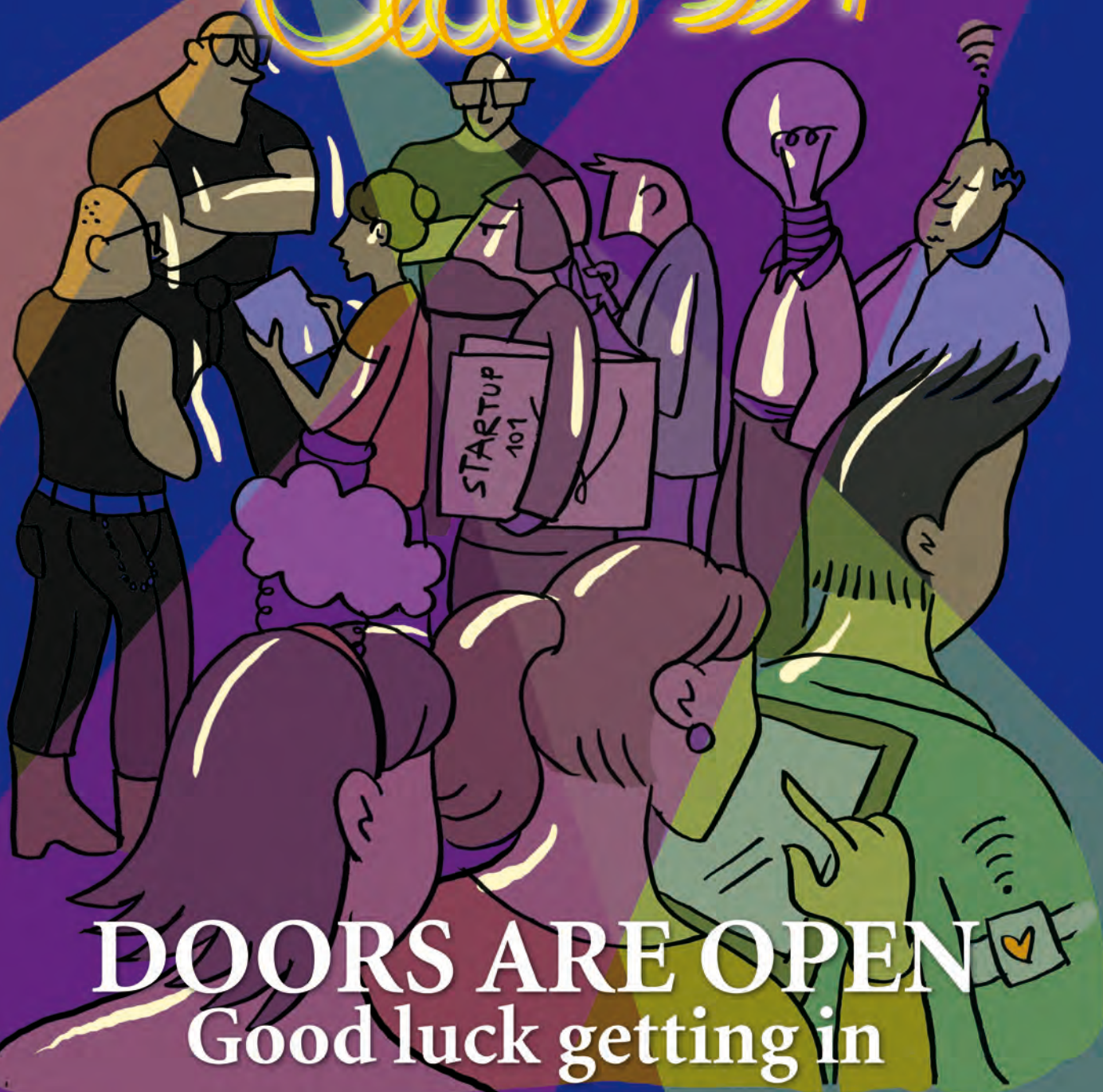


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November 2015

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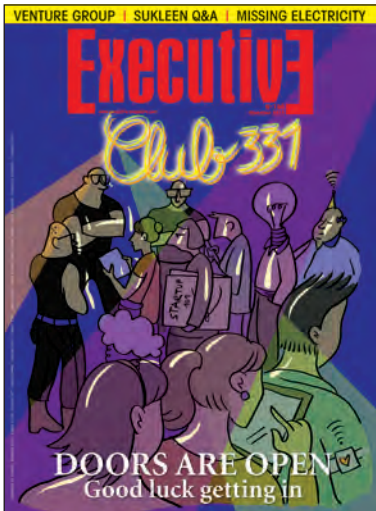
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## EASTERN PROMISES



That our politicians got us into an absolutely avoidable waste crisis they have been unable to extricate us from for over three months is simply embarrassing. It's not about garbage any more. It's about turning Lebanon into a distressed asset. It has become obvious that our institutions, which have been running on an ad hoc basis for 25 years now, are headed for a complete meltdown. The state is not successfully providing even one basic service. Our politicians have made this country a joke, and today it looks like things will only get worse.

Legislative paralysis is putting us at risk of losing much-needed loans for development projects from the World Bank. If we allow this to happen, we're taking a potentially devastating risk. Other international institutions and past partners could very well reconsider financial facilities earmarked for Lebanon, triggering an isolation of our financial system. Once our uncooperativeness unplugs us from the international system, expect scavengers to impose their rule under the pretext of assistance. Sound familiar?

We can either remember how those who promised Lebanon help in the 1980s only bled us dry, and learn from that experience or keep living in denial, insisting our ever slowing economic pulse is still proof of life until we return to being simply a market for the East, deprived of any ambition or ability to produce. If history does repeat itself, we will have only ourselves to blame. We've invested nearly nothing to make this country more productive and are watching the traditional engines of our economy run out of gas while insisting we can make it just a few more kilometers before taking action.

Meanwhile, we have a guerilla army of well educated, creative and innovative individuals able to generate wealth and value in unconventional ways, making markets around the globe a click away. This small, dedicated and focused group has been working hard with few resources for too long. Two years ago, the central bank has stepped in with support, and a more vibrant entrepreneurship ecosystem is emerging. Happily, they're our last link to the productive global economy.

Yasser Akkaoui  
Editor-in-chief

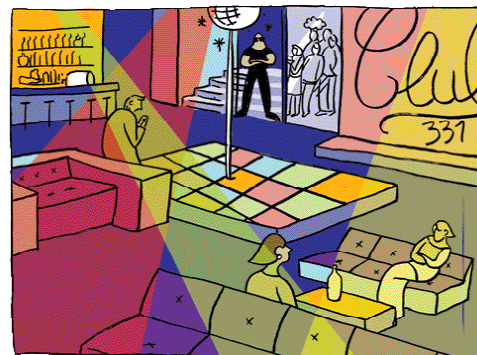


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The demand for recycling is there, as waste is a resource for manufacturers



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> **Lebanese MPs**

failed for a 30th time to elect a president on October 21 after a vacuum in the post for over a year. Repeated parliamentary sessions called for by **Speaker Nabih Berri** have failed to garner the quorum necessary to hold the presidential election, due to a boycott by Free Patriotic Movement lawmakers.

> **Minister of Labor**

**Sejaan Azzi** announced on October 20 stricter measures to combat human trafficking, including stricter regulations for issuing work permits and organizing recruitment centers.

> The **Akkar is Not a Dumpster** campaign continued protests on October 20 to derail agriculture minister **Akram Chehayeb's** cabinet-backed plan to establish new sanitary landfills in the northern town of Srar to assuage Beirut's trash crisis. Protesters, who argue the government has overlooked the health hazards of such a plan, have succeeded in suspending ongoing construction work at the site on at least three occasions.

> The bodies of seven members of the Safwan family, who died after their **migrant boat capsized in the Aegean Sea**, were repatriated to Lebanon on October 22 with assistance from Turkey. Two members of the family are still missing.

> The **Lebanese Navy**

seized a small fishing boat in Tripoli on October 21 packed with 53 migrants destined for Turkey. Designed to hold only 15 people, the boat was transporting 8 Lebanese, 28 Palestinians, 14 Syrians and three stateless individuals, the navy said in a statement.



> Defying the **Union Coordination Committee (UCC's)** decision to heed education minister Elias Bou Saab's request to halt strikes aimed at pressuring Parliament to pass a wage-hike for public sector employees, the League of High School Teachers pressed forward with demonstrations planned for October 20 and 26 and November 4. The league is a member of the UCC, a coalition of public sector unions.

> On October 20, the **Military Tribunal** postponed for a second time the trial of Sheikh **Ahmad Assir** until January 5, drawing the ire of the families of the 18 soldiers killed during the Abra clashes of 2013. Assir's defense lawyers said their client's health was deteriorating, prompting

the judge to order a medical team to observe the preacher's condition.

> **Minister of Justice**

**Ashraf Rifi** inaugurated on October 19 Tripoli's Justice Palace, allowing judges to resume their work in a building especially allocated for that purpose. Previously, judges in the northern city had to make do with rooms in the government Serail.

> Two protesters arrested during a violent anti-government protest were released on bail on October 19 after 11 days in custody. **Waref Sleiman and Pierre Hashash** each posted \$332 in bail. The two were the last of the activists detained during the October 8 protest to be released by authorities.

> A **Hezbollah** rocket attack killed five Nusra Front militants positioned along the northeast border with Syria in Wadi al-Khayl on the outskirts of Aarsal on October 21. The incident came days after a suspected **Lebanese Army** airstrike targeted Nusra Front militants inside a Syrian refugee camp.

> Fishermen evicted from the **Dalieh** area on Beirut's seafront cut off the main coastal road on October 16 in protest over ongoing plans by a private company to build a resort on the once publicly accessible land. The fishermen eventually reopened the road but threatened to stage a

permanent sit-in until the government makes arrangements to build them a separate fishing port.

> Thousands gathered on October 15 to honor Army Commando Regiment head Brigadier General Shamel Roukoz as he went into retirement. He was succeeded by Colonel Maroun Qobayati, the regiment's deputy chief. Roukoz is the son-in-law of **Free Patriotic Movement** leader Michel Aoun, who had been pushing for Roukoz to take over command of the military.

> Lebanon is considered one of the worst performers in the **Global Competitiveness Index**, receiving a total score of 3.8 out of 7. According to the index, the low rank was attributed to instability, inadequate supply of infrastructure and inefficient government bureaucracy, corruption and political instability.

> Property sales in Lebanon during the first eight months of 2015 fell by 13 percent compared to the same period last year, according to the **Directorate of Land Registry** and Cadastre. Total real estate transactions in the first eight months of the year declined to \$5 billion. The most significant movement came in south Lebanon and Beirut.

> The **Beirut Port** handled 10,251 containers in the month of September, compared to 6,974 the





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## QUOTE OF THE MONTH

“WHEN I FIRST WATCHED BACK TO THE FUTURE IN THE 80S THE ONE THING I DIDN'T EXPECT ABOUT 2015 IS TO STILL BE TALKING ABOUT AOUN AND GEAGEA.”

KARL SHARRO, *blogger and satirist*

same month last year, signifying an increase of 47 percent. One of the reasons for this increase, according to *Beirut Chambers of Navigation's Elie Zakhour*, was the closure of a crossing point between Lebanon and Syria.

> A double suicide bombing in the Turkish capital *Ankara* on October 10 left over 100 people dead. The attack happened at a trade-union organized peace rally. The Turkish government has blamed the attack on IS, although IS has thus far not claimed responsibility. Opposition MPs have accused *President Recep Tayyip Erdogan* of failing to provide adequate security at the rally.

