

But it is still a balancing act to manage the cultural and the commercial aspects of a touristic destination. “The recent touristic investments in Tyre, with respects to its relative newness as a potential touristic destination, is very good to an extent, but I am worried it will become too commercial and chaotic, losing part of its virgin charm or identity. People like coming to the old city. We should leave it at that and have the touristic services for convenience,” Badawi concludes. 





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# Alternative lodging

Guesthouses and boutique hotels on the rise in Lebanon *By Nabila Rahhal*

**I**nterest in authentic and traditional experiences has been growing over the past several years in Lebanon, as exemplified by the rise in the number of restaurants in traditionally designed homes or even by the number of people going on hikes in rural and rarely visited areas of the country.

This trend can also be seen in the growing number of guesthouses — defined as a private home offering accommodation, and usually breakfast, to paying guests — or boutique hotels opening their doors, especially in rural areas of Lebanon. When EXECUTIVE first covered guesthouses two years ago, there were less than 10 such lodgings across the country. Today however, there are approximately 40 guesthouses according to Kanj Hamade, senior consultant at Lebanese Industry Value Chain Development Program (LIVCD). The program works on rural capacity development across three main sectors or value chains: agricultural, agro-industry and tourism, in which LIVCD offers training and technical support to guesthouse operators.

A sign of their current significance to tourism is that such lodgings are now officially recognized by the Ministry of Tourism and require a license for operation.

## WHAT'S IN A GUESTHOUSE?

According to Loyal Boustany of L'Hôte Libanais, a private company that promotes alternative tourism in Lebanon mainly through rural guesthouses, visitors opt for these forms of lodgings when they want to immerse themselves in the culture and traditions of the region they are in. "Previously, tourists came to Lebanon and went to touristic sites but did not really get in touch with the people or the community. Today with the guesthouses, they are basically living with locals so they get direct contact with the cuisine, the traditions and the mentality of the people. Even in boutique hotels, because they are small, there is a much closer and personal relationship between the owner and the guests," Boustany explains.

## LOCAL OR FOREIGN CLIENTELE

Boustany says that when L'Hôte Libanais was founded by Orphée Haddad in 2005, the idea of opening one's private house to strangers was unheard of among Lebanese, and that his main role was raising awareness and encouraging locals to utilize their homes in that manner.

Today, there are eight guesthouses and one boutique hotel in L'Hôte Libanais' network, which promotes and markets these guesthouses on its website, social media



*Dar Alma*

platforms and at events, along with allowing guests to book through the website in return for a percentage of the booking fee. According to Boustany, for the first few years, their clients were largely foreigners already familiar with the idea of guesthouses and either residing in Lebanon or here on vacation. "Slowly, and especially in the past three years, we had more people from Beirut who wanted to take a weekend









Beit al Batroun

## LOCAL TOURISM IS THE DRIVING FORCE BEHIND GUESTHOUSE CAPACITY IN RURAL AREAS



Beit al Batroun

getaway in these guesthouses or boutique hotels, instead of going to a typical mass tourism hotel,” Boustany says.

LIVCD’s Hamade says that local tourism is the driving force behind guesthouse capacity in rural areas for the time being. “We cannot promise guesthouse operators that there will be thousands of tourists suddenly coming to Lebanon this summer. What we can do is support them in first meeting the local demand, which is plentiful, and then preparing themselves and their venues, in terms of quality, for when the tourists from the Gulf region return,” Hamade says. He adds that when these tourists do come back to Lebanon, it will be enough for only 5 percent of them to visit rural areas and spend a night in a guesthouse in order to significantly impact the area’s economy.

Indeed many guesthouses or boutique hotels are finding that they have more demand than they can handle. Manager on duty in Dar Alma, a new boutique hotel in Tyre, says that their nine rooms are almost fully booked on weekends until the end of September and that they are at least half full during weekdays for the same period.

Collette Kahil, owner of Beit al Batroun, a guesthouse in

Batroun, says bookings from both foreigners and Lebanese have been steadily on the rise since she opened two years ago, and that she has recently added two rooms to her house, making a total of five, to meet this increased demand.

## SHOW ME THE MONEY

Hamade explains that rural tourism in general, and guesthouses or boutique hotels specifically, present an opportunity to revitalize the regions that host them. “These areas need that sector as it empowers women and youth in the area — they are usually the ones that work in this soft value industry — strengthens social cohesion when Lebanese visit lesser known areas of their country and combats poverty within that region, aside from securing the resilience of the tourism sector through diversifying offers,” Hamade explains.


Still, Boustany says L’Hôte Libanais encourages guesthouse owners to view this operation as an alternative revenue stream, one which can eventually be put back into developing and maintaining the guesthouse itself, rather than as a full time job which, according to her, would put too much emphasis on commercializing the guesthouse and affect the experience’s authenticity.

## THE MAKINGS OF A GUESTHOUSE

Slowly, owners of traditional Lebanese houses are considering the idea of transforming their homes into guesthouses. Boustany says that while at first they had to approach people and convince them to do so, today they are getting more and more phone calls from people who ask them to come and assess whether their homes meet L’Hôte Libanais’ criteria for guesthouses. The requirements include that the house’s architecture is traditionally Lebanese, the breakfast served is authentic and reflective of the culture and most importantly, the host is friendly and open to the guesthouse experience.

“Many people call us but when they understand the concept, they back out because they are not ready for such an idea. The concept of a boutique hotel is more easily accepted by the owner and the guest at times,” Boustany says.

While guesthouses and boutique hotels are certainly on the rise in Lebanon, with two new guesthouses — one in Keserwan and the other in Furn el Chebbak — joining L’Hôte Libanais’ network this summer, Boustany feels there is more work to be done in spreading awareness of alternative tourism.

“The challenge is that, even with all our efforts, the idea of the guesthouse is still uncommon and sometimes people are disappointed or their expectations are not met. In the end, you are in somebody’s house and sometimes there are clashes. But we know it is working because it is growing. The guesthouses in our network are fully booked and both the hosts and guests are happy,” Boustany concludes. 





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# Surfin' Lebanon

Where the Lebanese are opting to spend their beach days *By Nabila Rahhal*

**L**ocated on the shores of the Mediterranean Sea — however polluted they may be — and enjoying a summer season that stretches from mid May until the end of September, Lebanon's coast is dotted with various beach options ranging from increasingly rare free spots to top end luxury beach spas.

Where beachgoers choose to spend their time depends on several factors including income level, personal taste and the latest trends in offerings.

## SEMI PUBLIC BEACH CLUBS

With inflation driving up entrance fees at most resorts — the average rate for beach clubs in Beirut on weekends including Fridays is now LBP 40,000 (\$26.6) — many people are instead opting to drive the distance to the free public beaches of Tyre in the south or to beach clubs in Batroun with minimal entrance fees.

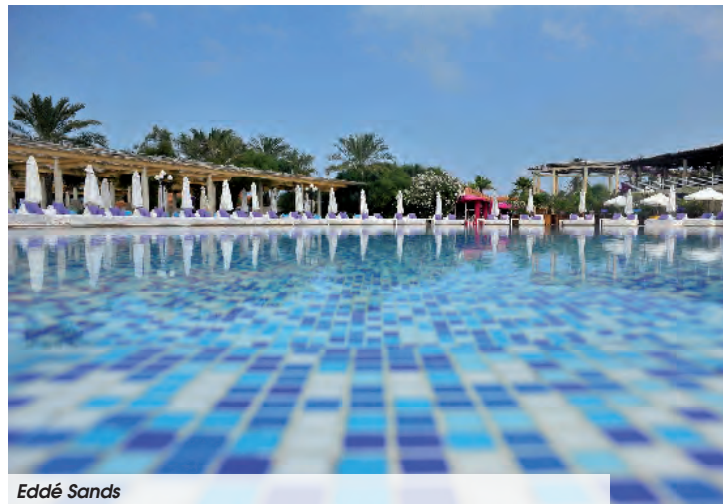
The sandy beach of Tyre has benefitted from a process of reorganization that began in 2000. According to Dalya Farran, owner of Cloud 59, a 12 year old bar and restaurant hut on Tyre's public stretch of beach, prior to the Municipality of Tyre taking over management of the beach, chaos reigned with vendors selling whatever they wanted from carts. The municipality, together with the Ministry of Environment, consequently stepped in to bring order, since the shore is part of a natural reserve. "When the municipality took over this area, they organized it by setting standards for venue size, hygiene, clearly displayed pricing and layout," she says. She explains that they currently rent the space from the municipality per season starting in May, build up everything and dismantle it at the end of the season usually in September.

Cloud 59 has a maximum capacity of 500 people and Farran says this season is off to a very good start, as they have been full on weekends with guests usually booking a week in advance. Access to Cloud 59 is free on weekdays with patrons only paying for what they order. There is a minimum charge of roughly LBP 10,000 (\$6.6) on weekends. "It is a good idea to keep it a public beach because most of our customers come from Beirut which means they already pay for gas. People with average income want to enjoy themselves, so instead of paying for entrance, they pay for what they want in terms of food and drinks," Farran says.

Jimmy El Hachach, bar manager at Batroun's Pierre & Friends Beach bar and restaurant for the past 10 years, also praises the benefits of having no entrance fee for beach access, explaining that this non-materialistic attitude puts customers at ease and builds a relationship of loyalty and



Eddé Sands



Eddé Sands

respect. "The revenues we make from having good service and tasty food is more than what we would get from an entrance fee. One day, a person might only order a beer all day and the next day he could be having his birthday party with a bill of \$200," he explains. He says that over the past 10 years, footfall at Pierre & Friends has been on a steady 8 to 12 percent annual increase, with 70 percent of their customers coming from Beirut.

## THE FINER THINGS IN LIFE

On the opposite end from those who opt for the simple beach experience are those who want to pamper themselves on their days off and willingly fork out the entrance fee to the more luxurious beach resorts Lebanon has to offer.





Madame Bleu in Ain el Mreisseh, formerly known as La Plage, is AddMind's newest foray into the beach resort business (after Bonita Bay in Batroun and Iris Beach Club in Jiyeh) and charges a \$35 entrance fee on Fridays and the weekend.

According to Karine Khoueiry, sales and marketing manager at AddMind, people don't complain about paying this fee — or any of the entrance charges to AddMind's beach resorts — offering as proof that Madame Bleu, which has a capacity of 156, is always busy, even without marketing or advertising efforts from their end.