> In a surprise move, embattled *Syrian President Bashar Assad*

arrived in Moscow on October 21 to meet with *Russian President Vladimir Putin*. Russian air forces have continued to bomb Syria, targeting anti-government and US-backed rebel groups. The Russians also held talks with American officials to discuss air safety during strikes.

> After months of fighting that has left more than 5,000 people dead, *Yemen's* government has agreed to attend UN sponsored talks with their *Houthi* rivals and their allies. Previous talks held in June 2015 failed to reach an agreement. Following the Saudi blockade of Yemeni ports, it is hoped that these latest talks will bring an end to the on-going humanitarian crisis in Yemen.



Russian President Vladimir Putin (R) with his Syrian counterpart Bashar al-Assad (L) during their meeting at the Kremlin

> *Etihad Airways* signed a deal with *IBM* in early October reportedly worth \$700 million. The 10 year deal will give the Abu Dhabi airline access to the latest cloud-based technology and services, including a new cloud data center that will be built in Abu Dhabi and run by IBM, making it one of the most advanced technology facilities in the region.

> Violence between *Israelis and Palestinians* has once again flared up on the streets of Jerusalem. Palestinians are angry about alleged Israeli plans to change arrangements that govern their religious sites in Jerusalem. Since the beginning of October, a number of Israelis and Palestinians have been involved in a string of stabbings and some shootings. In one such event, an Eritrean man was mistakenly shot by an Israeli security guard and then beaten to death by a mob of Israelis, who believed him to be the attacker. *UN Secretary General Ban Ki-moon* traveled to the region, calling for swift action, to avoid more escalation in violence.

> Following the lifting of *sanctions*, *Iran's* vice president is expecting a 'tsunami' of tourists. This follows news that Iran is set to reveal 1,300 plans that are hoping to attract foreign investment and boost its failing tourism industry. *President Hassan Rouhani's* cabinet

is reportedly trying to make it easier for tourists to visit the country by removing obstacles that prevent people from getting visas. The US State Department, however, continues to warn US citizens about the risks of travelling to Iran.

> *France* announced on October 13 deals with *Saudi Arabia* worth \$11.4 billion, strengthening ties between the two countries. Although no specific details about the deals have been announced, according to French officials they cover energy, health, food, satellites and infrastructure. France has been keen to increase its ties with Saudi Arabia, despite criticisms from groups in France of the kingdom's poor human rights record. This comes after the British government pulled out of a prison deal with Saudi Arabia worth \$9.1 million due to human rights concerns.

> October 18 saw *Egypt's* first phase of voting in an election marred by low voter turnout. *President Abdel Fattah al-Sisi* described it as a milestone on the road to democracy, but many young voters expressed their disillusion with politics, expecting the newly elected politicians to be President Sisi's 'yes men'. One Cairo district reported a turnout of 10 percent. Voting among the elderly has been high, but young Egyptians refused to take part, believing the revolution they fought for has been coopted. 



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## &gt; Entrepreneurship

# Time to talk it up a notch

Communication is key for entrepreneurs

**L**ebanon is at a crossroads. It has been two years since the announcement of Circular 331, and the murmurings of a revitalised golden age brought about by our startup and entrepreneurial system. Whilst it might be too early to speak of the clear tangible benefits to the Lebanese economy, there is obvious traction within the sector which in 2015 witnessed a growth in the number of acceleration programs and non-financial initiatives that complemented the large input from Lebanese venture capital powerhouses. EXECUTIVE's special report on the entrepreneurship profiles several of these accelerators, and discusses the current impact circular 331 is having on the ecosystem. Though money is needed and has been well received, deployment has been slow and the central bank should create a centralized database of 331-related investments to keep spending as transparent as possible. How long will entrepreneurs have to wait in line to get the investments and tickets they need, before they gain access to 'Club 331'?

We stand on the edge of the investment cliff, because the viability and survival of our startup and entrepreneur system in the long run is in question. Though every initiative within the ecosystem need not survive, an overarching sustainability is key, which will see investments feed back into our country to develop a strong and robust asset class which is attractive to the private sector. Whilst the future is bright, and opportunities present themselves with the current financial enthusiasm, it will only remain so if Lebanon as a country chooses to tread the right path, and ensure opportunities are not squandered. This in turn must be coupled with a strong adherence to clear governance that regulates without restricting growth.

## PART OF THE SOLUTION

There are many positive initiatives at present to encourage the growth of the Lebanese entrepreneurial ecosystem. The Banque du Liban Accelerate conference is one such example of a positive step encouraging collaboration for a more harmonious sector. Lebanon For Entrepreneurs (LFE), an initiative which works both to inform the diaspora on the current status of the Lebanese startup system and to promote sharing of global expertise, is another. However, in order to make this ecosystem successful all players within the sector must contribute and commit themselves to the fullest, which means that whilst competition between funds is beneficial, effective communication across the board is essential to ensure a cohesive ecosystem. More can be done to ensure that all within the ecosystem are in sync with one another, especially here in

Lebanon. This is extended to institutions, banks and universities - bodies which are on the periphery and which feed individuals into the Lebanese economy. At time of press there was no unique central portal for the exchange of knowledge, and LFE's database of private and academic entrepreneurship support organisations was last updated over a year ago. Whilst individual programs are trying to target the gaps within the system, an independently regulated umbrella platform with up-to-date information would undoubtedly facilitate understanding, cooperation and ultimately growth, and potentially promote healthy competition. Though initiatives such as the Global Entrepreneurship Week encourage relations between players, more can be done to improve and centralise collaboration. This includes prioritising the development of an electronic stock market, a central 'location' to provide much needed liquidity to companies, and identifying areas in the infrastructure which could be improved and leveraged to attract young talent, such as relaxing required capital for registering companies.

A great deal of money has been poured into, and is earmarked for, the entrepreneurship ecosystem. But if Lebanon wishes Circular 331 to be a success, and ensure the money is not wasted, improvements must be made at the macro and micro level. There is an inherent amount of volatility that cannot be avoided; risks which cannot be mitigated; as our special report will outline, venture capitalists and private equity firms must overcome the steady security of being risk-averse and spend the money raised through Circular 331 without exercising undue caution. We must accept that there is no mathematical financial instrument that can price a startup akin to the way the Black-Scholes equation prices European options; there is no accurate prediction instrument for the future value of a Lebanese startup system. All eyes should be focussed on trying to make the space we have as accessible as possible for the next generation of innovators, improving inter-player communication, and pressurising the government for better infrastructure, internet and entrepreneur-friendly policies is key. Many would argue that this is a fruitless task, seeing as our streets are now swimming with garbage thanks to the rain and the political puppet show playing out in the Grand Serail. However, the beauty of the entrepreneurship sector is its ability to develop solutions which are innovative and effective, which defy imagination even in the face of overwhelming odds, and there is no reason that this cannot extend to macro issues. To ensure our system doesn't dwindle and fall by the wayside in seven years time, we need to realise that Circular 331 is only part of the framework needed to hold up our ecosystem. The time to act is now, so we ensure foresight, rather than hindsight, is our ally.



> **Politics**

## A river of corruption

The garbage may wash away but our politicians won't

**I**n late October the streets of Beirut filled with water. A torrential downpour, common for this time of the year, washed the garbage accumulations on various empty lots and roadside spots onto the city's streets, turning what was solid waste into a disgusting viscous soup. After six weeks of disagreement over the emergency plan, the garbage crisis is now even more in our streets than ever. This shows how the garbage crisis in its essence always was a political battle between self-interested parties and was impaired by a huge presence of corruption.

The same actually is true for the electricity crisis where accusations (see Ghazi Youssef Q&A page 60) and counter-accusations of corruption were exchanged between Speaker of Parliament Nabih Berri's Amal Movement and former Prime Minister Saad Hariri's Future Movement against the Free Patriotic Movement (FPM)'s Gebran Bassil. In short, Amal and Future officials charge Bassil and the FPM of incompetence in the tendering and implementation of contracts for projects from Bassil's

2010 electricity plan (see table on page 20) and the mis-spending of some \$1.2 billion. For their part, Cesar Abou Khalil – an advisor to the Ministry of Energy and Water and a FPM candidate for parliament in the 2009 elections – said on talk show Kalam el Nas in late October that the Ministry of Finance did not release the needed funds for the projects because special interests wanted to see the electricity sector sink so low so as to force privatization, with plans to manage it with a company similar to Sukleen in the garbage sector.

The accusations come after a statement war between the Ministry of Energy and the Ministry of Finance in early September, followed by a squabble and pissing contest over which politician was less corrupt in an October energy committee meeting in parliament. The entire debacle is not a comedy, and it is not a tragedy in the classic Greek sense of avoiding bad fortune – which politicians are yet to try. It is, instead, downright insanity. The call for action is once again only to cry and say pack up and leave – to the politicians, not our youth.

### CIVIL SOCIETY VS POLITICIANS

The YouStink movement continues its campaign despite a momentum busting month that saw many of its

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## WHAT LEBANON HAS BEEN FACING IS A LACK OF TRANSPARENCY IN POLITICAL SUPERVISION

to the electorate. The world over, basic public services are delivered through two models, state-owned enterprises or privatization, neither being particularly more efficient than the other and both proven as failed models for Lebanon. What model is the appropriate vehicle to deliver a given service is an important debate that should ensue a overhaul of the system of accountability at three levels: political, institutional and economic.

Political accountability means citizens must have access to elected officials, who need to be able to answer questions with

activists facing criminal charges by military tribunal. Non-governmental organizations – like the Lebanese Transparency Association and Sakker el Dekkane – have helped shed light on illicit activity, but their lobbying efforts to pass legislation – access to information and whistleblower protection laws – to mitigate corruption have so far not borne fruit. Politically-backed organizations, such as Kataeb's newly established MALAF, may not support non-partisan headway toward anti-corruption.

Unfortunately, civil society's efforts to cleanse Lebanon have not achieved much in the way of systemic reform. But will the coalescence of corruption driven crises actually create real change? As Lebanon's leading political leaders gather in national dialogue, the calls to root out corruption in delivery of basic public services – including waste management, water, electricity – by civil society and opportunistic politicians seemingly fall on deaf ears. Business will carry on as usual in the parliament as committees re-elected its members in October, despite the legislative body's inability to elect a president or pass laws to address any one of the numerous economic or social challenges facing the country. At the executive level, the council of ministers remains paralyzed because decision-making stipulates a consensus vote – an impossible requirement given the political polarization.

What Lebanon has been facing is a lack of transparency in political supervision and a lack of accountability

proof, and all ministry-related institutional accountability must be transparent. There are various instruments that can be employed – like public hearings and open committee meetings, or at least the full publication of the minutes of those forums – to make the process more accessible so that the constituency can hold politicians and government officials more accountable.

Economic accountability refers to those who have the authority for economic decision-making. That many of Lebanon's economic drivers – institutions and business leaders and investors – are co-opted, married to the destiny of the political class, is concerning. This co-option has gone on far too long, so irrespective of any crony capitalism in banking or other sectors of the economy, the economic decision-makers have to accept responsibility for having contributed to the disaster we are in and draw the consequences. Moving forward, the economy still needs to be an active partner of the state and having a public-private partnership law can help further productive collaboration.

Not to mention this magazine's warnings and calls for reforms, global institutions have pointed out time and again that transparency and accountability are key criterion for efficient functioning of economies, for their growth, and for social well-being. The enduring challenge in Lebanon, however, is that, even with legislation enacted and coupled with ministerial decrees for implementation, laws do remain unenforced.





## ELECTRICITY SECTOR PROJECTS

Reform	Description	Tendered	Completion or contract expiration	Estimated Budget	Additional Capacity (MW)	Financed By
New power plants	Rapid increase capacity	March 2011 but no progress achieved due to lack of public-private partnership framework, amongst many other obstacles.	On hold	\$1.5 billion	1500	Private sector, international loans
New power plants	Rapid increase of capacity	March 2011 but no progress achieved	On hold	\$750 – 875 million	600 – 700	Government of Lebanon
Deir Ammar 2	New power plant at Deir Ammar	Awarded to Abenor-Butech but was canceled. Tender relaunched in December 2012 and awarded to J&P-Avax in April 2013.	Delayed due to financing issues and ambiguity over payment of project's Value Added Tax; funds released in September 2015	\$504 million	540	Government of Lebanon
Rehabilitate Zouk	Installation of re-ciprocating (diesel) engines	March 2011	Delayed due to lack of consensus over financing, political differences. Delivery scheduled for May 2016	\$350 million	260	International loans
Rehabilitate Jiyeh	Installation of re-ciprocating (diesel) engines	March 2011	November 2015	-	84 (to replace current capacity of 75)	International loans
Distribution Service Providers	Consolidating outsourced EdL tasks such as network extension, network operation and maintenance, metering and billing activities	August 2012	Contracts with service providers BUS, KVA, and NEUC end August 2016 but are renewable	\$350 million	N/A	Private sector
Power Generating Ships	2 electricity generating barges to compensate for fluctuations in supply	July 2012	2 barges delivered in February and August 2013; potential for contracts to be renewed in 2016	\$360 million for 3-year lease. Operating cost is based on consumption at \$0.05 /kwh + cost of fuel	110 – 280	Government of Lebanon
Gas Pipeline	Gas pipeline along the coast to feed all power plants from Beddawi to Tyre	Process on hold due to lack of consensus over financing	On hold	\$120 million	N/A	Government of Lebanon and private sector
FSRU Plant	To import liquefied natural gas and its regasification transported via a planned pipeline for use at Lebanon's power plants	-	Tendering process on hold	\$70 million	N/A	Government of Lebanon and private sector
Beirut River Solar Snake	Solar farm	2013	Delivered August 2015	\$4 million	1	Government of Lebanon
Jenna Dam	Hydro-electric power generation	Construction began March 2013	Construction plans halted due to environmental and geological concerns and the expected negative impact on water flows to Jeita Spring	\$23.2 million	4	Private sector, international loans





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# Coming Sukleen

CEO Malek Sukkar says it is time for his company to stand up for its people

By Thomas Schellen and Matt Nash



**A**fter protests outside their Lebanon plant and activist allegations of corruption, the CEO of Averda gives his first ever interview to a media organization. Little known by name in Lebanon, Averda is a waste management company founded in 1993 by Lebanese engineer Maysarah Sukkar. It is the parent company of Sukleen and Sukomi. Maysarah's son, Malek, has been a top manager since the company's inception, and today leads the company as it continues an expansion abroad that began a few years ago. Contracted by the government to collect, treat and dispose of Beirut's waste in the early 1990s, Sukleen and Sukomi -- which even Sukkar refers to collectively as Sukleen, a play on the family name -- the companies quickly took on more municipalities in Lebanon and have been handling waste in the capital and all of the Mount Lebanon governorate (except Jbail) for around 20 years. Previously media shy, Malek Sukkar sits with EXECUTIVE to talk about the waste crisis and his reaction to Sukleen's many critics.

**E How do you respond to accusations that have been leveled recently in Lebanon against Sukleen and your family in context of the escalating garbage crisis?**

The nicest way I can describe this is that we understand the need to find someone who can be held responsible. We are not responsible, but we are the easiest people who they can try to [blame]. We understand the frustration but [what Sukleen is being accused of] is unfair and unfounded.

**E Have any of the organizations or parties with interests in this controversy reached out to you asking for your response or comments on this matter?**

No. It is shocking, but no.

**E Were you surprised that the emergency plan which was announced on September 9 has not seen the beginning of implementation within the seven weeks that have passed until the first literal garbage flood on October 25?**

Honestly, I am surprised because I thought that the change of which minister handled the file would be based on some sort of agreement that had been reached in the Council of Ministers. I am not privy to what happened [with regards to] the actual execution but I am surprised by the delay because this is a critical service. It is not a nice-to-have service like superfast WiFi versus regular WiFi. Taking care of our garbage is a bare necessity and this has always been my worry as a human being, not as someone who is involved in this file.

**E Can you be more specific about why the situation worries you personally?**

I remember a story from Harvard

Business Review from some years ago. It said that there is always a danger that your strength becomes your weakness. The Lebanese government relies on the resilience of the people. Every Lebanese has three different power sources and several different water sources. The resilience that this has built up is what I am afraid people will develop [because of] the waste issue. The scene that we [saw on October 25] of the floating garbage may become something that we are used to, and that would be the absolute worst outcome. We got used to mobile telephones where calls cut after about 20 seconds or so; we got used to not having electricity. People still get angry but there is a used-to-ness and it is my worry that the longer this thing takes to get sorted out, the more this resilience gene might come out where people would say we can also survive without waste management. That, to me, is the worst possible outcome.

**E Do you think that the emergency plan has the potential for dealing with the issue at least for a year or two?**

The emergency plan is fairly straightforward. What it [calls for] is a devolvement of the waste services [to municipalities] and for doing that over 18 months. That is a wise process because you can't go from zero to 100 all at once. From a high-level view I think this makes sense. What I think worries people is the question if there is something that will happen within these 18 months, or will this be a period that will require another 18 months and then another 18 months [of emergency management]. This is probably the tougher question. Only the municipalities know because they will have to pick up the baton and run with it.





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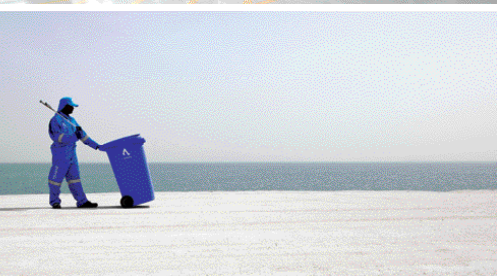
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**“WE BELIEVE THAT YOU ARE AS GOOD AS YOUR PERFORMANCE, NOT AS GOOD AS YOUR LAST NAME.”**

**E You have not participated in the tender bids that were preceding the announcement of the emergency plan. How large a role did the Lebanese operation play in the overall activities of Averda up until the summer and the closure of the Naameh landfill?**

Everyone in our organization is so proud of the work that has been done in different countries, but Sukleen and Sukomi are the mama. All that is good in the whole company has come from these two entities, all the genes and the DNA, the will, the pride and the resilience, talking in a positive sense. When we started this process in Lebanon in 1993, we came to a country that had been decimated and a population that had not been in a corporate setting for about 20 years. When you asked for someone who could use a word processor or for a specialized accountant, you couldn't find them. From when we started, the gene was built one brick at a time. We created a school for training almost every skill set and we took the view that we were a meritocracy. It was a very small family [involvement], there was my father and myself and not a lot of Sukkars in the organization. We believe that you are as good as your performance, not as good as your last name. We put a lot of training performance-based management systems in creating the gene of the organization and this gene self-propagates.

**E You have recently been much more responsive to questions about Sukleen when compared with a lack of answers that we observed over many years previously. Why the long-standing reluctance to talk?**

We have no political aspirations, neither my father nor me. We always thought that if you speak to the press in Lebanon, you are making a bid for parliament or becoming a minister. Also, a lot of times when we answered in the past, we answered with 17 pages of documents and numbers and no one ever read them. And because we are highly technical people, we always

assumed that whatever response we give, it will be twisted in the media, so let's not say anything. In hindsight this was a humongous mistake.


**E What has changed in this regard?**

The attacks in recent weeks have been so personal, so wrong, that your blood boils and not answering has become impossible. Our doctrine now is that we answer, not by being rude or aggressive but by being factual and our facts speak for themselves. We believe in everything that we have done and we say that.

**E From your perspective now, what is your strategy in going forward not just in responding to crises but in representing to larger audiences what Averda is?**

I think for the first time in the history of the company we have a marketing budget and within that budget a very specific media marketing strategy that we are now applying.

**E Which is to do what and why?**

We do a lot of great things; we do life-changing things and to many people it is a shock when they see this. It shouldn't be a shock and, to be honest, the people whom we hurt [with our silence when we were accused] probably more than our own family are the people who work in this great company. If you work for Sukleen today in Lebanon, you are not proud. They have made you feel small. The attacks we have received are not something that will make you feel that you can walk into a bar and wear a Sukleen t-shirt. So one of the reasons why we have taken what is for us a bold step is that these people who have been doing this work for decades deserve a response they can take to their friends and their neighbors and tell them, 'what you are saying is not right. This is the truth.' Working for this company should be a moment of pride, not a moment of shame. Having learned from the Lebanese condition, we will go forward with a positive view of media relations. 





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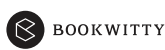


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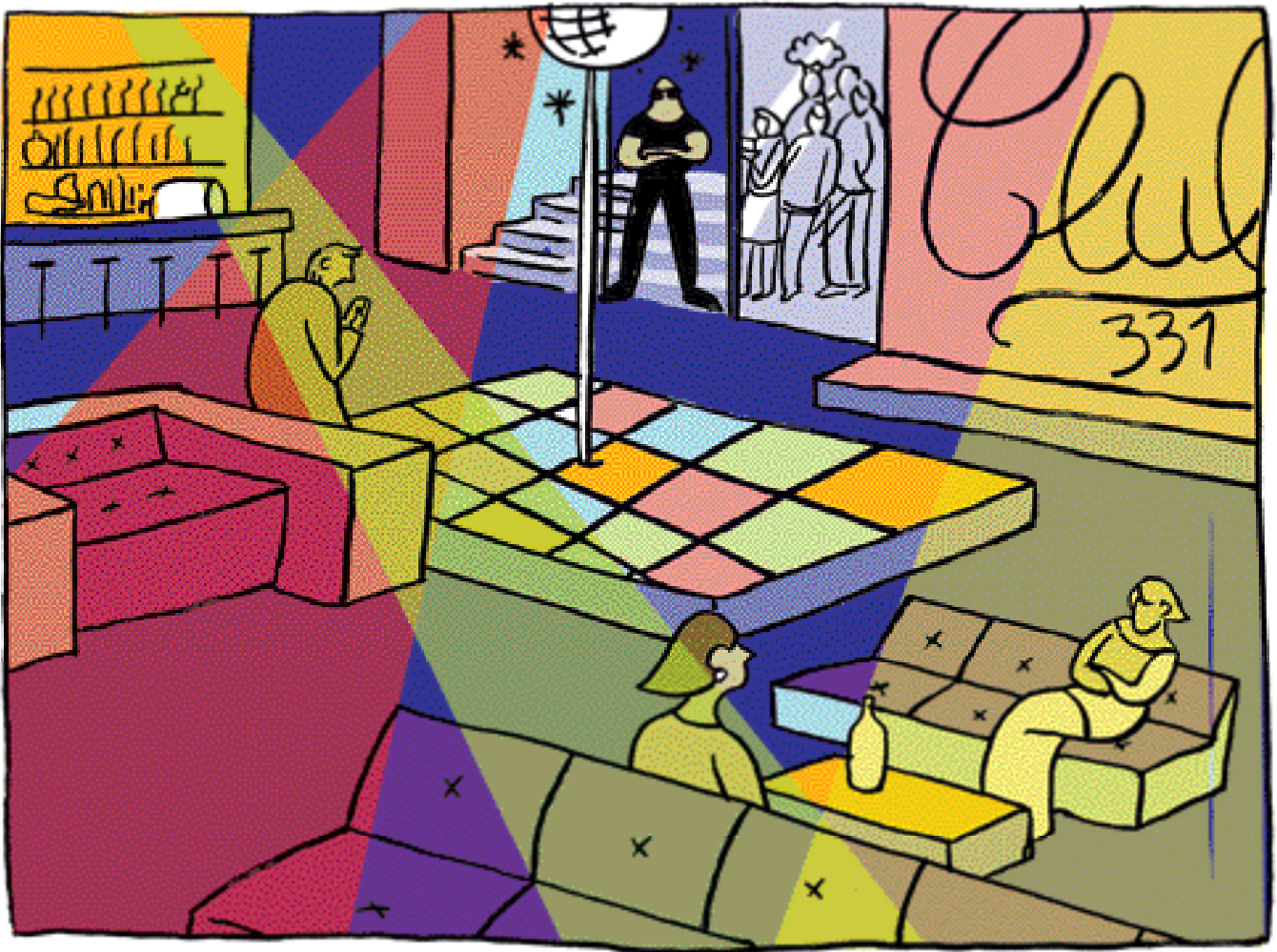
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.... AND COUNTING

# THE STARTUP STATE

Developments, challenges and predictions for the Lebanese entrepreneurship ecosystem





**T**he plans to create a successful startup and entrepreneurial ecosystem are tentatively falling into place in Lebanon. From Circular 331 to the launch of new accelerators, the sector has changed dramatically over the last five, or even three, years. EXECUTIVE brings you a small overview of some of the latest developments and challenges to the ecosystem, and future development recommendations from leading figures within the sector.