Jiyeh's Orchid Resort also boasts a luxurious beach experience and charges an entrance fee of \$35, which Khalil Noujaim, the resort's manager, justifies by saying: "Inflation has been a common factor in our economy for the past several years and this has impacted a lot of businesses, hence the increase in prices at the beaches and across other industries. We try to compensate for this by offering more to our guests and enhancing our services and experience." Orchid Resort will open the first phase of their new project, Orchid Lounge, in Batroun by the end of the month.

## WHAT LIES IN A BEACH CHOICE?

Other factors that influence people's choice of beach venues include personal taste — those who enjoy loud music often opt for beach clubs with afternoon parties while those who want a sandy shore instead of a rocky one head to the south or to Chekka in the north — or familial status, with families seeking out child friendly resorts with pools and safe beaches.

Starting last year with a change in management, Bamboo Bay in Jiyeh added a children's play center and extended the family area to attract more customers to their resort. The resort's manager, Mohammad Abed Al Menim, says that they also introduced argeeleh to their menu and Arabic signage everywhere to attract a wider variety of clientele including Arab tourists.

Location also plays a key role in people's choice of beach spots, especially since after a long day at work some customers are more likely to opt for the nearest beach resort to maximize their time in the sun, Khoueiry explains.

## CLOUDS IN PARADISE

Not every day is a sunny one for Lebanon's beach resort business, and the internal security challenges that have affected the country since 2011 have taken a particular toll on the beach resorts of the south, with Farran saying they had a few quiet weekends last year due to security incidents that discouraged people from driving down.

"We may have witnessed a minor drop in business, which only started at the end of June 2013 with the Sidon incidents, but a slight pick-up took place last year and we are hoping that in 2015 things will go back to normal. So far, May was a good indicator that people are not associating the area with trouble anymore. Of course, we always expect good days ahead. It's in our nature as Lebanese," Noujaim explains.

The occurrence of the holy month of Ramadan in the summer season has also had a negative impact on business for the country's beach resorts. Fadi Edde, resort manager at Eddé Sands, says that Muslims have been the largest contributors to revenue and that their loss during Ramadan will slow business down.

The decrease in the number of tourists from the Arab Gulf region over the past few years has also negatively influenced some beach resorts, with Abed Al Menim explaining that their customers from the Gulf typically spent approximately 40 percent more during a beach day than Lebanese residing in Lebanon, and therefore their dwindling numbers have been felt.

Despite the challenges, however, the beach resort managers EXECUTIVE spoke to say this season is shaping up to be a better one than its predecessor, with August expected to be a particularly busy month. So grab your beach towel and go enjoy the sunshine!







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> **Hotel security**

# Providing security for Lebanon's top end hotels

There is more to real security than meets the eye

**W**ith the summer season in full swing, it seems reasonable to ask if the level of security at Lebanon's hotels is sufficient to continue attracting tourists during these uncertain times.

## A DIFFICULT AND EXPENSIVE UNDERTAKING

Hotels and resorts are exceedingly difficult places to secure. Whereas security at airports, government buildings, embassies, residences and commercial office buildings is concerned with controlling unauthorized access, hotels must welcome in hundreds of strangers that are known neither to the staff nor to their fellow guests on a daily basis. After all, that is why they call it the hospitality industry.

While government buildings or an embassy may have a range of mechanisms for requesting and receiving additional funding, hotels must fund their security out of revenue from bookings. Airports long ago started passing security costs on to travelers through fees built into the price of each airline ticket.

Even a modest physical security program consisting of five guards per shift is likely to cost the hotel well over a thousand dollars per day when factoring in labor, equipment, maintenance and training fees. Larger hotels and resorts that have multiple buildings, entrances and parking lots can incur security costs of several thousand dollars per day for basic guard services whose effectiveness is debatable, at best.

## WHAT IS SECURITY?

While the presence of visible security such as guards, fences, bollards and cameras may serve as a basic deterrent to opportunistic criminals and trespassers, these security programs are more often merely a façade that professional

criminals or terrorists can easily circumvent or overcome when necessary.

After all, security is not just the presence of guards, cameras and metal detectors. Rather, security is the outcome, the result of a comprehensive and coherent strategy, with policy and procedures executed consistently by numerous staff trained to observe guest profiles, comments and behaviors. True security is a state of being and one that is not easy to achieve and maintain.

Too often hotel operators believe they can buy security by simply hiring a local security company to provide some basic services. In Lebanon, as anywhere, there are always security companies very eager to sell more guards, more cameras and more metal detectors. This placebo effect often helps hotel general managers feel good about spending on security when they receive feedback from guests who say they feel safe at their hotel. Why assess security based on feelings when it can easily be measured in terms of incidents and regular penetration tests?

## TRUE SECURITY REQUIRES A HOLISTIC APPROACH

Lebanese hotel operators often focus their efforts, and far too much of their security budget, on security guard programs that are either ineffective or overly focused on one type of threat at the expense of many others. In a way, we are asking the wrong question to begin with. Instead of asking if a hotel is secure, we should be asking if Lebanon's hotels are prepared. Are they prepared for a wide range of potential threats to guest safety or are they merely trying to detect weapons or contraband in guests' luggage? More specifically, is the security team as well as the rest of the staff capable of identifying the threats and risks in the first place? Does the housekeeping staff know what to look out for? Does the reception desk know how to draw out key pieces of information in a consistent and courteous manner? Do they have the training, resources and capability to take preemptive action where applicable or react to emergencies when they arise? Clearly these are wider reaching questions but they get to the heart of what making a hotel secure is all about. Ultimately, security requires almost all of the hotel's staff to play a vital role while maintaining a hospitable environment for the guests. The good news is that the training and awareness programs that will produce this layer of security cost dramatically less than around the clock guard services.

In order to manage security risks effectively, hotels must regularly conduct their own threat and vulnerability





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assessments that account for their unique location, the building type, their guests' profiles and a host of other variables. Security managers need to track incident trends internally and with their competitors to learn how their vulnerabilities or gaps can be closed. This usually means proactively running drills and system tests to see if the security platform can identify and react to a wide range of evolving threats. Lessons are always learned, policy or procedures may change and more staff training may be required. Only then can a hotel accurately prioritize the use of limited resources in ways that achieve the most benefits, namely protecting hotel guests and staff.

The costs of making a hotel secure need not exceed most hotels' existing budgets. In my experience, if a hotel has a security budget, it is usually over spending on guards, cameras and machines to the tune of hundreds of thousands of dollars per year. Hotels that take a realistic and holistic approach to security usually find that the type and frequency of threats they face can be addressed through other means, usually staff training, and at least a portion of the money spent on guards can be repurposed to better effect.

## NOT A UNIQUE PROBLEM

External factors such as political instability, corruption, organized and opportunistic crime are not unique to Lebanon. In fact, hotels in many popular tourist destinations including South Africa, Brazil and Mexico face the very same challenges. One difference seems to be that most of those countries acknowledged years ago that in order to attract tourists, their hotel security programs needed to improve. Mexico is constantly battling the perception among American and Canadian tourists that it is unsafe to vacation in the country. Over 20 years ago, the Mexican government began taking strides to ensure that popular tourist locations were made as safe as is reasonably possible and today the country enjoys a vibrant tourism industry despite many of the aforementioned challenges.

Closer to home, Tunisia, like Lebanon, is a small Mediterranean country that relies significantly on tourism to support its economy. Although the country was hit by a great catastrophe at the end of last month, it is worth noting that the Tunisian government has long understood that security for European tourists is paramount. That is why the government there offers programs that reimburse some of their hotels up to thousands of dollars per month for approved security expenditures and investments. The authorities in Tunis also support many of the larger hotels and resorts by providing government security forces upon request.

Here in Lebanon, in stark contrast, the hotels receive no direct government assistance. In fact, hotels in Lebanon are often required to pay additional fees merely to integrate


their security, fire and emergency alarms to the government response lines. Although the fee amounts to only a few hundred dollars, the fact that the hotels have to pay the government to perform this basic service is perhaps emblematic of misguided priorities.

## THE GOVERNMENT'S ROLE

The Ministry of Tourism and the Ministry of Interior have a responsibility to do their utmost in order to protect citizens and visitors coming to the country. Obviously, security at the national, city and neighborhood level is infinitely complex and absolute security is unattainable. Breakdowns and mistakes will invariably occur in Lebanon as they do everywhere. Still, if the government, under the mandate of public safety, can regulate the cleanliness of restaurant kitchens and require drivers and passengers to wear seatbelts in automobiles, surely they can establish a framework that strives to ensure better safety, security and preparedness at the country's hotels.

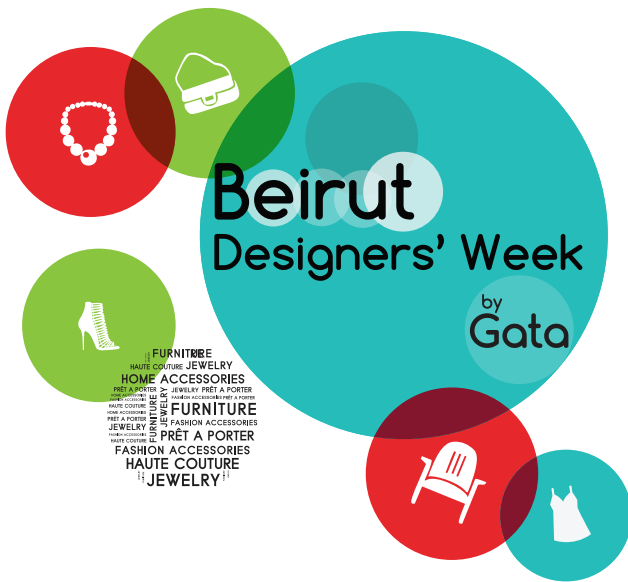
With that in mind, I offer a four point plan that when implemented would not only support the government's insistence that it is safe to travel to Lebanon but it would also likely save lives and money in the long run. The relevant ministries should:

- 1- Take the lead in developing a safety and security standard for Lebanon's hotels. Alternatively, they could adopt one or more of the existing international standards. There is a case for either approach but in the interest of public safety, the government should take more initiative.
- 2- Require all four and five star hotels and resorts to certify that they are compliant with the new standards. This could be achieved by starting with the five star hotels and providing them with a two year deadline to achieve compliance. Four star hotels may have three years to certify.
- 3- Provide financial support to hotel operators by matching the costs to achieve certification dollar-for-dollar up to a published maximum level.
- 4- Create an easy to use web-based portal that allows all hotels and resorts to report security incidents to a central authority. The secure site should be used to push information to the network of member hotels about emerging threats and trends to be aware of.