## 2015 IN A STARTUP NUTSHELL

2015 saw advances across several stages of start up. Banque du Liban (BDL), Lebanon's central bank, hosted the first Lebanese international startup conference at the end of November 2014, which preceded a fast paced year. The 2014 conference certainly produced some home truths about the state of the internet and infrastructure, as well as other gruelling realities of startup success in the Lebanese context, with Venture Partner at Golden Gate Ventures Michael Lints describing how "being in a startup is about as romantic as chewing glass." There was, nonetheless, a sense of great positivity at the efforts being made by the entrepreneurial community to advance despite local and regional setbacks. The theme for the December 2015 conference, 'Emerging Startup Ecosystems', will aim to attract a wide entrepreneurial audience to their event at Forum de Beyrouth on December 10 and 11, with around fifty local and foreign speakers currently listed on BDL's event profile.

At seed level, AltCity Bootcamp and Speed@BDD, both profiled in our special report, are accelerators aimed at the idea stages of entrepreneurship, while the UK Lebanon Tech Hub launched its own accelerator aimed at growth stage scaleups in Lebanon (see story page 40). Other initiatives such as Startup Megaphone, which markets the Lebanese ecosystem worldwide and organises events, are also supporting the nascent entrepreneurial ecosystem. Catherina Ballout, Operations Manager of MIT Enterprise Forum Pan Arab based in Beirut, described these efforts to include growth stage funds as critical to Lebanese success stories; "during the past year we have had funds focusing on growth stage; Leap Ventures, Wamda and MEVP funds. This is very important because at a certain stage the entrepreneurs are growing their startup but aren't able to grow further and think of selling their startup instead of growing it. The role of the growth stage and VC funds is very essential to this."

## WHERE ARE WE NOW?

Funds are taking advantage of Circular 331, with Leap Ventures expecting to raise more than \$80 million by the

end of the year, although the money from BDL is having problems trickling down to the ecosystem (see story page 30). Despite some financial backers' hesitation, the need for incubators and accelerators is tantamount to developing Lebanon's entrepreneurial ecosystem. "The role of the accelerator is to prepare the startup to meet investors," notes Ballout, "and to guide them through the process, identifying the right time for a particular company, scaleup or startup to seek external investment. Knowledge about how to approach investors is very important." With the ultimate aim of so many accelerators to seek successful exits for the startups within their program, especially if long term sustainability of the accelerator is dependent

on participants' future profitable exits (see story page 40), the knowledge imparted to companies at growth stage about seeking external investment is clearly crucial. Although others have remarked upon the lack of previous accelerators in Lebanon to use as a benchmark for the ecosystem (see story page 40), it is worth noting that of the eight companies which were inaugurated into Seeqnce's 2012 acceleration program, three (Presella, et3arraaf and Med HP - now renamed as eTobb) are still up and running, and continue to seek later stage investment either in Lebanon or abroad.

This crudely represents nearly a 40 percent 'non-failure' rate, which is a good benchmark in a market so often dwarfed by larger competitors and regional and local problems.

## CHALLENGES AHEAD

So what are the problems facing the Lebanese entrepreneurial ecosystem? "The greatest challenges [are] access to markets and the path to scalability," says Habib Haddad, founding CEO of Wamda. "Access to markets allows you to sign deals, to break out. The brain drain is definitely a big issue. The education system is not bad but it does not equip you for the real world," he adds, noting the uniqueness of certain challenges to the Lebanese ecosystem. When asked about the exit assumptions that accelerator funds have used to base their future profitability and sustainability on, namely that roughly one in ten startups will succeed and generate future revenue for current funds, Haddad sees no problem with it in terms of applicability for Lebanon. "That's the name of the game," he remarks, though speculates that numbers within the model could be adjusted to lower the probability of "rockstar" success and make it Lebanon-orientated. For others, the challenges overlap with Haddad's and also vary. Infrastructure is high on many lists, with Hala Fadel, partner of Leap Ventures commenting that "I probably use 20

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LEBANON'S  
ENTREPRENEURIAL  
ECOSYSTEM**

percent of my time lobbying for the internet because it's just unacceptable."

Whilst businesses can afford to pay for faster internet, with Wamda paying \$200 per month for 18 Gb/s download speed, poor infrastructure often has a greater impact on the psyche of an individual in question. "When you [leave work] and go back home to your family, the infrastructure [on the streets] impacts what you see as a potential future for the country. [It makes] you decide you want to go somewhere else," stresses Haddad, who notes that for future innovators to move into a space it needs to be as accessible as possible – something which Lebanon's lacking infrastructure does not often help with. There is also a lack of talent within certain higher tiers, and importing individuals from outside the company is difficult with such poor infrastructure. For Fadel, recruiting senior level individuals to her companies is proving difficult, as "attracting talent to a place that is called Beirut" is problematic she claims, which is only compounded with growing political instability and governmental paralysis, .

Although one barrier to capital has all but been removed by BDL, a current lack of an electronic trading platform for SMEs, the launch of which has stagnated and entrepreneurs remain none the wiser about its launch date, presents more capital hurdles. The fact that heads of funds also stress that startups cannot afford to focus on Lebanon as their sole market (as with most small countries) also facilitates exiting the country – a global vision promotes the idea of a better life outside of Lebanon. At policy level, the taxation levied on new companies also serves to dissuade budding entrepreneurs. "This is a burden and a long process," comments Ballout, who notes that "they don't have access to funds at an early stage so entrepreneurs end up paying [heavy fees] from their own pockets or their family's pocket to register a company." Those wishing to register as a Limited Liability company, for example, must pay upfront a capital of 5 million LBP, equivalent to \$3,323, which can severely dent the finances of a young startup.

## WHAT IS THE FUTURE?

Amongst the accelerators themselves, not all need to survive to produce a flourishing ecosystem. Fadel likens Circular 331 to seed funding for an entire ecosystem, attempting to build the credibility of an asset class; "this whole startup that is the Lebanese ecosystem will either make it or break it. After two to three years things will settle down with the long term players staying here, and then in seven to eight years we'll see the returns on these funds." Fadel notes that the private sector will only follow up with investment if the ecosystem builds a credible asset class, but "if we fail the private sector will not follow and there will not be another 331."

The top financial heads of the country clearly pin a major part of the the country's economy on the entrepreneurship sector. "We believe that this is one of the sectors upon which



Lebanon's [economic] future will depend, along with the financial sector and the oil and gas sector," stressed BDL head Riad Salameh when speaking at the launch of phase 2 of the UK Lebanon Tech Hub. He also noted that the money from Circular 331 would "attract back all Lebanese talents, or most of them, in order to form companies in Lebanon, to create jobs for the Lebanese and to help this sector startup itself".

It is clear that the entrepreneurship industry has the ability to contribute to Lebanon's economy, although the valuation of such a contribution can hardly be measured without accurate data or a country-suitable economic model to describe the contribution from entrepreneurship, the tech sector or companies nurtured by startup acceleration programs. "I hope there is more of a collective effort in building the ecosystem," comments Ballout. "There are a lot of partners working together, but there are a lot of partners that could have been working together [from before] and having more of an impact, and this is not the case." By partners, Ballout clarifies that she means institutions or individuals at any stage of the ecosystem, and not just those controlling the funds. The operational system on the ground needs a few years to play out before benefits are truly realised; "you find a lot of reports and plans from here until 2020 [detailing] what the plan is, but on the ground it is still unclear," comments Ballout, who adds that "Circular [331] is great, a lot of initiatives are great, but let's wait and see".



3

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# THE 411 ON 331

While there have been few investments to date, there's plenty more in the pipeline *By Matt Nash*



**T**he torrent of “free” money that Banque du Liban (BDL) Circular 331 was expected to release is still but a trickle. Approved by Lebanon’s central bank in August 2013, the circular allows banks to invest up to three percent of their tier 1 capital in startup companies, contributing to the so-called “knowledge economy” or venture capital funds focusing on these types of companies. BDL is guaranteeing 75 percent of these notoriously high-risk investments, and – if every bank in the country participates to the maximum limit – the circular would pump around \$400 million into the local entrepreneurship ecosystem. From an economic perspective, the rationale is simple: create jobs and build

up a value-creating new sector. In a best-case scenario, some even hope Lebanon will become a techy, entrepreneurship hub for the region. At this early stage, however, the building blocks for this new sector are only now being put into place.

Marianne Hoayek, one of several BDL officials responsible for monitoring 331’s implementation, tells *EXECUTIVE* that the bank has approved \$280 million for investment to date. Publicly disclosed transactions – namely 9 venture capital fund investments and one direct bank investment – however, total around \$20 million, or roughly 7 percent of the approved \$280 million. Fund managers tell *EXECUTIVE* they will close more deals by the end of the year, and even if 331 has not massively increased deal flow, it is certainly helping the ecosystem evolve.

## PASSING THE BUCK

While BDL Vice Governor Saad Andary told *Wamda* in 2013 that 331 might push banks to create in-house “specialized units familiar with startups” to follow-up on direct investments with entrepreneurs, the vast majority of 331 money will flow through venture capital funds. “The needed experience [for a bank] to be able to follow-up [on an investment in a startup] is huge. These are not existing companies,” says Fadi Osseiran, general manager of BlomInvest Bank, which has invested with three existing VC funds and is sponsoring another currently awaiting BDL approval to launch. “These are entrepreneurs. It’s a whole new area. Banks are lenders. So to become investors already is a major move. To go from investing in an established company to investing in a startup is even harder. There is no way we can do it.”

Experience is only one barrier keeping banks from rushing to invest in and nurture entrepreneurial enterprises. Cost is another, explains Marwan Kheireddine, chairman and general manager of Al-Mawarid Bank and a former minister



of state who pushed for the creation of 331 while in office. “Managing any investment that is less than, let’s say, \$500,000 would prove too costly. You need resources to be able to follow-up on those investments. In some cases, we put people on the board. We assist companies in building their corporate culture to ensure they are adopting best practices in terms of corporate governance. And all of these things cost money. Imagine if we have to do that, as an investor, in a company where we invested \$25,000 or \$100,000. It becomes economically not viable. You’d be putting in resources that are costing you by far more than the actual investment itself.” That said, Al-Mawarid has made direct investments. In fact, it made the first 331-compliant investment of \$200,000 in Presella, an online ticketing platform, in June 2014. Kheireddine admits he’s overworking his staff to keep an eye on the bank’s bets.