Taking these steps will help hotel operators to focus on taking a holistic approach to security and foster an environment where security is a common cause among Lebanon's hotels. 

**JAKE ALLEN is a managing partner with Mozayix International and an expert in the design and implementation of physical security systems and programs.**





# Beirut Designers' Week by Gata Exceeds All Expectations

For 5 days, design and creativity took over Zaitunay Bay which hosted from the 27th till the 31st of May the third edition of Beirut Designers' Week by Gata, the biggest and most important platform showcasing the creations of up-and-coming designers in Lebanon, in collaboration with Solidere and Beirut Waterfront Development.

The event's official opening ceremony was headed by the Minister of Tourism Mr. Michel Pharaon and the Economic Affairs' Advisor at the Ministry of Economy and Trade Professor Jassem Ajaka, with the presence of Mr. Mounir Doueid, General Manager of Solidere, key representatives from Beirut Waterfront Development Company, the exhibitors, the media and the sponsors.



What also set apart Beirut Designers' Week by Gata is its activity-packed calendar, which featured this year fashion shows, live workshops by reputed fashion icons, live interviews with local and regional designers and instagram fashionistas, as well as live ateliers and exhibitions by fashion and design schools in Lebanon.



Held under the patronage of the Ministry of Economy and Trade and with the support of the Ministry of Tourism, the third edition has proven to be the largest since the event's launching in 2013 and that based on feedback by exhibitors and partners all of whom praised the large number of visitors including renowned political, economic, social and media figures such as the President Michel Sleiman and his wife. More than 80 fashion wear, fashion accessories, furniture, home accessories and jewelry designers participated in Beirut Designers' Week by Gata to showcase their latest collections to the public and launch their new brands.

From her end, Mrs. Sandra Ghattas, Managing Director of Gata Events & Promotions s.a.r.l. - the event organizers - underlined the exhibition's importance, saying: "Beirut Designers' Week by Gata has become indeed a full-fledged launching platform for emerging design talents in Lebanon. In addition to its economic and touristic value and its ongoing support for local craftsmanship, our event aims at highlighting participants in every way possible whether through media interviews and articles before, during and after the event or through attracting the right visitors and potential buyers from Lebanon and abroad to help the designers expand their labels."



Ghattas concluded: "We will continue to support the design sector in all its aspects, whether by supporting design students, up-and-coming designers or skilled artisans. The success of Beirut Designers' Week by Gata only reaffirms the fact that Lebanon boasts endless design talents and remains a real hub for design and designers. This edition has exceeded all expectations. For the fourth edition, visitors should expect an unprecedented buzz that will literally take over Beirut city!"





> **Residential market**

# Less bang for less buck

Home buyers are buying smaller apartments in Beirut at budgets lower than \$1.5 million

**T**he Research Department at RAMCO sarl has been compiling data on the residential market in Beirut for several consecutive years: the number of residential projects being built, their total size (referred to as built-up area), their prices, their sales ratios, etc.

The evolution of this data over the last three years (2012 to 2014) reveals a sluggish demand, a decrease in the average apartment size and an increase in the unit price of unsold apartments.

The data collected is for residential buildings in Municipal Beirut completed at the end of each year between 2012 and 2014. Data was collected for projects that posted an asking price of around \$3,000 per square meter (SQM) or above on the first floor, as projects within lower budgets tended to sell out off plan or relatively early in the construction process, and rarely offered reliable information on sales ratios.

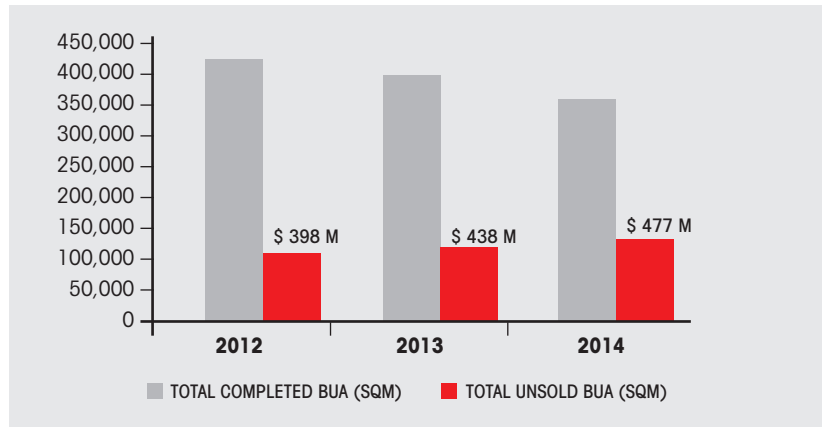
## SHRINKING APARTMENT SIZES

The most striking finding is the drop in the average size of apartments completed between 2012 and 2014, with apartment sizes shrinking by 18 percent during this time. Apartments went from measuring 343 SQM on average in 2012 to just 283 SQM for projects completed in 2014. This is clearly reflected in an overall supply of built-up area (BUA) shrinking at a much faster pace than the total number of projects or apartments.

In parallel, the average size of apartments that were not sold in projects completed at the end of 2014 remains high. This means that larger apartments have the most difficulty in finding buyers.

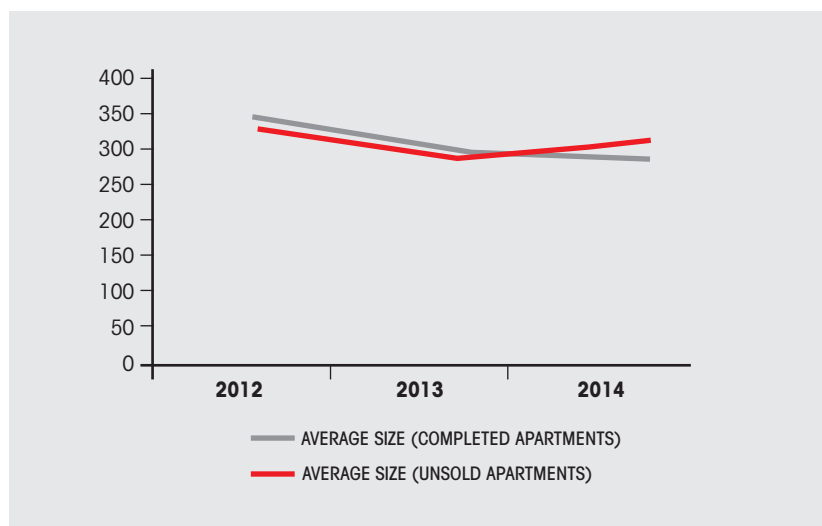
In 2012 and 2013, the average size of apartments that remained unsold

## BUILT-UP AREA



Source: RAMCO s.a.r.l.

## AVERAGE SIZE



Source: RAMCO s.a.r.l.

## LARGER APARTMENTS HAVE THE MOST DIFFICULTY IN FINDING BUYERS

at the end of the year was smaller than the overall average size of apartments completed in those two years. In 2014, however, the average size of unsold apartments was about 10 percent larger than the overall average size of the total number of apartments completed during the same year.

The trend clearly points towards higher demand for smaller apartments in 2014. Smaller





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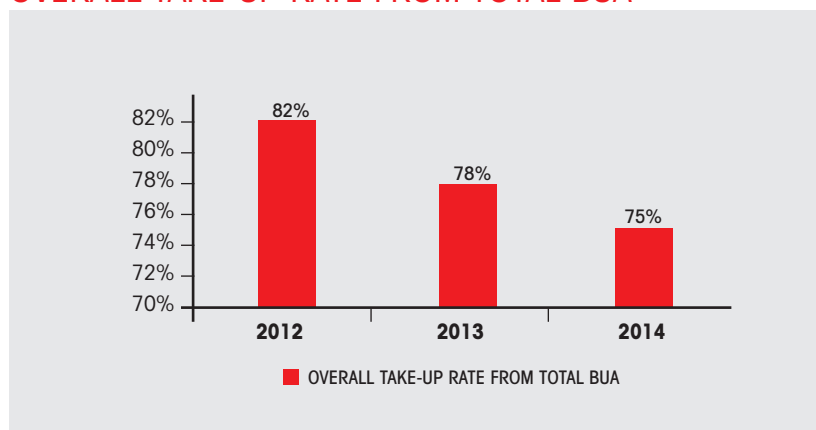


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## OVERALL TAKE-UP RATE FROM TOTAL BUA



Source: RAMCO s.a.r.l.

apartments sell faster than larger ones, which then remain on the market, dragging the curve of average sizes of unsold apartments up.

### SHRINKING BUDGETS

The average unit price of apartments that remained unsold in completed projects at the end of each year has also been rising slightly. Thus, in 2012, the average unit price of unsold apartments stood at \$5,575 per SQM. It dropped to \$5,351 per SQM in 2013. In 2014, the unit price went up again to \$5,682 per SQM.

This information reinforces the trends found in the statistics on apartment sizes — data clearly shows

that the more expensive apartments are those that are the most difficult to sell. Apartments that remained unsold after the projects were completed lie within a similar overall average budget, varying between \$1.5 and \$1.8 million per apartment across the three years.

### SLUGGISH DEMAND

Overall sales ratios have dropped from 82 percent in 2012 to just 75 percent in 2014, indicating a clear slowdown in the market. The ratio of unsold apartments over the overall number of apartments has increased from 18 percent in 2012 to 22 percent in both 2013 and 2014. A higher


portion of apartments completed in any given year thus remained unsold.

Demand is obviously low and the data confirms this trend. The information gathered is for apartments in projects completed within a single year. Apartments that were completed in previous years and still not sold are not accounted for in the table featured. However, these units were also on the market and thus the effective number of apartments that were offered for sale was in fact larger than the figures shown in the table.

### SELECTIVE DEMAND

The figures do indeed tell a rather gloomy story. However, when put into proper perspective, they may not seem so worrisome. The political and security situations have been highly volatile — a vacant presidential seat, a divided government, a Parliament that meets only occasionally, violent militia fighting each other a stone's throw away from the country's borders and sometimes even within them. Within such a context, the performance of the residential real estate market is actually reassuring.

It should also be pointed out that these figures concern neighborhoods within the city limits of Municipal Beirut, where price increases over several consecutive years have forced a large chunk of the local clientele out of the market. Many buyers have been looking to other, more affordable suburban areas a few kilometers north or south of Beirut which continue to thrive.

Demand may thus have slowed down but it has not ceased to exist. Within Beirut, demand has shifted towards smaller budget spaces — well designed, clean, small apartments at more affordable prices, leading buyers outside the capital city in search of more affordable housing. 

## OVERVIEW OF COMPLETED\* RESIDENTIAL PROJECTS\*\*

	2012	2013	2014
Number of Projects	65	65	56
Total Number of Units	1,179	1,236	1,213
Total BUA (SQM)	404,546	377,174	342,901
Average Apartment Size	343	305	283
Number of Unsold Units	217	277	271
Total Unsold BUA (SQM)	71,357	81,773	83,976
Average Size of Unsold Apartments	329	295	310
Overall Take-Up Rate from Total BUA	82%	78%	75%
Listed Value of Remaining Stock (USD)	397,839,764	437,583,544	477,158,659
Number of Projects with 100% Sold	18	21	14

\* Projects completed at the end of the year

\*\* Projects with asking prices starting at above \$2,800 per SQM on the first floor

Source: RAMCO sarl

**KARIM MAKAREM is director of  
Ramco Real Estate Advisers.**





Alain Hakim

**CAREERS valuable Contribution in the development of the HR Field in Lebanon**

## LHRS 2015: the Largest HR Meeting in the Levant! 18 speakers, 2 days Intense Program & more than 125 HR Executives and Top Practitioners

LHRS was 2015's must attend HR Event for professionals looking to enhance their knowledge and skills whilst networking and sharing experience with peers and leading field's figures to ensure business growth!

CAREERS launched the second edition of Lebanon HR Summit over two consecutive days at le Royal Hotel & Resort - Dbayeh in presence of more than 250 officials, businessmen, CEOs and leading HR figures and practitioners!

The highly praised event was a further stone in the path CAREERS has been paving since 15 years towards the development and reinforcement of the HR Field in Lebanon and the whole region! The summit was initiated on Friday 12 June by CAREERS' CEO, Mrs. Tania Eid, CCIAB's President, Mr. Mohamed Choucair and H.E. Minister Alain Hakim's speeches.

Minister Hakim emphasized on the importance of HR as a main driver of economic growth, especially in Lebanon that is well known for its highly skilled workers and 10th among 144 states in quality

of education and 4th in mathematics and science education. He also asked HR professionals to stay at the forefront of the latest developments in the field and focus on HR's international standards in order for Lebanese companies to compete in the globalized world of today.

Mr. Choucair stressed among other issues on the great role Lebanese universities have to play in graduating skilled talents in HR.

Mrs. Eid highlighted the fact that HR has become a necessity for the success of any company and that the large number of professionals attending this event is nothing but a clear reflection of the Lebanese companies' awareness of HR importance in their business growth.

The summit included two days of interactive presentations and engaging discussions led by some of the most respected HR



Mohamed Choucair



Tania Eid

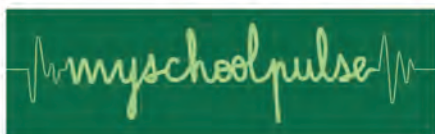
Professionals from around the globe. Keynote presentations by Raed Charafeddine/ First Vice-Governor of BDL, Jesus Vega/ International Speaker, Writer & Former MD & Head of HR at Zara - Inditex, Ron Thomas/ CEO of Best place to work, Craig Hiles/ Managing Director of DOORS Consulting, Tom Young / Master Certified Coach at spring Coaching, Natalie Sejean / CHR Officer at Vasco Worldwide & Tim Savage / HR Consultant & Former CHRO of Jumeirah Group, feature across the summit program. Speakers and Delegates' highly encouraging feedbacks were the greatest testimony of the magnitude and success of the summit. However, Mrs. Eid affirms that the most flattering comment of all was the one the 9 international speakers unanimously gave regarding the attending delegates; they were very impressed by the notable interest and efficient interaction that denoted a remarkable audience of asserted high level professionals not very common even in the most renowned international HR summits! A statement that consolidate CAREERS' deep conviction that the Lebanese human capital is the country biggest claim of pride!

### HR Opportunities & Challenges for the Lebanese Enterprises Excellence

**A Master Panel moderated by Ex-Minister Mr. Damianos Kattar and hosting Ex-Minister Mr. Fadi Abboud, Mr. Charles Arbid & Mr. Michel Abchee, unveiled current HR challenges, problems & expectations from economical figures and leading companies CEOs' perspective.**







# JOIN THE MYSCHOOLPULSE ANNUAL 5K OR 1K WALK OR RUN SUNDAY, 2 AUGUST 2015, FAQRA CLUB



The "5K or 1K Walk or Run" is a key fundraising sports event by Myschoolpulse.

It is organized with the logistic support of the Beirut Marathon Association and the Faqra Club.

Established in June 2010, Myschoolpulse is a non-profit organization that brings free of charge school to 6 hospitals pediatric wards in Lebanon: St George hospital, Hôtel-Dieu de France, Hopital Libanais Geitaoui, Rafic Hariri Hospital, Makassed hospital and ND de Secours Hospital.

Myschoolpulse presently tutors 120 students aged 4-17 years suffering from cancer and other life-threatening illnesses. Tutoring is offered individually in the patients' hospital rooms during their treatment.

Myschoolpulse also provides Art therapy sessions and computer training to children with special needs at the Oumnia Center.

86% of the Myschoolpulse students have passed class in June 2014.

With the view of supporting its mission Myschoolpulse encourages you to participate at the 6th edition of the Pulse5K.

This event is a not-to-be-missed great family outing in a privileged mountain area and in support of a good cause! For more info on the race, please visit: [www.myschoolpulse.com/pulse5k.asp](http://www.myschoolpulse.com/pulse5k.asp).

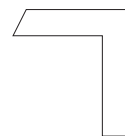
The USD 25, fee per person covers: the running bib, refreshments, open lunch buffet following the run, and "Kids activities" for the entertainment of children aged 2 to 8, while parents are running. More on Myschoolpulse: [www.myschoolpulse.com](http://www.myschoolpulse.com).

## Basic event information:

When	Sunday, August 2nd, 2015		
Where	Faqra Club (Parking & Shuttle bus provided before the Club's entrance gate.)		
Time	9:45 am (to have time to reach start arch)		
Races		Start Time	Age categories by birth year (eligible for awards)
	1K Run with Mom (for children born in 2005 or later)	10:45 am	2 categories: 2005- 2006- 2007,2008 & younger (children should be accompanied by a parent)
	5K Run	11:00 am	8 categories: 2003 & younger, 2000-0, 1991-99, 1986-90, 1980-85, 1973-79, 1965-72, 1964 & older
	5K Walk	11:05 am	
Entrance Fee	25\$ per ticket (children aged 3y & below are admitted free of charge and don't need to be registered)		
Awards	12:00 pm	1K & 5K winners will be awarded medals & prices The award ceremony will be followed by a complimentary outdoor lunch buffet.	
Registration Deadlines	<ul style="list-style-type: none"><li>For timed runners (with chip) : July 15th at 10 pm</li><li>For untimed runners (without chip): August 2nd till 10:15 am</li></ul>		
How to Register	<ul style="list-style-type: none"><li>Online until August 1st at 6pm</li><li>At Myschoolpulse booth in ABC Achrafieh: July 4th to July 30th, 10am to 10pm</li><li>At People's restaurant in Faqra club: August 1st, 10am to 6pm</li><li>At the Gathering Area in Faqra club: August 2nd, 8:30am to 10:15am</li></ul>		
Contact	Ms. Patricia Tohmé +961 76370589 / info@myschoolpulse.com		







# *Executive* LIFE



tired of focusing on everything that goes wrong in Lebanon — and there's a lot — the team at Executive Magazine decided to explore what's going right in the country: those creating beauty, exploring new frontiers, engendering hope. We found a whole new world of Lebanese artists, connoisseurs and visionaries producing a rich bounty of new ideas, designs and concepts — and now we're on a mission to promote these people and the beauty they create.

This is the cause of Executive|Life — to expose the world to the beauty found right here in Lebanon. To give you, the reader, a more nuanced appreciation for our homegrown talent. And to support these creators and dreamers — to prove that what they do matters.

The following pages are filled with carefully selected stories about the best of Lebanon. We challenge you to read them, and we promise you will see what we see, and be inspired as we have been. This is a cause — and we want you to join it. Become a believer.



# THIS YEAR'S SUMMER MISK FESTIVAL

## BEYOND A MUSICAL CELEBRATION

Words by **Sara Ghorra**

Who said you can't build a real community out of a residential project? Well, it turns out you can. And that is exactly what the team behind Beit Misk has been trying to achieve, one successful step at a time.

For the second year in a row, Beit Misk held its "Summer Misk Festival," an eventful and artful four day long celebration that is sure to become a tradition among its residents and their friends from other parts of Lebanon.

The community spirit engendered by the festivities this past June has proved alluring to many newcomers, leading the festival to grow organically, both in terms of space and length. Not only did the anticipated turnout result in the widening of the audience space, but it also inspired the much celebrated addition of another night of musical delight.

When an event is so well-crafted, set in a beautiful location among charming buildings only a few minutes drive from Beirut, where one can enjoy fresh air and splendid views, how can the experience not be tempting? And the concerts weren't the only thing that clearly pleased the crowds.


Summer Misk's doors opened at 7 p.m., which allowed people to enjoy the breathtaking sunset over the Mediterranean Sea and begin their evening with a drink or bite to eat while listening to an array of summer tunes to set the mood.

The artists chosen to perform were purposely eclectic and attracted audiences of different generations. The first night catered to a rather young crowd thrilled by the Haitian rapper and musician Wyclef Jean's enthusiastic performance. Yet, the co-founder of the American hip hop group Fugees didn't simply

settle for a solo performance. To the audience's surprise, he challenged his friend, Lebanon's very own Guy Manoukian, to join him on stage. That move of musical sportsmanship added spice to the already tingling atmosphere and left the crowd dazzled, as Manoukian performed an unexpectedly superb improvised piece.

And that was only Manoukian's warm up. On the second night of the festival, he enchanted a full house with a collection of his favorite pieces that got absolutely everybody moving. From being transported by the composer's skillfully reinterpreted "Helwa ya Baladi," to feeling the desire to dance to his "Alexandria," to a flow of sweet nostalgia brought on by his touching "To My Son," the musical night was an emotional roller coaster for the audience. Then again, a talent such as Manoukian, fueled by a palpable passion for life and a heartfelt love for his origins and country, could never disappoint.

The festival's third night took on a lighter tone, as comedy took center stage. Several international stand-up comedians from Australia (Nick Cody), the UK (Anil Desai), Mexico (El Jaguar) and the US (Tony Woods) were featured. Finally, the closing night saw '90s icon Natalie Imbruglia take the stage. The Australian singer performed a mix of her hits from the '90s as well as other more recent songs.