Al-Mawarid is not alone as a direct investor, but information on the practice is scant. BDL’s Hoayek says, “now what we’re seeing is that many banks are investing directly in startups.” Asked how many banks have directly invested, she answers “more than 20.” She adds that the bank is considering a public database of direct deals so “everyone knows the names, the numbers and the money allocated, but we’re seeing with the governor how to do it.”

## MEET THE MONEY MANAGERS

So far, there are three VC funds operating with 331-backed investments from Lebanese banks. Berytech and Middle East Venture Partners – existing market players – are each running a fund while a third is under the auspices of a new entrant – Leap Ventures.

Berytech Fund II has raised \$51.5 million but has approval for \$70 million and expects to close between nine and 11 deals soon, says managing director Paul Chucrallah. The fund has not invested yet and is eyeing deals with ticket sizes between \$1 and \$3 million, although Chucrallah notes “we can go up to \$5 [million], even \$7.5 [million]. We do not, however, forbid ourselves from going below that. We like people who have brilliant ideas, even if it’s a very small idea. So we have more than a couple of investments that will be below \$1 million. And one or two of those will be significantly below \$1 million.” He cautions that seed funding is out of the picture unless Berytech is really floored by an idea. The fund charges a 2.5 percent management fee.

Middle East Venture Partners (MEVP) Impact Fund has been the most active with eight investments to date and two more in the pipeline says Walid Mansour, an MEVP managing partner. Impact is focused on ticket sizes between \$2 and

\$4 million and charges a 2 percent management fee.

Leap Ventures’ first fund stands at \$71 million with plans to close a second round of fundraising in November 2015 with a goal of reaching “north of \$80 million,” explains Hala Fadel, a partner at Leap. In August, its first investment of \$3 million went to Energy24, which builds a new type of energy storing device to help residents and businesses endure long power cuts. Fadel says two more investments should be made by the end of the year. She says the fund’s management fee is “capped at \$2 million, so 2 percent, effectively.”

The fund representatives EXECUTIVE interviewed agreed they’ve cast their nets quite wide to find good deals and have to fight to defend them in front of internal fund investment committees. MEVP says they met with 215 companies. Leap saw 91 entrepreneurs, and Berytech spoke with 250.

New players should be entering the market soon. The BDL’s Hoayek says three additional VC funds have received BDL approval but are currently raising money before officially launching. She adds two more VC funds are in the approval process. As noted above, BlomInvest’s Osseiran says his bank is sponsoring a new fund, and Khaled Zeidan, executive general manager of MedSecurities Investment, tells EXECUTIVE his bank is also sponsoring a fund dubbed Azure which will invest in “fashion and design and technology,” he says, admitting it’s a “niche play.” He explains three banks are committed to invest in the fund, but that it will be a “smaller fund” reaching “\$30 million at most.”

## A MOVING TARGET

An underreported element of 331 is that it also allows both banks and VC funds to invest in infrastructure components needed for a healthy startup ecosystem, such as accelerators. At the earliest stages, an entrepreneur often

only has an idea, with no knowledge or experience in writing business plans or running a company. Training and mentorship are arguably as important as access to capital in helping startups survive and grow. And BDL is actually going a step further than 331 to help make sure these infrastructure elements are built.

Hoayek explains that, on a case-by-case basis, BDL is actually backing 100 percent of bank investments into ecosystem components. For example, the bank offered this guarantee to two investments made by Al-Mawarid Bank: \$7.5 million into the UK Lebanon Tech Hub, an accelerator and training program, and around \$2 million into Bootcamp, an idea-stage training program run out of AltCity, the co-working space in Hamra, Beirut, according to Kheireddine. Hoayek confirms the guarantee and that the investment is not counted against Al-Mawarid’s access to 331

**SOME EVEN HOPE  
LEBANON WILL  
BECOME A TECH,  
ENTREPRENEURSHIP  
HUB FOR THE REGION**

funds. Hoayek says BLC Bank also made a 100 percent guaranteed investment into Startup Megaphone, an international roadshow vehicle for local entrepreneurs. BDL is also backing investments into a coding-focused training program called Torch and part of the financing for Speed at Beirut Digital District. “[BDL] wanted to go even further [than 331] because we thought that this pipeline should be sustained, sustaining startups and deal flow. So we went beyond the 75 percent and said that [BDL] will guarantee 100 percent [of investments into] accelerators, bootcamps and training centers that will create this deal flow that will keep the ecosystem moving.”

Hoayek says that two soon-to-be-announced funds will also focus specifically on small-ticket-size, seed investments, something the market is currently lacking.

## RISKY BUSINESS

Berytech's Chucrallah sums up one of the pitfalls bankers and fund managers need to avoid when investing 331 money. “The onus is on us not to get drunk with valuations,” he says. While everyone EXECUTIVE spoke with for this article expressed a similar sentiment, only Mansour with MEVP said he had yet seen a problem with valuations. “We had a case, one case, where we were discussing a valuation with a company, and we got overbid by one of the competing funds who paid double the valuation we offered. We obviously didn't pursue the discussion.” Zeidan, from MedSecurities, disagrees that valuations are becoming inflated and adds that the funds are investing in a way that won't allow for inflated valuations in the future. “My biggest concern, previously, was to make sure that we don't have arbitrage opportunities starting to arise among the different funds. We're invested in all three. I sit on the board of [MEVP's] Impact [Fund] and have a very close relationship with everyone else. The bottom line is you have three separate investment committees that are, in my opinion, very independent and quality ICs. There is no way that one fund could sell its assets to another fund. We will not allow secondary placements. It's only primary money. It's only cash injections into a company. You cannot exit from one fund to another. That way you destroy any sort of potential collusion among the different funds. One cannot sell to another, otherwise they would just do that and we'd all get screwed. They don't have any interest in creating a little clique.”

That said, Mansour argues that the risk of inflated valuations will increase as more first-time funds come to market with pressure to build portfolios quickly. “Anyone who doesn't have a portfolio will start acquiring it at a very expensive price, just to show that they have a portfolio. Which means that the returns on these first-time funds will be screwed.”

Of course, not everyone shares this view. Leap's Fadel argues that new entrants will be good for the whole ecosystem, especially the entrepreneurs. “Especially for early stage [investments,] there were basically only two funds – Berytech and MEVP – and it was almost a monopoly situation. They could impose terms on entrepreneurs and now that you have, in that stage of funding, another two or three funds [coming to market], there [will be] more competition. I think this is very good for the entrepreneur, and the competition is really not on valuation. I feel it's more on the terms. And I have to say that, at the stage we're at, we welcome more entrepreneur-friendly terms because some of the deals that would have been obvious deals for us that had been funded by other venture capital firms before us are almost unfundable because of the terms that came with.”

On the subject of terms, Mansour argues almost the opposite. “Many entrepreneurs are now becoming too focused on what valuation and terms they can get upfront as opposed to worrying about building a healthy business.”

No one EXECUTIVE spoke with encountered the problem of too few deals to pursue.

## ATTEMPTED MONKEY BUSINESS

However, fund managers and bankers EXECUTIVE queried said some of the companies seeking funding did not meet 331 criteria, either because the company was not actually based in Lebanon or because it did not contribute to the knowledge economy. Al-Mawarid Bank's Kheireddine says a local bakery approached him to ask for 331 money. That said, Zeidan from MedSecurities explains that getting his Azure fund – which focuses on fashion, design and technology – approved by BDL was no easy feat as its relationship to the knowledge economy is arguably tenuous. “It took me a year and a half of back and forth and lobbying to convince [Central Bank Governor Riad Salameh] to expand the mandate of 331 to allow me to do this,” he says. (For more on governance of 331 investments, see story page 34).

## LOOKING FOR BIG WINS

Zeidan says that with 331, banks and VC funds need to hit “a homerun” by putting Lebanon on the global startup ecosystem map. Berytech's Chucrallah is more blunt. “First, we have to make sure we don't mess up and lose everyone's money.” For him, big wins down the road would be vastly helped by serious infrastructure investments as well. Financing, he says, is only one of the barriers facing startups. “Infrastructure is a massive battleground,” he says. “There's no way you can fuel the growth of this economy without 24-7 electricity and good internet. There's no way.”

**AN UNDERREPORTED  
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# PUTTING THE SYSTEM INTO THE STARTUP ECONOMY

There is room for growth in the Lebanese startup market, but in which direction will it grow? By *Thomas Schellen*





**T**he startup has to be the oldest form of business by virtue of the inane but compelling realization that one can't have a business without starting one. And in the knowledge that every beginning is in some ways chaotic, EXECUTIVE has observed and documented in the past three years how creative disorder and an environment of adversity have been conducive to the formation of a startup economy in Lebanon.

Within a few years, the country morphed from a regional startup backyard to a showroom of tech entrepreneurship, with numbers to boast about. From accounting for less than 10 percent of venture capital deals in the Middle East and North Africa between 2006 and 2011, Lebanon leapt to a 27 percent share of Venture Capital (VC) transactions in 2014 according to reports by the MENA Private Equity Association. People who experienced this evolution from the inside as managers of incubators, accelerators and venture capital funds agree that the explosive growth of the startup economy defied every prediction.

But whereas the conception of the startup economy may have been impossible to plan, it was not just a matter of coincidence. The creation of the Beirut Digital District (BDD) as a real estate base for the community and the financial institution of Circular 331 were two fortuitous events in the process that EXECUTIVE has witnessed unfolding since the start of 2013. Now has come the time to look further into the future and ask when and how to put a real system into the startup economy.

A real system in the sense of entrepreneurship is paradoxical in that it must not be one that boxes innovative companies into narrow, prefabricated frames, but rather has to enable entrepreneurs to employ the best and strongest business frameworks and put them to new uses. In this sense, it can be predicted today that the financing, mentoring, skill building and market access conditions of Lebanon will have to transform and advance in a further leap within two to three or at most about five years. Otherwise the factors that facilitated Lebanon's emergence as a startup hub in the past three to four years will run a high risk of turning into barriers for further growth.

## **TAKING FINANCE FURTHER, BUT HOW?**

One key area where needs will grow is finance. Paving new financing avenues for later-stage funding is a necessity even under the assumption that commercial banks will continue to deliver a sufficient money flow via venture funds and private equity firms or, ideally, through their yet-to-be-developed own capabilities and appetites, to feed the seed and early-stage needs after the seven-year time frame of Circular 331.

The intuitive answer to the funding gap would be democratization of investment structures, meaning the crowd. By the indications of its exponential growth in the past half

decade, crowdfunding appeals naturally to denizens of the digital sphere on both social and economic terms. From covering medical needs and family emergencies, to financing movie projects and selling innovative tech gadgets all the way to peer-to-peer lending, crowdfunding has established itself as a tool whose future role in our global society can only be guessed.

But at least for the near future, crowd equity funding – the crowd funding variety that could channel investments into entrepreneurial companies during various critical stages of growth – does not appear quite as powerful. A Dubai-based crowd equity funding platform, Eureeca, approached the regional market over two years ago and set up a small branch office in BDD, but the evidence of its acceptance is slight.

According to a story in Bloomberg Business Week from last June, the platform accounted for a fundraising tally of \$2.5 million since start of operations; the Eureeca website, which does not show incomplete deals where funding goals were not reached, last month showed 13 completed projects with achieved funding amounts ranging between \$86,500 and \$243,000, for a total of around \$1.8 million over two years of operations. All these projects were located in either the United Arab Emirates or Jordan and a quick query of Operations Executive Wafic Sultani at the Beirut office yields no news of local equity raising projects being added to Eureeca's pipeline.