The Summer Misk Festival was no doubt a success, in more ways than one. It proved to be more than just a number of concerts for a few pleasurable nights. Indeed, it unveiled the true essence of Beit Misk's ethos: the growth of a community. 







# JOHANNES TORPE FOR BANG & OLUFSEN

## A BRAND AMBASSADOR ON A MISSION

Words by **Sara Ghorra**

The late Carl W. Buehner once stated: "They may forget what you said — but they will never forget how you made them feel."

Indeed, there is one thing that will always stand out in a person's memory, and that is a strong feeling. Bang & Olufsen (B&O), the famed manufacturer of luxury electronics, knows this, which is why it has been trying to sell its customers magic rather than mere products.

Their magician? Johannes Torpe, the first ever creative director of the company, appointed back in 2013.

On the occasion of B&O's 90th anniversary, the Danish designer and creator of unique spaces (who has been on a mission to revamp all of B&O's shops in accordance with the company's brand identity and with his praised holistic approach) came to Beirut to take part in 2015's Beirut Design Week (BDW), which ran from June 1 to June 7. A few days prior to the event, he gave a talk at the Académie Libanaise Des Beaux-Arts (ALBA) where he addressed a crowd of structural and interior architects, before leading a two-day conference for BDW at the Beirut Souks with a presentation for designers from all fields.

It doesn't take more than a few minutes of Torpe's lively talk for the audience to become captivated by his unique aura and moved by his high energy and positively contagious enthusiasm.

Torpe is a refreshingly unconventional man whose childhood was spent in a camp among bohemians, surrounded by nature, and nurtured on principles of freedom up until the age of 12 when he made the decision to move to Copenhagen. One would never imagine that this multi-talented man who did not attend school, let alone university, has managed to reach the level of success that he has so far.

But Johannes Torpe is one of those passionate







people who operate on a different level. He likes to think of himself as ‘a skipping stone’ and has always allowed his intuition to be the chief compass leading him from one remarkable adventure to another. When he describes his personal journey from drumming professionally in front of hundreds of people, to designing concert light installations, to creating and owning the world-renown NASA nightclub in Copenhagen, to founding a multi-disciplinary design studio, one is stirred by his philosophy.

Yet the most striking thing about this brand ambassador would be his attentiveness and closeness to people. Although flying 200 days a year between Copenhagen, Padova, Beijing (where the Johannes Torpe Studio offices are) and much of the rest of the world, he has managed nonetheless to keep his feet firmly on the ground and stay true to what he claims to be the most important thing: relationships.

It is mainly his natural approach and genuine desire to understand people, their mindset and emotions that allows him to engage with them on a deeper level and design holistic spaces that touch them.

“I want to spark people’s imagination,” he says. But anyone who meets him would agree that ultimately he does more than that: he breathes air into the desire to go beyond what’s expected and simply aims for magic.





# BEIRUT'S OPERA GALLERY

## A NEW DESTINATION FOR CONTEMPORARY ART LOVERS

Words by **Sara Ghorra**

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visit to an art gallery can be a fascinating journey where one gets to discover and explore through each piece of work an intriguing array of nuanced feelings and complex thoughts embodied in paintings, photographs, sculptures or other media, all offering a subtle glimpse into the unique creative minds of the artists. And that is why it is such a delight to visit the Opera Gallery. Part of a network of contemporary galleries with a worldwide presence, it recently opened its 12th space in Downtown Beirut's Foch Street.

From the moment you step into the gallery you sense that you are in for a treat, exposed to an impressive collection of singular large pieces, each distinctly different from the other in terms of medium, genre, style and character, yet all equally imposing. And no matter your taste, preferences and affinities, they all seek your attention.


While you won't necessarily be moved by every single piece you examine, you cannot but appreciate the richness of the gallery's offering. From the recognizable styles of Pablo Picasso, Henri Matisse, Jean Dubuffet, Fernando Botero and other master artists, to established artists that Lebanese connoisseurs are sure to appreciate such as Lita Cabellut, Mauro Corda, Andy Warhol, Gerard Rancinan, Reza Derakshani and Jean-François Larrieu, to emerging talents that local audiences have yet to experience such as Richard Mirando, known as SEEN, and Young-Deok Seo, each one caters to a different sensibility.

Indeed, the Opera Gallery, which was founded by Gilles Dyan in Paris in 1994, has become one of the leading dealers in modern and contemporary American, European and Asian art, and it prides itself on its collection's diversity at all levels as well as its dynamic personality.

One of the gallery's interesting traits is that the artworks are intended to travel the world in order to



find the most deserving fans and desirous clients. The pieces circulate among the gallery's established spaces in Singapore, London, Geneva, Monaco, New York, Miami, Hong Kong, Seoul, Dubai and now Beirut. This structure, which allows the Opera Gallery in Beirut to change the works on display every week as new pieces are received and others sent away, is undoubtedly one of the many reasons that visiting it will appeal to any art enthusiast.

Eugène Ionesco once stated: "A work of art really is above all an adventure of the mind." Therefore, one can only imagine just how many adventures they could embark on when encountering this eclectic mix of artwork masterfully displayed in such an inspiring space. 







# "VENUS"

A PLAY WITHIN A PLAY THAT IS NOTHING SHORT OF EXQUISITE

Words by **Sara Ghorra**



After 65 shows in two theaters in front of a total of 14,500 audience members, the adaptation of David Ives' play "Venus in Fur" by Lina Khoury and Gabriel Yammine, directed by Jacques Maroun, has proven to be simply flawless.

The play brought out a wide range of responses from the spectators; from laughter to shock back to laughter and then confusion. But the greatest emotion of all was simply enjoyment at its best.

During the hour and a half treat, the audience had the pleasure of witnessing two very powerful performances. In "Venus," Badih Abou Chakra portrays the writer and first-time director of the same name in a play based on the 1870's novel by German writer Leopold von Sacher-Masoch "Venus in Furs" (the novel

that inspired the term 'sadomasochism'). As the viewers are first introduced to him, they sense how exasperated and desperate he is because his hunt for the ideal actress is proving fruitless. Rita Hayek embodies the actress Vanda El Hawa who comes to audition for the play's female lead role "Vanda von Dunayev."

Not only are the actors' performances flawless, but the complex story that offers a close-up look at the earliest forms of sadomasochism is also intriguing and rich, with various elements that keep the spectator captivated the whole time. The strength of this play lies mainly in the mysterious intermingling of reality and fiction within the work and the confusing yet fascinating power shifts as the plot progresses.

Abou Chakra (the character in "Venus") witnesses






before his eyes the jaw-dropping transformation of this apparently vulgar woman into the perfect embodiment of the novel's main character, the classy von Dunayev. He is absolutely amazed and finds himself transported to the universe of Leopold von Sacher-Masoch while reading the part of the male lead Severin Von Kusiemski. He becomes so immersed in the role that the audience wonders whether Abou Chakra sees some of himself in the fictional male character in von Sacher-Masoch's story, as we notice him subconsciously adopting some of Severin's attitudes and actions as his own. Blurred becomes the line separating the narrative and reality ... which is at the essence of this play's uniqueness.

Vanda, on the other hand, has more self-control and seems to know perfectly well how to get in and out of character in mere seconds. She has an incredible ability to detach herself completely from the role and then reinsert herself in it to deliver a performance that is beyond all expectations, almost surreal. She is a woman who came out of nowhere, who turned out to know more than she first claimed, who was beyond prepared for the role, and who was subtly yet surely able to turn the tables on Abou Chakra.

Both actors were simply exquisite in their respective roles.

Hayek delivered a groundbreaking performance. Her character was so skillfully nuanced that she kept the audience wondering whether she was merely a vision, a symbol of feminine domination, a Goddess even, who wore the disguise of a young woman and comes into Abou Chakra's life one night especially to poke him, provoke him, subtly test him, and finally free him from his inner demons, inhibitions and lies.

But as the saying goes "it takes two to tango," and even if the play does revolve around Venus and her power, Hayek's partner Abou Chakra was also truly impeccable. One could witness a crescendo in which not only Abou Chakra (the character) and von Kusiemski seem to merge, but where something much more mesmerizing sees the light, which ends the play on an incredible high note.

"Venus" is a masterpiece that no fan of theater should have missed. 



# THE RENOVATED CRÊPERIE

## THE REBIRTH OF A SOULFUL EATERY

Words by **Sara Ghorra**



Originally opened in 1968, Jounieh's La Crêperie was once considered more of a historic institution than a mere restaurant, as it had remained open for 45 years. It was a landmark, part of the war generation's heritage and was celebrated in international publications during its heyday.

La Crêperie was seen by many to represent the romance of Lebanon's golden years and was once one of the preferred spots for a young man attempting to court a lady or looking for the perfect place to propose as well as for groups eager to celebrate an important event or simply desirous of a cozy gathering with a splendid view.

La Crêperie closed its doors in 2012 to undergo massive renovations that went on for more than two years. This reconstruction was led by its new owner, Sky Management's CEO Chafic El Khazen, and initiated by his brother, Sari El Khazen, the architect behind the world famous party venue Skybar.

The old house turned restaurant actually belonged to the brothers' grandparents, and they wished to rehabilitate its faded glory after revamping the place completely. And finally in April 2015, La Crêperie opened its doors to the public once more, but

this time with a new look and management.

The hardest, most nuanced part of the project was undeniably the interior decoration, and Maggy Monsef, the interior decorator who was selected to perform this delicate task, has certainly succeeded in her mission to bring new life to the old restaurant.

Monsef says she is passionate about her goal to create a relaxed yet dynamic environment that would appeal to all generations, suit all four seasons, and please diverse tastes, all while respecting the 'French Provence' theme that her client asked for.

But what remained most crucial to her was to give the restaurant a soul: a feeling of authenticity rather than novelty that she accomplished by incorporating antique decorations and furnishings. That is why most of the items embellishing the ceilings, the walls, the tables and the bar were specially imported from vintage boutiques in the south of France.

To reach the restaurant, one has to walk through a small alley, fully covered on one side by star jasmine under wrought iron arcades. This pleasant, natural greeting leads to the entrance of the venue. Once inside, it isn't what one sees, but rather how one feels that is most striking. A soothing sensation of pure





calmness is brought on by the sweeping view of Jounieh Bay from the large windows, which is echoed throughout the crafted interior that seems careful to not attenuate this dreamy feel but instead subtly underlines it.