Crowd equity funding also has inherent conceptual shortcomings, maintains Habib Haddad, founder and CEO of entrepreneurship platform Wamda. "I am not a believer in crowd equity funding in the region or globally. Crowdsourcing is a better avenue in the way that your product has customers but when it comes to crowd equity funding, what you want from your investor is support, connections, brains, value etc., and it is very hard to crowd source that," explains Haddad who is also a member of the World Economic Forum's Global Agenda Council on entrepreneurship.

Nothing, however, could imply that crowd equity funding is a dead-end idea. In the US, the startup arena that still drives developments globally, the concept appears to be maturing, albeit ever so slowly. The Securities and Exchange Commission (SEC) released partial crowdfunding rules for investors in March of this year as directed by the 2012 Jumpstart Our Business Startups (JOBS) Act legislation in support of small business creation in the United States.

Given the SEC's outsized weight in the international regulatory landscape for securities trading and equity markets, the agency's regulatory action is expected to fuel a boom of activity on crowd equity funding platforms around the world despite the fact that an important part of the SEC rules on the JOBS Act – namely the part allowing funding portals to act as gateways for crowd equity funding – has not been

published by the time of this writing and could not go into effect before 2016 even if it were announced by end of October 2015.

While politics and control issues between the federal and state authorities are in play in American debates over crowd equity funding, it would be an error to see the relative slowness in the formulation of regulations as empty obstructionism. It is more likely to help in mitigating the risks of rapid expansion in the equity corner of investment democratization. As Haddad says, “the US hesitated to regulate crowd equity funding for a reason, namely to protect the investors. Investors have to invest into 20 startups to make money from one, so it is risky.”

## A NEW EXCHANGE FORMULA

The other big avenue for price discovery and mobilization of equity for startups and entrepreneurial companies could be the electronic stock market for small and medium enterprises (SMEs) that has been announced repeatedly by Riad Salameh, governor of Banque du Liban (BDL), Lebanon’s central bank, during entrepreneurship conferences and meetings.

The electronic exchange’s primary aim would be to provide liquidity to SMEs, Salameh has been quoted as saying time and again in the past twelve months. As a secondary market that serves the needs of entrepreneurial companies and their investors, the electronic exchange could be a valid proposition to help fill the funding gap for the startup ecosystem, agrees Samer Karam, CEO of Startup Megaphone and a very active stakeholder in it. “I think the way in which [BDL] implemented Circular 331 [qualifies] the implementation of this program as a unique structure worldwide. If [BDL] can be as creative and innovative with their secondary market, it might have a chance to bridge the growth stage financing gap that will become apparent in two to three years,” he says.

However, powering up the electronic exchange does in no way look as if it will be easy. One organizational requirement in the original plan for such an exchange is the privatization of the Beirut Stock Exchange as purported owner of the new market. That alone looks so improbable a project for the near or even mid term that it is not worth asking about it. There are also presently no indications available about the listing requirements and operating rules of the electronic exchange as the Capital Markets Authority has not divulged its thinking on those matters. Further obscurity relates to the market’s preparedness and readiness of crucial stakeholders. Will venture capital and private equity players be ready to use the new market place? Will entrepreneurial companies

come with prepared minds?

When EXECUTIVE contacted VC firms and inquired about their views on the electronic exchange project during the past three months, many responses were generally favorable but unspecific. It became clear that funds managers and Private Equity (PE) experts had had neither reason nor opportunity to contemplate exit strategies that might involve a public offering on Lebanese turf. Investment banks likewise would not have entertained the idea of taking companies to the proposed electronic exchange. He had not done so, “not even as a mental exercise, because the companies are not ready,” says Khaled Zeidan, the executive general manager of Medsecurities, the investment banking unit of Bank Med.

Zeidan points to an important further missing link in the creation of a secondary market for entrepreneurial companies. “A small cap exchange will not work unless there is liquidity and liquidity will not happen unless there are rules for market making, transparent laws and proper governance in that respect. These have to go hand in hand and I don’t know if the conditions are right for that today,” he explains.

For Startup Megaphone’s Karam, there is also not much in terms of precedents in the attractiveness that a small cap exchange could provide to startups and young tech companies. A market such as the London Stock Exchange’s Alternative Investment Market (AIM) was by his experience not on the radar of the startup community. “I know a lot of startups in London but I don’t know a single one that is involved in AIM. I also don’t know a single [startup] ecosystem that uses small cap exchanges – what countries like Singapore are doing is seeking to attract large growth-stage VCs to their countries. I have been sitting

with the head of the Singaporean company in charge of the ecosystem there and I can tell you that nobody is looking at secondary markets for their ecosystems. I don’t hear about it,” he shares.

The absence of clear plans for the Lebanese electronic exchange makes it practically impossible to assess the viability of the concept and a lot of water has run down the Hudson since the days when the NASDAQ was launched as a small cap exchange as noted by Zeidan. However, while stock markets traditionally have sought to appeal to companies after they have advanced beyond the entrepreneurial stages of business, there have a number of exchanges targeting younger and tech driven companies since the first boom of the digital economy in the late 1990s.

## NEW POLICIES AND A POT OF LUCK

Some of these new markets failed completely and others never achieved the momentum of a NASDAQ but the recent

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THE ART OF PERFORMANCE

past has seen new investments in exchanges that aim their services at young tech companies. One such step was undertaken only last month by NASDAQ itself, which invested into the proposition of pumping equity into private companies by buying SecondMarket, a platform that was developed with a focus on private tender offers.

The Financial Times called the move, whose value was not disclosed, an “aggressive attempt to build up a little-developed area of market infrastructure” (Oct 22). The context is that tech companies in the US have become slower in jumping into initial public offerings; the new infrastructure will allow NASDAQ to facilitate private tender offers in which employees or VC shareholders in fast growing companies can sell their shares independently from an eventual initial public offering.

Crowdfunder, a stakeholder in the American digital economy, commented gleefully that the investment points to a rising competition among US exchanges for attracting SMEs, saying that the revised NASDAQ Private Market is fishing in the same waters as the, also fairly recent, OTCQB venture marketplace of exchange operator OTC Markets.

The concept of venture marketplaces, which is a term to describe exchanges targeting entrepreneurial and young companies, has also recently gained political currency in the US. Last summer, a legislative initiative was circulated in the House of Representatives’ Financial Services Committee calling “to allow for the creation of venture exchanges to promote liquidity of venture securities, and for other purposes.”

Venture securities, under the proposal, are securities issued by early-stage, growth companies – meaning companies with less than \$2 billion in consolidated assets which also meet the requirement of having not made any initial public offering.

“The new proposed venture exchange laws are aimed at increasing access to liquidity for early stage investors in private startups and small businesses,” said Chance Barnett, CEO of Crowdfunder, in an opinion contribution to Forbes.

Yet a different example for the new potency of venture exchanges comes from Canada where the Canadian Securities Exchange (CSE) touts its horn as “the exchange for entrepreneurs” and claims to be the fastest growing exchange in the country. In 2014, their portfolio rose 34 percent to 244 companies and reached 291 traded stocks by end July 2015. The peculiar thing about the CSE is that its growth momentum of offering a combination of low cost and high standard services to companies listing their securities on the exchange is additionally boosted by unconventional business focuses from a good number of companies which have recently floated their shares on the CSE.

Of four new listings last month, two were miners, one a tech, and one a life sciences company. Tech and mining are

the top sectors but it is in life sciences where the buzz can be sought. The new company in this sector is called Golden Leaf Holding, and their business is cannabis, looking at both the medical and recreational potentials. Over 10 percent of the CSE-listed equities are in the life sciences bracket and the majority of these firms have business plans that are related to making legal hash money.


Moreover, the CSE’s top companies in terms of trade volumes and traded values this year have affinity with the flowering herb. A notable political boost for the CSE thus came from the Liberal Party’s election win last month, as the party aims (for the third time) to legalize pot and officially trumpets that it “will design a new system of strict marijuana sales and distribution, with appropriate federal and provincial excise taxes applied.”

## THE UNKNOWN SPICE

The potential for secondary markets that tie in with entrepreneurs and tech startup ecosystems certainly looks to be related to local specificities in the underlying economies and project for a market activation in Lebanon certainly would have to overcome many obstacles, from the comatose state of stock trading and the underdeveloped capital markets structure to the lack of an experienced and dynamic market operator. But the risk of doing something that no one has done successfully before has a double appeal of an entrepreneurial adventure – that spirit that the Lebanese startup miracle is fundamentally based on – and of the chance of first-mover

advantage. From the global experience with junior exchanges, having a private venture market that is not a subsidiary of a main market might in this context actually be a plus for the project.

Numerous governance bridges will have to be crossed for an electronic market for startups, entrepreneurial companies and innovative SMEs to be viable. Firstly of course, operating standards and policies of highest caliber will have to govern the exchange itself. But another debate that is hardly even in its beginning stage is needed: how much governance is needed in making a startup ecosystem future proof? This is a matter where the majority of the ecosystem’s current stakeholders have little to no experience or perspective.

Governance is no fun, asserts Medsecurities’ Zeidan, but dismissing it for aspiring entrepreneurs would be counter-productive. “You need to add governance but not to the point that people flee your business,” he says. “Governance should obviously be in place from the beginning but at the same time you cannot kill the entrepreneurial spirit of a small entity and have them waste all of their time on reporting and not developing anything. There is an ongoing struggle but governance should clearly be part of the DNA of a company as early as possible.” This discussion is just beginning. 

## THE CONCEPT OF VENTURE MARKETPLACES... HAS ALSO RECENTLY GAINED POLITICAL CURRENCY IN THE UNITED STATES





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# THE FAST & THE FURIOUS

**T**he acceleration business in Lebanon is moving faster than ever, and as the impact of Circular 331 is felt across the ecosystem, startups and scaleups are being presented with more opportunities to learn from both local and global experts. The acceleration process varies across the different programs; each accelerator has its own pattern in terms of mentorship, equity slices and investment, with some offering companies stints abroad beyond the Middle East. **EXECUTIVE** contacted the representatives of four acceleration programs here in Lebanon to discuss their startups' itineraries, financing, their views on challenges which they feel are the most pressing to the Lebanese entrepreneurial ecosystem and their vision for the future.

## UK LEBANON TECH HUB

A new accelerator burst onto the scene in 2015, another product of Circular 331 and an international addition to the Lebanese entrepreneurship ecosystem. The UK Lebanon Tech Hub, hosted in the Beirut Digital District (BDD), is an accelerator for scaleups – companies that are beyond the idea creation stage which are looking to expand and gain exposure to markets, revenue and capital investment. CEO Colm Reilly, who has a career in business and economic development, heads the program and is supported by a team of international and Lebanese staff. The edge, they say, that the UK Lebanon Tech Hub has is its unique blend of intense mentorship and instruction in 'phase 1', combined with an overseas 'phase 2' which allows companies within the program the opportunity to travel and work in London, gaining vital access to markets which they otherwise would struggle to reach.

The program saw 45 companies enter into phase 1, which was reduced in phase 2 to 26 companies. Unlike many other accelerators, the UK Lebanon Tech Hub doesn't take equity. "We are a 331 funded program for the first two years," explains Elie Akhrass, program manager at the hub. "The major condition is not to generate revenues out of the program for the first two years. We're servicing the ecosystem without generating any revenues; this is the reason we don't take equity." Although the board members have not decided upon the final figures, and therefore cannot release the volume of funds received from 331, Akhrass stresses they are 100 percent guaranteed by



Banque du Liban (BDL), Lebanon's central bank, for funding, and points to the value of the British-Lebanese partnership, whereby BDL provides the capital and the British provide the experience and the networks through PA Consulting Group, a British consultancy specialising in technology, innovation and management consultancy.

The first four-month phase of the program focussed on a rigorous entrepreneurship education derived from Babson College, a private business school in Massachusetts, renowned for its entrepreneurship education in the United States. Lectures, guidance and mentorship have been conducted under the auspices of a Babson College curriculum,



which they felt filled a gap in the knowledge market of accelerators in Lebanon. “We had only one cycle [of previous acceleration] with Seeqnce a few years ago, and it was a one time cycle,” explains Akhrass, “so we don’t really have good practices of acceleration in Beirut to benchmark ourselves to them and use them as a reference. So we brought the international model from Babson,” with adaptations to the local market incorporated during the acceleration program. Mentors are a mix of global and home-grown talent, such as Elias Ghanem, former MD of PayPal MENA now CEO and co-founder of Telr.com. For phase 2, fifteen companies are heading to London this month and eleven companies are staying behind in Beirut to receive similar training and guidance. For those heading to the UK, the emphasis will be on “selling”, explains Akhrass, and exposure to networks and individuals who can assist with the growth, expansion and development of the fifteen companies who are looking to increase their value. The notion of a successful exit for the companies in the program is also high on the agenda for the directors. “We hope that the fifteen in London and eleven in Beirut will get international funding from international funds,” explains Akhrass, “that’s why we’re building these networks with external markets to provide the funds. We hope that after five years at least one or two companies will have an outstanding international exit; that’s the aim of the program. Scale them in a way to make them ready for international funds to provide funds for these companies.”

However, both Akhrass and Lama Zaher, Communications Manager at the UK Lebanon Tech Hub, stress that the entire hub goes beyond a simple accelerator. UK Lebanon Tech Hub’s initiative is its research drive into the market, which includes studies on sectors that it feels Lebanon can excel in. Beyond round tables and contacting Lebanese diaspora members, they have created a comprehensive market study and have benchmarked the technology sector against neighbors. They hope to collate and analyze results gained through the diaspora by the end of the year. More than this, Zaher explains that the accelerator is actually just one of four parallel initiatives designed to aid and assist in developing Lebanon’s entrepreneurship sector; “Our main objective is to support the growth of the knowledge economy in Lebanon in order to increase GDP and economic growth in general, along with the creation of jobs.” To do this, alongside the accelerator program they have incorporated a Capacity Building & Signposting program, an Outreach program, and a Marketing and Communications plan to help showcase Lebanese talent and raise the country’s profile. Both Akhrass and Zaher emphasise that the programs plant the seeds for sustainability, with the Outreach program targeting the schools and universities to promote entrepreneurship and inform them about the synergies between sectors provided by technology. “The purpose of the hub is not to duplicate efforts, but to complement existing ones and fill the gaps in the



Lama Zaher (L) and Elie Akhrass

ecosystem.” The Capacity Building & Signposting program also seeks to provide training and mentoring to individuals and companies inside and outside of the ecosystem; from startups, to small-medium enterprises (SMEs) to venture capital companies and banks wishing to diversify portfolios and invest in technology companies.

This complementary program is one of four that is key to the long-term plan of the UK Lebanon Tech Hub. Akhrass notes the importance of connectivity, and explains that by “building networks for the ecosystem, everyone can benefit from them. We are trying to establish this multiplicity of connections, not to limit ourselves to the UK brand or to San Francisco.” This is evident in the events that the hub helps to organise, which most recently included collaborating on a TechWadi Roadshow in Beirut, an organisation which works to connect Silicon Valley to the Arab world.

While the design has not been finalised yet, Zaher and Akhrass are hopeful about a second round of acceleration in 2016, but are mindful about the long-term sustainability of the entire project. “We are now contemplating a second acceleration cycle for Spring 2016. We are still at the drawing board. We will probably accelerate fewer companies but focus on certain sectors with the highest growth potential, we will see.”

While the UK Lebanon Tech Hub is working to increase the knowledge exchange across seas and industries, it acknowledges the need for a cohesive effort across all the country’s sectors to ensure the survival of a successful entrepreneurship ecosystem. The UK Lebanon Tech Hub acknowledged this in a release sent to EXECUTIVE, which noted that “Lebanon needs to build its core knowledge and wealth production capabilities. Such an effort requires collaboration between willing public institutions such as BDL, academia, industry and the investors.” If their efforts to educate players both inside and outside the ecosystem prove successful, that cohesion should not be too difficult to obtain.



David Mounir Nabti (R) sits on panel at AltCity's Bootcamp

## ALT CITY – BOOTCAMP

Turning a civilian into a soldier includes a lot of yelling, demoralizing and running. The transformation is neither easy nor designed for the weak willed. While the process is different – and excludes munitions training – making a profitable business out of a bright idea is similarly grueling. Bootcamp, a recent addition to the entrepreneurship ecosystem, is taking would-be startups and getting them ready for war.

With a \$1.8 million investment backed 100 percent by BDL (see story page 30), Boot Camp SAL began accepting recruits and running a program by the same name earlier this year out of AltCity, the co-working space in Hamra established in 2011, David Mounir Nabti tells EXECUTIVE in an email interview. Nabti is both the “mayor” of AltCity and General Manager of Boot Camp. While Nabti does not mention the bank with a fully guaranteed investment, Marwan Kheireddine, chairman and general manager of Al-Mawarid Bank revealed that his institution provided the funds. Boot Camp’s online commercial registry documentation lists the bank as the largest shareholder, followed by Nabti. Former Telecommunications Minister Nicolas Sehnaoui holds one share in the company. Nabti says AltCity is an “implementer (and minority stakeholder) of Boot Camp SAL, through which we run the Bootcamp program.” He describes the program as a “pre-accelerator accelerator,” noting it is “designed to give the participants a strong introduction to and training in critical startup skills.” Included are: understanding the basics of a term sheet, valuation techniques and pitch training.

At its core, Bootcamp is about taking people with an idea and a dream, whipping them into shape and creating new startups capable of absorbing the hundreds of millions of dollars the central bank is helping pump into the ecosystem. Nabti explains that, while Bootcamp offers no direct cash investments in the proto-companies it trains – as per central bank rules for essen-

tially financing the operation – “we do work with financial partners to invest in startups, and we are working to expand our investment/acceleration partnerships to facilitate a quicker funding cycle for startups that go through our programs and to more effectively build the pipeline for downstream members of the startup ecosystem in Lebanon.” Bootcamp is guiding eight graduates through the process of securing 331-related investments, he says. A few years down the road, Nabti hopes, Bootcamp may attract entrepreneurs “outside the country to come to Lebanon.”

While Bootcamp does not inject capital into the enterprises it trains, it takes a “sweat equity” stake of 2 percent, which “we may adjust lower,” Nabti says. The central bank, he explains, will let Bootcamp take up to 5 percent for their hard work. The equity cap in general and Bootcamp’s lower-than-allowed participation in particular are meant to ensure there is still room for future investment in these startups, he says. Participation, however, is Bootcamp’s long-term revenue model, “perhaps on the timeline of 7 to 10 years,” he explains. Aside from the 2 percent stake, Bootcamp does not charge participants for the training. He doesn’t offer a guess as to how long the \$1.8 million will keep Bootcamp running, but says the team will “explore possible options to diversify funding sources over the medium to long range (next several years).”

Bootcamp has gone through a few iterations – it was initially shorter than the current, intense four-week session followed by three months of light support aimed at securing investments – and Nabti says “we are working on adapting/optimizing our program to dramatically boost both the quality and quantity of early-stage startups in the Lebanese ecosystem.” As of today, the three functioning venture capital funds – through which the bulk of 331-related investments are flowing – focus on later-stage funding with ticket sizes typically starting at \$1 million. Only one fund expressed even a potential interest in providing seed capital (see story page 26). This means that in the current environment, Bootcamp graduates will rely on angel investors or whatever banks keen to do direct 331 investments that the program can put them in touch with. Times, however, are changing. BDL says funds specifically focused on early-stage investments will be launched soon, putting another piece of the ecosystem puzzle into place.

## SPEED@BDD

After a tumultuous start in 2014, Speed@BDD, Beirut’s tech accelerator, for idea and seed stage companies, has been repackaged and opened to the ecosystem under new management. The program saw the departure of previous CEO Tim Duggan and has been rebuilt under the leadership of Sami Abou Saab, who returned to Lebanon after a career abroad with tech-savvy companies such as Skype and Microsoft. His experience, which includes a personal startup experience, is coupled with a board of five familiar faces from well-known companies in the entrepreneurial scene. Among them, Fadi Bizri, Managing Director of Bader Young Entrepreneurs (a non-profit organisation





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Samir Abou Saab of Speed@BDD

supporting young entrepreneurs through networking, finance and education), and Abdallah Jabbour, Managing Director of Lebanon for Entrepreneurs (an initiative aimed at accelerating the development of the sector through aligning it with diaspora expertise), are independent of financial backing. The other three board members are comprised of representatives from the funds that provide Speed with financial backing.

Speed takes a ten percent equity slice in each startup it enrolls onto its program, and in return offers mentorship, guidance and \$30,000 seed investment. "It's a bit like a Y-combinator style accelerator," Abou Saab explains. "[It is] a very structured program which is three months [long] that gives a certain amount of cash in return for a certain amount of equity that is predefined. We are valuing every idea at \$300,000," – a valuation he insists is competitive in both Lebanon and the region as a whole. They are also offering "one of the best in terms of ratio of cash for equity." The money to fund the accelerator has mostly been raised through Circular 331. Berytech Fund II, MEVP Impact Fund and Insure & Match (IM) Capital have all invested in Speed; the former two fundraised money from the banks through Circular 331, whereas IM Capital uses USAID money and matches other investments in a space by offering the same amount. At time of writing, although the exact figures were undisclosed, Abou Saab stated that the investment by each fund was equal.

The program in itself offers capital and mentorship over the course of the acceleration. "We give them the cash as needed during the three months, but we promise to give them all the cash by the end," explains Abou Saab, who notes that the staggering of money is done to ensure careful expenditure by each startup, but insists that Speed as a program does not wish to audit all financial reports and accounts at the risk of "micromanaging the whole thing." At the same time, the accelerator provides the startups with a rigorous program of workshops and mentorship and coaching. "Today, for example, we had a session around team contracts, how they need to build their shareholders agreement, what that means for them and how much equity they

should distribute amongst each other," adds Abou Saab.

The mentors total to roughly 50 people, a mix of both local and global experts who are paired with the appropriate startups. These individuals include venture capitalists, management consultants, academics specialising in electrical engineering, such as Professor Ali Chehab from the American University of Beirut, and local homegrown successes such as Hind Hobeika, founder of Instabeat, a startup which creates high-tech tools used to improve swimmers' performance. The ideal ending to the acceleration is to have a viable product which can be pitched to angel investors and high net worth individuals on 'demo-day', a launching event which offers the startups a chance to promote themselves and potentially secure a first round of funding. Additionally, at the end of the program, two startups from the first batch will be provided with an additional money grant of roughly \$20,000 per startup, without a corresponding equity slice, for at least a one month post-acceleration Silicon Valley immersion. The selection criteria for the immersion will be based mostly on their product and the quality of their deliverables, but also on their progress during the three month period, business plan and traction will investors on demo day.

There are currently six companies in the first batch of acceleration, down from an original seven which started the program in September. However, there are plans to ensure that future batches hold ten companies. "We have a five year plan – we would run two batches [of acceleration] per year, with ten companies per batch. One hundred startups for five years, with \$3 million dollars worth of investment," says Abou Saab, who explains that the accelerator will become sustainable due to successful exits in roughly seven years' time, which will hopefully feed back into the acceleration program and cycle. This is the long term plan, in the hope that the business outlasts the initial five year plan set out by founders and investors, whose projected budget is for a total of \$6 million, half of which would cover operational costs and the other half accounts for investment. "The way we look at it," says Abou Saab, "is that we are going to have some exits at some point that will be successful. We will then take our money back and invest it in future startups."