The restaurant is spacious and luminous thanks to the large windows that make up a substantial portion of the walls and invite in lots of natural light. The remaining walls are painted various colors, some solidly baby blue or a creamy beige, others ornamented with small butterflies fluttering from one flower to the next, swans drifting on a lake or birds posing next to their cages. The overall feel is one of freshness, which is accented by a harmonious marriage of all the space's diverse elements.


The floor of the restaurant is constructed using mostly vintage slates recuperated from old traditional houses, while some parts feature Blatt Chaya's hand-made tiles.

The wood enclosing the crepe-making area is a light shade of greige, a modern version of subtle beige with a splash of grey, which combines with the white and grey Carrara marble covering the top of the bar to bring a 'zen' element to the space.

As for the tables and chairs, they are an artful but also playful assortment of made-to-order pieces, with unique combinations of material and finishes for each. Dissimilar chairs upholstered in unicolor cloth or patterned fabric complement them, all scattered in a harmonious way throughout the space.

From the choice of the largest piece of furniture to that of the tiniest decorative item, each component of La Crêperie's interior seems to have been wisely manufactured or hand-picked and put in its rightful place.

"It's all in the details" is a commonly used adage, but the unique outcome that is La Crêperie truly does the phrase justice.

While previous generations won't feel betrayed by this reiteration of their beloved restaurant, new generations will inevitably also find themselves cherishing this fresh version of the historic institution. 



# JOHN LOBB'S BESPOKE SHOES

## THE SHOE OF THE SELF ACTUALIZED MAN OF TASTE

Words by **Sara Ghorra**



In today's fast paced, consumption-driven world, where the dominant trend is to constantly acquire more belongings, some people find themselves longing for stillness, visible authenticity, uniqueness and timelessness in their closet.

Luckily for the gentlemen who have climbed the ladder of success and have reached far beyond the stages of physiological, security and social needs, as per Maslow's Hierarchy, there exist some (very) expensive yet ageless products on the market that will allow them to feel pampered subtly while simultaneously offering them a trip down memory lane and a return to some fading traditions of grandeur.

Indeed, only a few decades ago a trip to the tailor's was one of the modern European man's necessary diversions. He would spend hours with his tailor as if he were an old friend, enjoying this moment of relaxation with a cup of tea and some conversation, anticipating the joy of a beautifully fitted suit while having his measurements taken by a skilled crafts-

man. This tradition has regrettably fallen by the wayside as the continuing globalization has made mass-produced fashion more widely and readily accessible, resulting in a dramatic increase in production speed and consequently a major loss in the art of personalization.

Fortunately, some well-established enterprises offering original made-to-order garments have survived. One of them is John Lobb Bootmaker. Some 150 years ago, the founder of the company with the same name was appointed official shoemaker to the Prince of Wales due to the high quality craftsmanship of his stylish, durable and comfortable handmade shoes and boots for men.

In 1976, John Lobb & Co. became part of the Hermès Paris Group and has since been increasingly able to offer a wider audience some of this vanishing heritage: bespoke shoes. Although John Lobb Beirut boutique, found in downtown Beirut, first opened its doors back in June 2013, it wasn't until last month





that the bespoke section was introduced during one of the master bootmaker's visits from the company's workshop in Paris.

Despite the fact that John Lobb offers ready to wear collections as well as a "by request" service for customized shoes, it is the bespoke offering that is the most unique. These shoes are designed and manufactured according to the exact shape of an individual's feet, his lifestyle needs and according to his own sense of panache. The service gives any man willing to pay for a premium quality, durable, personalized shoe — average starting price is \$6,000 — the opportunity to acquire what is essentially a practical piece of art.

Since every element of the shoe can be made as per request in terms of outer and inner colors, type of leather, sole, etc., it is up to the client to get creative. After all, a bespoke shoe is a reflection of the personality of the wearer.

So dear affluent men, now is your chance to invest in a long term relationship with a symbol of classic elegance and individuality while also making a daring statement. It can always be just a shoe, but it could also become a tangible reminder to yourself and others of your success!





Simon G. Shaya, general manager and president of **GROHE** East Mediterranean, Middle East and Africa, has been appointed as the new chairman to the board of directors of **GROHE DAWN Water Technology** effective April 2015.

Classic and timeless, accessible and elegant, **Baume & Mercier** watches have long celebrated the unforgettable moments in life.

Out of the 30 awards given in New York by a jury composed of top worldwide CCOs and CEOs, **Leo Burnett Beirut** won three, making it the most awarded agency in the world, and Lebanon the second most awarded country after the US.

**Mindshare MENA Lebanon** was awarded first place in the "Best Launch Campaign" category at the Festival of Media MENA 2015 for their creative work for the **Gandour/Tarboosh** "Never Grow Up" campaign.

**Bazerji Motors sal**, Mounir Bazerji and Aline Bazerji Mourad are glad to announce the launching of the all new **Trumpchi** cars produced by **GAC Motor Company**.

**Wild Discovery** and representatives of the Peloponnese region in Greece organized on June 12 a cocktail party for the official launch of the new destination offered between Beirut and Kalamata.

**LG Electronics** is proud to announce its newest addition to the Minibeam series of projectors, the Minibeam Nano, LG's smallest, lightest and most affordable projector to date.

The third edition of the Lebanese **Jeep** Jamboree, organized by **Gargour Automotive Company**, saw 80 Jeepers from all across the country gather at the Jeep Dora showroom for a two day road trip.

**Air Arabia** has been named the best low cost airline in the Middle East at the annual **Skytrax World Airline Awards**, which took place at the **Paris Air Show** this year.

**Christina Debs**, who has nine different collections including the Wonderland collection, completed the latter with the launch of the 'Pensée' line.

**Chivas Regal** — a franchise of **Nexty sarl**, a subsidiary of **Fawaz Holding** — complemented its collection of premium blended Scotch whiskies with the introduction of "Chivas Regal Extra" to the Lebanese market.

**A.R. Jubail & Co.** unveiled the next generation of **FG Wilson Generators** during the 2015 Power Solutions seminar on June 3 at the Lancaster Plaza Hotel, and announced the opening of its new branch in Basra, Iraq.

Passing down the love for the crocodile, **Lacoste** Lebanon hosted a Father's Day event on June 17 at **ABC Ashrafieh** in celebration of all the crocodads.

After last year's success, **Lebanon Motorsport and Tuning Show** returned with a bang for its second edition, which was held at Platea Jounieh from June 12 to 14.

**Ford** fans can now download digital images of Ford vehicles at the first automaker-authorized one-stop online store for 3D printable vehicle files.

**City Center Beirut** invited women to undergo cardiovascular disease screening in partnership with **Clemenceau Medical Center**, affiliated with **Johns Hopkins International**.

The **Minister of Economy and Trade** Alain Hakim officially inaugurated the Lebanese Pavilion at **Expo Milano 2015**, in the presence of Alia Abbas, general manager of the Ministry of Economy and Trade, Karim Al Khalil, the chargé d'affaires of the Lebanese embassy in Rome, Walid Haidar, consul general for Lebanon in Milan, as well as the organizers of the Lebanese Pavilion.

**Saad & Trad sal**, the exclusive dealer of **Jaguar** in Lebanon, launched the new Jaguar XE at the Garten in Beirut on June 15 in the presence of British Ambassador to Lebanon H.E Tom Fletcher and Jaguar XE brand ambassador and Forward Thinker Bernard Khoury.

On the occasion of the holy month of Ramadan, **Sanofi**, global healthcare leader, shed some light on diabetes management imperatives for fasting.

Continuing the company's long tradition of engineering innovation, Swiss luxury

watch manufacturer **IWC Schaffhausen** announced the launch of a new device: IWC Connect.

**Diageo Lebanon** crowned Refaat Ghostin from **Central Station** as Lebanon's best bartender in its prestigious mixology global competition.

In an attempt to offer guests exciting and authentic menu offerings ahead of the summer season, **Harry's Bar** unveiled its new menu and introduced new executive chef Orazio Ganci.

Under the patronage of H.E Minister of Economy and Trade Alain Hakim, "**Project Lebanon 2015**," the 20th International Trade Exhibition for Construction Materials and Equipment for Lebanon and the Middle East, took place in June.

**Nestlé** is the first multinational company to publish forward looking commitments to society in the Middle East, with the unveiling of the first regional "Nestlé in Society — Creating Shared Value" report.

**Scuderia Lebanon sal**, the official **Ferrari** importer in Lebanon, showcased the versatile California T, adrenaline-charged F12berlinetta and limited edition LaFerrari, at the '**Yachting Premiere 2015**' event on June 8 and 9 at Le Yacht Club in Zaitunay Bay.

Following a meeting of its members, **HEC Group Alumni** — Lebanon Chapter, elected Nicolas Boukather president of the alumni association for a three year term.

Antonio Vincenti, President of **FEPE International**, opened the 56th Annual Congress held in Budapest from June 10 to 12, with the theme of "Your Audience Is Waiting."

In the early morning hours of Thursday, May 28, Beirut's iconic rooftop nightclub **Skybar** was destroyed due to a massive fire. **Sky Management**, which owns and manages Skybar, is greatly saddened by this tragic event.

On June 11, **Rim Natural Spring Water** opened its new project at **KidzMondo**.

**Ford** announced it is returning to one of the most prestigious automobile races in the world with its new Ford GT racecar.



**Teach A Child** held its annual fundraising dinner on Friday May 29 with all proceeds of this event going to funding the organization's activities: support for the education of underprivileged Lebanese children.

"**Tabadol**" participated in the international competition Global Youth Forum Dubai, where they were the winners of \$10,000 to implement their project.

**Sea Pros Yachting Premiere 2015**, in collaboration with **Solidere sal** and **Beirut Waterfront Development sal**, the owner of Le Yacht Club-Beirut and Zaitunay Bay, took place in Le Yacht Club this month.

As part of an ongoing effort to invest and support university students, **Grohe** completed design initiation sessions at the **American University of Dubai** and **l'Académie libanaise des Beaux Arts**.

A press conference was held at **Hotel Le Gray** to announce the program of the sixth edition of **Beirut Art Fair** in the presence of H.E Michel Pharaon, **Minister of Tourism** and representatives of various ministries, sponsors, partner institutions, galleries and the media.

Reviving Beirut's legendary 80's and 90's spot **Cresus Club**, **Le Show De Cresus** recently opened its doors welcoming glamorous Beirutis to a fully renovated 1920's Paris Victorian style club-resto.

In advent of the holy month of Ramadan, the **Lebanese Society of**

**Endocrinology, Diabetes & Lipids** urged the public to intensify efforts to limit health risks during this period by investing in more educational and awareness programs to achieve a safe fasting experience.

**ICE International Events** recently collaborated with the **Ministry of Economy and Trade** for the inauguration of the Lebanese Pavilion in Expo Milano 2015.

**Inter Mall Group** officially inaugurated **Cascada Mall**, part of Cascada Village in the district of Zahle, Bekaa Valley.

After the traditional season-opener at Antigua, won by the 1978 ketch Whitehawk, the **Panerai Classic Yachts Challenge 2015** is about to get underway on the Côte d'Azur.

**Diageo**, in partnership with the NGO **Public Interest Design – Levant**, and under the patronage of the Minister of Tourism Michel Pharaon launched the campaign "In Good Spirit" to promote responsible alcohol consumption and a positive role of alcohol in society.

The **Garden Show & Spring Festival** closed its doors on Saturday, May 30 after five days of joy, cheerfulness and good moods.

The doors of **Le Bristol** reopened on June 16 to host the first edition of Le Bal De Beyrouth, which will take place on a yearly basis at Le Bristol Hotel.

Having pioneered the luxury-utility crossover category more than a decade ago with the original midsize RX 300, **Lexus** is now poised to disrupt the SUV segment once again with the all new NX 200t.

**Folic Automotive**, part of the **Tewtel Group** of Companies, recently inaugurated its new **Ford** and **Lincoln** dealership in a strategic location on the Damascus Road in Hazmieh.

**Saad & Trad sal**, the exclusive dealer of **Bentley** in Lebanon, organized its annual tribute dinner for the loyal Bentley family at Harry's Bar on June 4.

**S.Pellegrino** presented the new special edition bottle dedicated to Vogue Italia to Lebanese media and S.Pellegrino VIP

clients on an exceptional night at **Le Gray Hotel's** Indigo on the roof.

The art installation "Ceci n'est pas un tapis" was unveiled during an open house held at **Hadi Maktabi Gallery**, in the presence of distinguished guests and friends as well as representatives of the media.

Under the patronage of the Moroccan Embassy, **Hilton Hotels** in Beirut invited their partners, clients and local media to the launch of the first Moroccan cultural week in Lebanon.

**Advanced Construction and Technology Services** staged the international Future Concrete conference on June 11 at **Le Royal Hotel** in Dbayeh.

**Bank Audi** announced that it has chosen interactive video technology from NCR Corporation to deliver extended teller services to its customers in Lebanon.

**G.A. Bazerji & Sons** has displayed a range of its outstanding Suzuki cars at the Men's World Exhibition at "La Marina Joseph Khoury Dbayeh."

Under the patronage and in the presence of H.E. Ambassador Angelina Eichhorst, head of the delegation of the European Union to Lebanon, the NGO **Jouzour Loubnan** held its fourth annual fundraising dinner.

**Alfa** launched the exclusive U-share service that allows postpaid and prepaid subscribers to share their data bundles from 10 GB and above with other Alfa subscribers on various devices.

**ACTS** revealed that it has developed a sophisticated software application set to make a big impact on the construction industry.

**Byblos Bank** held a workshop entitled "Linking Business to Knowledge Economy" that brought together representatives from key successful businesses and a number of the bank's staff and managers.

**Bank Audi** and **T. Gargour & Fils**, in collaboration with **Visa International**, have announced the launch of the **Mercedes-Benz Visa** card, Lebanon's first co-branded card with a luxurious car brand.

The **BMW i8** plug-in hybrid celebrated one year of sheer driving pleasure on the roads this month.





The **World Union of Arab Bankers** honored Randa Bdeir, assistant general manager and group head of Electronic Banking and Card Services at **Bank Audi sal**, with the "The Best Arab Woman Contributor to the Development of Credit Card Payment System" award.

**Nissan Middle East** has announced that the powerhouse partnership of rallying ace Emil Kneisser and his New Nissan Patrol have recently won the T2 category in the **Rally of Pharaohs** in Egypt.

The **Armani Group** is pleased to announce the opening of its new **Giorgio Armani** boutique in Beirut.

The **Azadea Foundation** celebrated the one-year anniversary of the restoration of the René Mouawad Sanayeh Garden with a first-of-its kind pop-up garden.

**Infiniti** will unveil its first compact car at the International Motor Show in Frankfurt from September 17 to 27 this year.

**Bank of Beirut** has recently celebrated the delivery of two prizes worth \$4,000 to two of its lucky clients.

The new **Officine Panerai** Mare Nostrum Titano is a special edition of the greatest interest, with only 150 units produced, it faithfully reproduces the 1943 model while updating it to the highest degree.

**Tissot** makes history as Official Timekeeper of the first European Games Baku 2015.

**Heartbeat Association** celebrated, with great fanfare, its 10th anniversary,

which transformed BIEL hall into a nightclub and a ceremony room.

**Société Générale de Banque au Liban** unveiled its new tagline as part of its bold new communication campaign that focuses on progress in a vibrant event gathering more than 200 SGBL executives.

**Benchmark Development** unveiled Beirut's latest world class architectural project "Beirut Terraces" which has placed Lebanon on the global real estate map.

**Samsung Electronics Co., Ltd.** announced the Galaxy S6 edge Iron Man Limited Edition in collaboration with Marvel.

The inaugural **Euromoney Lebanon Conference**, supported by the **Banque du Liban** and the **Capital Markets Authority**, kicked off on a high note with an array of exciting international and local speakers.

**Truecaller** announced the appointment of Husain Mishergahi as vice president of growth and partnerships for Middle East and North Africa.

**Samsung Electronics Co., Ltd.** has expanded its UHD monitor portfolio to better suit the visual display needs of both entertainment-focused consumers and detail-oriented professionals.

**Flydubai** announced direct daily flights to Faisalabad together with an increase in the frequency of the airline's flights to Pakistan, doubling the size of its network in the country.

Once again, **BeitMisk** opened its doors to its fans for the second edition of the Summer Misk Festival, from June 4 to 7, in partnership with **Banque Libano-Francaise**.

In a recent survey conducted by **British Airways**, nearly one in three Lebanese residents asked said that the James Bond films — which showcase the suave and sophisticated British secret service agent 007 — inspire them to travel to the UK.

To celebrate their 150th anniversary, **Zenith** has just launched the El Primero Chronomaster 1969 tribute to the Rolling Stones.

**Forbes Middle East** recently celebrated the best-performing companies in

the region and revealed the highly anticipated ranking of the Top Companies in the Arab World 2015.

Luo Mingzhi announced "**New Generation Geely**" whose brand mission has been set as "Creating Refined Cars for Everybody."

Bilingual travel website **My Cyprus Insider** has launched a new themed itinerary section.

**Infiniti** in the Middle East unveiled the new Q70 sedan with a fresh exterior.

**Dermapro** has announced its exclusive distribution of Laboratoires de Biarritz major skin care product lines, Algamaris and Meteorologic, in Lebanon.

**Solidere International** announced its financial results for the year 2014 during its annual general meeting held on June 11 at the company's headquarters at the **Dubai International Financial Center**.

**Bassoul-Heneine sal**, the world's oldest **BMW Group** importer, celebrated six decades of success this month.

**Notre Dame de Louaize School** named its remodeled hall the Salim G. Sfeir Auditorium in tribute to the **Bank of Beirut** chairman.

On the occasion of **Beirut Design Week**, **Iwan Maktabi** hosted at its flagship store in Ashrafieh an evening to celebrate art, design and rugs with renowned Persian luxury carpet designer Hossein Rezvani.

**Memac Ogilvy Public Relations**, the Middle Eastern operation of **Ogilvy PR**, enjoyed an unprecedented evening of success at the 11th annual **EMEA Sabre Awards**.

The **BMW 2 Series Convertible** made a prestigious appearance at the 2015 edition of the Cabriolet Film Festival (CFF).

For five days, design and creativity took over **Zaitunay Bay**, which hosted the third edition of **Beirut Designers' Week** by **Gata**.

**Cisco** announced that Ziad Salameh has been appointed as Managing Director to lead its Gulf (Oman, Kuwait and Bahrain), Levant, Pakistan and Iraq region as well as Middle East Services.







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**CONFERENCES**

DATE	NAME	ORGANIZERS	CONTACT / E-MAIL	WEBSITE
<b>LEBANON</b>				
9-11 Sep 14-15 Oct	International Beirut Energy Forum Piling Tech Beirut	MCE Group Advanced Conferences and Meetings	+961 9 900110; bef@beirutenergyforum.com +971 4 361 4001; opportunities@acm-events.com	www.beirutenergyforum.com
<b>DUBAI</b>				
6 Aug 4 Aug	UAE National Talents Acquisition Summit Twelfth GCC Financial Markets and Listed Companies Conference	Datamatix Group Datamatix Group	+971 4 332 6688; info@datamatixgroup.com +971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com www.datamatixgroup.com
1-2 Sep 6-9 Sep	Smart Cities Leadership Development and Talent Transformation Middle East	Meed Events IQPC	+971 4818 0200; events@meed.com +971 4 364 2975; info@iqpc.com	www.meed.com www.iqpc.com
16-17 Sep 29 Sep-1 Oct	Fifth GCC Government Future Leaders Conference Fifth GCC Municipalities and Smart Cities Conference	Datamatix Group Datamatix Group	+971 4 332 6688; info@datamatixgroup.com +971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com www.datamatixgroup.com
5-6 Oct	Sixth Annual Waste Management Middle East Forum	Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleminggulf.com
5-7 Oct 11-13 Oct 12-Oct 13-14 Oct	Future Retail 2015 Trade Credit and Risk Insurance Forum Dubai Investment Forum 13th Annual Middle East and Africa Airlinace Conference	Informa Middle East Informa Middle East Datamatix Group Euromoney Conferences	+971 4 336 5161; info-mea@informa.com +971 4 336 5161; info-mea@informa.com +971 4 332 6688; info@datamatixgroup.com +44 20779 8452; freddy.cobbald@euromoneyplc.com	www.informa-mea.com www.informa-mea.com www.datamatixgroup.com www.euromoneyconferences.com
18-22 Oct	Datamatix GITEX Conference for Government Leaders	Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
19-22 Oct 22-Oct	Higher Education MENA Next Generation Television and Broadcasting Technology Conference	Informa Middle East Datamatix Group	+971 4 336 5161; info-mea@informa.com +971 4 332 6688; info@datamatixgroup.com	www.informa-mea.com www.datamatixgroup.com
25-29 Oct 26-29 Oct 28-Oct	Procurement Week MENA Rotate 2015 Gulf Capital SME Awards 2015	Informa Middle East Informa Middle East Meed Events	+971 4 336 5161; info-mea@informa.com +971 4 336 5161; info-mea@informa.com +971 4818 0200; events@meed.com	www.informa-mea.com www.informa-mea.com www.meed.com
<b>ABU DHABI</b>				
31 Aug-2 Sep 6-8 Sep 12 Oct	Fourth Annual Corrosion Management Summit GIS Forum MENA Abu Dhabi Energy, Industry and Infrastructure Conference	Fleming Gulf IQPC Meed Events	+971 4 609 1555; info@fleminggulf.com +971 4 364 2975; info@iqpc.com +971 4818 0200; events@meed.com	www.fleminggulf.com www.iqpc.com www.meed.com
12-14 Oct	Eighth Edition MENA HR Summit	Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleminggulf.com
<b>QATAR</b>				
7-9 Sep 14-16 Sep 5-6 Oct 19-20 Oct	ITS and Road Safety Forum Qatar Transport Conference 2014 Fifth Global Refining Technology Forum Qatar Contractors Forum and Awards	IQPC Meed Events Fleming Gulf IQPC	+971 4 364 2975; info@iqpc.com +971 4818 0200; events@meed.com +971 4 609 1555; info@fleminggulf.com +971 4 364 2975; info@iqpc.com	www.iqpc.com www.meed.com www.fleminggulf.com www.iqpc.com
<b>KSA</b>				
13-14 Oct	Mechanism for Drying up the Sources of Terrorism Financing Forum	Union of Arab Banks	+961 1 377800; uab@uabonline.org	www.uabonline.org
12-13 Oct 13-14 26-29 Oct	District Cooling Arabia The Small and Medium Enterprises Forum Saudi Mining and Minerals 2015 Symposium	Fleming Gulf Union of Arab Banks Meed Events	+971 4 609 1555; info@fleminggulf.com +961 1 377800; uab@uabonline.org +971 4818 0200; events@meed.com	www.fleminggulf.com www.uabonline.org www.meed.com
<b>OMAN</b>				
13-15 Sep 26-29 Oct	Bridges and Highways Oman 2015 CSR Oman	IQPC Informa Middle East	+971 4 364 2975; info@iqpc.com +971 4 336 5161; info-mea@informa.com	www.iqpc.com www.informa-mea.com
<b>BAHRAIN</b>				
27-28 Oct	The Social Responsibility in Arab Banks Forum	Union of Arab Banks	+961 1 377800; uab@uabonline.org	www.uabonline.org
<b>EGYPT</b>				
8-10 Sep 10-Sep 6 Oct	Egypt Cyber Security Summit Invest in Egypt 2015 Thirteenth International Operations and Maintenance Conference in the Arab Countries	IQPC Meed Events Exicon	+971 4 364 2975; info@iqpc.com +971 4818 0200; events@meed.com +961 1 821 421; info@exicon-specialist.com	www.iqpc.com www.meed.com www.exicon-intl.com
<b>TURKEY</b>				
10-12 Dec	GCC Turkey Forum	Riyadh Exhibitions Company	+966 1 2295604; info@recexpo.com	www.recexpo.com
<b>JORDAN</b>				
26-27 Aug 6-8 Oct	The Small and Medium Enterprises Forum Fourth Edition Middle East Homeland Security Summit	Union of Arab Banks Fleming Gulf	+961 1 377800; uab@uabonline.org +971 4 609 1555; info@fleminggulf.com	www.uabonline.org www.fleminggulf.com
<b>KUWAIT</b>				
23-25 Sep	Kuwait Projects 2015	Meed Events	+971 4818 0200; events@meed.com	www.meed.com



# EXHIBITIONS

DATE	NAME	ORGANIZERS	CONTACT / E-MAIL	WEBSITE
<b>LEBANON</b>				
8-10 Sep	Middle East Security Show	Strategic and Security Services	+961 1 974 530; contact@smesbeirut.com	www.smesbeirut.com
23-26 Sep	Dream 2015	Promofair	+961 1 561600; info@promofair.com.lb	www.promofair.com.lb
28-30 Sep	Beirut International Property Fair	Promoteam	+961 1 339050; sm@promoteam-ltd.com	www.promoteam-ltd.com
<b>DUBAI</b>				
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	Private Label Middle East	Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.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
5-8 Oct	Smart Parking UAE	IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
5-7 Oct	Future Retail 2015	Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
6-7 Oct	The MENA Mining Show	Terrapinn Middle East	+971 14440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
6-8 Oct	Light Middle East	EPOC Messe Frankfurt	+971 4 389 4500; info@epocmessefrankfurt.com	www.epocmessefrankfurt.com
25-26 Oct	The Aviation Festival Middle East 2015	Terrapinn Middle East	+971 14440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
26-29 Oct	ROTATE 2015	Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
<b>ABU DHABI</b>				
19-22 Oct	Higher Education	Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
27-29 Oct	NAJAH	Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
<b>KSA</b>				
16-18 Sep	Plastics and Petrochem Arabia	BME Global	+44 207 511 9582; info@bme-global.com	www.bme-global.com
11-14 Oct	Saudi Agriculture	REC	+966 1 454 1448; info@recexpo.com	www.recexpo.com
18-20 Oct	Saudi HORECA	Hospitality Services	+961 1 480081; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb
26-29 Oct	Saudi Build	REC	+966 1 454 1448; info@recexpo.com	www.recexpo.com
<b>EGYPT</b>				
16-19 Sep	Cityscape Egypt	Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
27-28 Oct	Projects Egypt	IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
<b>QATAR</b>				
7-8 Sep	Future Interiors Qatar	IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
25-26 Oct	Gulf Economic Forum	Exicon	+961 1 821 421; info@exicon-specialist.com	www.exicon-specialist.com
26-27 Oct	Future Landscape and Public Realm Qatar	IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
<b>IRAQ</b>				
5-8 Oct	Energy Iraq	IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
26-27 Oct	Future Landscape and Public Realm Qatar	IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
5-8 Oct	Project Iraq	IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
<b>BAHRAIN</b>				
15-17 Sep	Middle East Process and Engineering Conference and Exhibition	Middle East Energy Events	+973 17558800; alexis@mee-events.com	www.meepec.org
18-20 Oct	HORECA Kuwait	Hospitality Services	+961 1 480081; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb
<b>KUWAIT</b>				
14-16 Sep	The Big 5 Kuwait International Fair	DMG Events	+971 4 4380355; dmgdubai@dmgeventsme.com	www.dmgeventsme.com
5-10 Oct	Kuwait International Property Show	Top Expo Group	+965 25747360; info@topexpo.com	www.topexpo.com
<b>OMAN</b>				
7-9 Sep	Food and Hospitality Show	Oman Expo	+968 246 60124; info@omanexpo.com	www.omanexpo.com
<b>TURKEY</b>				
27-28 Oct	Second Turkey Oil and Gas 2015	-	+971 4 453 3515; info.me@irn-international.com	-



> **Corporate social responsibility**

# Building socially responsible corporate cultures

CSR as a framework for business growth *By Daan Elffers*

**C**orporate social responsibility (CSR) largely refers to the responsibility of an organization — whether it be a corporation, a governmental body or a nonprofit organization — to its stakeholder, the wider society and environment. The mainstream view is that organizations, as ‘corporate citizens,’ ought to be accountable to and responsible for the consequences of their activities which directly and/or indirectly affect society and the environment.

Legislation is a driving force in the uptake of CSR, and with penalties for poor implementation particularly for FTSE 100 companies, there is a tendency to view it as having a ‘check-list’ quality. This approach may generate only incremental changes, with limited innovation as organizations are cautious to go above and beyond such legislation in light of potential risks and unknown rates of return on investments.

Despite this, there are a cluster of organizations which are shaking up the traditional business models in favor of new, alternative models. The concept of the circular economy — an alternative to the existing linear economy of ‘take, make and dispose’ as one that sees products re-enter the economy continuously — is inspiring a number of organizations to reject the traditional business model in favor of something quite innovative. For example, Method, a pioneer in homecare and personal care products, manufactures products using materials that can be infinitely recycled in technological and biological cycles through a process that uses only renewable sources of energy. It generates clean water as a by-product and the business culture is one that practices social fairness.


Alternative models have the capacity to not only exist, but to also thrive in an economy that is, by and large, quite conventional. This should offer confidence to organizations in moving away from the traditional business model, which is typically profit driven, to one that holistically embraces CSR and delivers value systemically, across the triple bottom line: people, planet and profit.

There is a strong business case to be made for CSR, evidenced by the current shifts in the finance and investment markets whereby the adoption of CSR policies, and perhaps most importantly, the availability of published CSR reports, is of growing interest to investors. The establishment of the Social Stock Exchange (SSX) in London is evidence of this shift, becoming the first platform of its kind in the world to serve as a marketplace for publicly listed social impact businesses. Currently, the SSX has a market capitalization of \$1.91 billion and the market for social impact business is anticipated to grow between \$200 billion and \$650 billion in the next decade.

To ensure that the investments are realized, it is important to identify and minimize the risks associated with CSR implementation. Most risks are associated with poor strategic integration — this is where a CSR strategy has not been integrated at the core of the business and manifests in a strategy that is not in line with stakeholder interests with poor communication of strategy and impact. Such challenges can be overcome by ensuring a material assessment is conducted prior to strategy development, to ensure that it meets the needs of stakeholders.

Having achieved this, it is then crucial to communicate this narrative

to stakeholders to ensure long-term engagement. This need to report and communicate is partly driven by an increasing culture of transparency. It is estimated that 90 percent of consumers would actively recommend an organization who had excellent CSR credentials, with a report in place through which they can locate this information. Aside from the advantages an organization may receive through this increased transparency, it is the process of reporting that yields the most benefits. The process provides a window of opportunity to analyze and evaluate an organization’s internal systems and processes, and enables risk to be fairly assigned across all departments, stakeholders and partners by integrating them into an organization-wide process. As Alberto Andreu, then Head of CSR & Reputation for Telefónica, said in an interview with EMG, “if risk has no owner, you have a problem.” Risk can only be managed when identified, understood and communicated.

CSR is not a static concept and it is important that an organization doesn’t get caught up with the terminology. Instead, they need to understand the common goal; a concerted effort by organizations of all types to identify and take responsibility of the risk that it generates as part of its day-to-day running. The success of a CSR strategy, measured by its impact and return on investment, will depend largely on its applicability and relevance to the organization itself. As such, it is crucial that organizations remain focused on the aspects important and unique to them. 

*DAAN ELFFERS is the founder and chief executive of EMG and chairman of the advisory board of the Islamic Reporting Initiative.*





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