Although Speed is encouraging homegrown talent, the Lebanese context comes with particular challenges which for Abou Saab have been particularly acute in the legal and infrastructure fields. "Some notions are not defined in the legal structure of Lebanon," says Abou Saab. "For instance, the notion of a 'preferred stock'. There are also so many other things that you cannot easily do when writing a contract for a startup in Lebanese law." However, overcoming these challenges for startups is part of Speed's mission in the hope that the country becomes more startup friendly.

The ultimate goal is similar to other ventures across Lebanon, tackling a problem which has plagued the country for decades; "Keep the talent in the country and limit, as much as possible, the brain drain," says Abou Saab. "To sustain an ecosystem that would keep strong entrepreneurs in the country and make them successful, at least from here."







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A fully guaranteed investment into being loud

By Thomas Schellen

When Samer Karam talks about his new job it sounds as fantastic as if Sinatra had just sat down next to Peggy Lee to intone the Gershwin classic, 'Nice Work If You Can Get It'. Karam, who ran the accelerator program of ecosystem company Seeqnce, in March of this year began promoting the Lebanese startup economy through a new company he formed with funding support from Banque du Liban (BDL), Lebanon's central bank. He says the venture, called Startup Megaphone, "was created to market the country as a destination for startups and investors from around the world."

In the first seven months of its operations, the company conducted what Karam calls "two activations" outside of Lebanon and has been producing research and promotional materials in preparation for the BDL-organized Accelerate 2015 event next month. The events that Startup Megaphone organized abroad were a 300-person conference in New York City and a three-day retreat in Singapore, coinciding with the city-state's Formula One race in September.

"It was extraordinary," Karam says about the latter event. "We were able to bring the best of Lebanon [together] with the best of the [venture capital] world and some key startups and a lot of magic happened. We can't announce much of it but one of the attendees, Vinli, a startup based out of Dallas but with a Lebanese founder, came with us to Singapore and ended up signing a [business] partnership less than 24 hours after the retreat and is in the process of closing another two."

Although the Singapore outing was clearly a success for Vinli, it remains to be seen what direct benefits a lucrative business deal for this thriving US-based startup with a Lebanese chief executive would contribute to "enriching the Lebanese national wealth" via the "economic and social growth, and job creation in the Lebanese market," which BDL's Circular 331 stipulates as an objective in the institution's support for the startup economy. There are clear hopes that such success can be repeated for companies where the benefits to the Lebanese ecosystem will be more obvious and tangible.

Startup Megaphone warrants attention because it is more than just a 15-employee strong marketing outfit for the Lebanese startup ecosystem. The company, whose shareholders as per the commercial registry include Karam family-owned Seeqnce, was funded by BLC Invest Bank but the investment is backed to 100 percent by BDL, Karam says.

This advantageous funding position is because Startup Megaphone is a pillar in the ecosystem's infrastructure alongside Speed@BDD, UK Lebanon Tech Hub and AltCi-



Samer Karam

ty's Startup BootCamp. "All three are designed as for-profit institutions with ad-initiation investment from a bank in collaboration with BDL with generally two to three years runway to break even. The idea is that these companies were not designed to make profit [for investors] but designed for sustainability by putting profits back into the cycle," he explains.

According to Karam, the formula of 100 percent guaranteed funding means that any bank involved in a pillar carries zero risk in the venture. "When [the project] is 100 percent guaranteed, the decision comes from BDL. We submitted the term sheet to BDL and [it] decided that it would be BLC," he says and claims there was no specific reason why BLC Invest became the largest investor in Startup Megaphone, which he characterized as following the same investment philosophy as the other three infrastructure pillar ventures. "You can say it is a social enterprise. We have specific guidelines, a business plan and a term sheet. And hopefully we will hit our targets. We will reach our breakeven point in three years."

How exactly Startup Megaphone would reach breakeven point in three years' time and generate profits allowing for sustainable reinvestments is not entirely conventional. The website does not promote products or services that a foreign investor or internationally active fund could contract; for startups it offers a hotline for "entrepreneurial emergencies" but without hinting at monetization of such a service. Judging from the activities to date – the aforementioned



conference in New York and the retreat in Singapore – an event-organizer business model with participant fees and sponsorships would appear the likeliest road to revenues. However, Karam did not elaborate on the issue and told EXECUTIVE that, “we have set the plan and we will reach it.”


It is clear is that Karam is a passionate promoter. From the eagerness of his discussion on the startup economy, Lebanon appears as an el Dorado of entrepreneurial openness. “If you want to start a company in Lebanon, you are eligible. You don’t need an iqama [residence permit] to create a société anonyme libanaise [joint stock company],” Karam enthuses broadly and advises: “If you want to launch a company in Lebanon, as an international startup either as entrepreneur or as investor, there are dozens of lawyers who are more than capable of facilitating that for you and they are very accessible. Offshore, onshore, sal or sarl, there are no limitations as long as you speak to the right lawyer.”

However Karam faces the difficult task of overcoming several hurdles, which even strong promotion cannot sidestep. In 2015 Lebanon was ranked 119 out of 189 for starting

a business in the World Bank’s annual Doing Business report even when leaving aside the clear location and domestic market focus requirements of Circular 331, many entrepreneurs who have repatriated to the country with the intention to locate their companies here have encountered problems, like poor infrastructure, which are not as prevalent elsewhere in the world.

**“WE NEED TO  
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SERIOUSLY”**

As a marketer of the whole ecosystem though, Karam is keen to adopt an all-inclusive approach, even at the risk of going slightly overboard. For example, he tells EXECUTIVE that Circular 331 is a “\$500 million sovereign fund targeted at VCs” and says that any Lebanese passport holder anywhere and any non-Lebanese who is residing in the country are part of the Circular 331 initiative.

The task of “managing Lebanon’s international image”, which is the uppermost tag line in Startup Megaphone’s online self description is arguably fraught with many interesting challenges. But Karam hits a homerun with his advice on how our startup ecosystem can rise to global prominence: “We need to have very high standards because this is the only way people will take us seriously.” 

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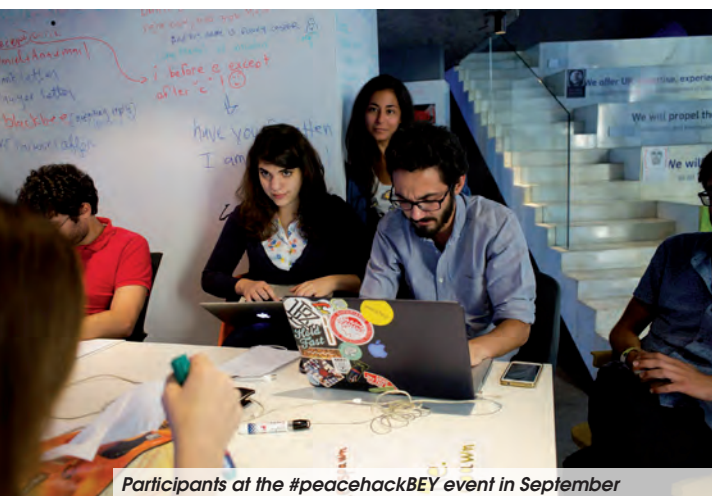


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# Executive

# WHAT'S TECH GOT TO DO WITH IT?

Finding the right code to unlock Lebanon's potential



Participants at the #peacehackBEY event in September

**M**ark Zuckerberg, CEO and creator of Facebook, has described 'connectivity', the status of being online, as a basic human right. The social media mogul outlined his plan in 2014 to get every human on the planet connected, extending the number of internet users from 1.15 billion, as of 2014, to encompassing the entire planet. Whether or not connectivity is a basic human right is one thing, but understanding the implications it has for a productive and viable technology sector is indisputable and can be extended beyond 'just being online'. Whilst Lebanon's internet can muster higher bandwidths than required for Facebook Zero, the text only version of the social media site responsible for unlocking the connectivity of much of Africa, entrepreneurs and the ground level technology ecosystem still suffer from poor infrastructure and low speed internet. Several familiar entrepreneurship faces also argue that the lack of high-end talent and gaps in the education system are problems en par with struggling

download speeds, and certain initiatives are trying to train workforce-ready coders with intensive coding bootcamps. Connections, of every kind, are needed to ensure the entrepreneurial economy thrives, and only individuals who are technologically literate can facilitate this.

## LATEST INITIATIVES

Last year EXECUTIVE focussed on Science and Technology to compile our top 20 entrepreneurs in the ecosystem. One year later, a lot of the macro infrastructure which the companies operate with is unchanged. But the awareness of the wider concept of connectivity, especially through technology, is improving. In parallel with an entrepreneurial ecosystem benefitting from central bank support, other initiatives have come forward to improve the technological knowhow within Lebanon. Hackathons which focus on using technology to solve issues facing the country, have started emerging. At the end of September, International Alert and Chayn Labs, both London-based NGOs, collaborated to host a 48 hour hackathon in the offices of the UK Lebanon Tech Hub, with particular emphasis on using and manipulating technology to become an active citizen. The hackathon was organised as part of International Alert's global #peacehack movement, incorporating their philosophy of 'code for good' in city hackathons across the same weekend. Alan Thomson, co-organiser and senior web developer from International Alert, commented on Beirut's contribution to the global weekend event, noting that "normally, hackathons attendance shrinks through the weekend. In Beirut, more people turned up on the second day than the first. There seems to be a strong appetite to build tools to make a better Lebanon." Companies within the Hackathon even addressed the issue of Lebanon's data dearth, with one team creating an app which allowed citizens to report on law violations or gross infrastructure problems, and map



them to an online database, thus enabling a user to produce infographics using this crowdsourced information.

Matchmaking between idea generators and those who have the technological knowhow is a initiative that can see the entrepreneurial sector improve. The notion of technological collaboration is something the UK Lebanon Tech Hub identified during its assessment and feedback analysis at the end of phase one. In a statement released to EXECUTIVE, it said one of the key lessons learned from the first round of the accelerator was that “Lebanese entrepreneurs should embrace the culture of working collaboratively. The advantages outweigh the disadvantages, by far.”

## PROBLEMS WITH RECRUITMENT AT THE TOP

This ability to ensure a successful ‘matchmaking’ process at all tiers across Lebanon’s technology sector is crucial to its positive development, but several leading entrepreneurial figures across the sector have identified a ‘gap’ in talent, which renders them unable to matchmake. Coders, programmers and web developers often have overlapping skillsets, and the titles can be used interchangeably in some companies, but they are not necessarily always equipped to do the other’s job. A coder may organise the backend development of a website, but a developer can also perform this job and the frontend design; the job description varies frequently and exact definitions can be fluid. At the high-end level, whilst a chief technology officer doesn’t need to be adept at backend computer code development, being technologically literate in the relevant field enables them to make efficient decisions when dealing with technological issues within an organisation. This gap in senior-level human capital is a source of ire when it comes to discussing hurdles in the technology sector; though junior coders can be found, it would appear that sourcing high-level talent is much harder. Hala Fadel, chair of Leap Ventures, has noted that gaps in the sector lie within recruiting high-end talent; “I have a software company and finding a Chief Technology Officer for that software company is just mission impossible” she explains, and expresses concerns that this stagnation

in top-end recruitment is slowing down the growth in the country. The employment gaps high up across the industry could be attributed to the brain drain that Lebanon has suffered from for many years. Fadel’s opinions on the availability of highly skilled and senior level employees, are echoed by Habib Haddad, CEO and founder of entrepreneurship platform Wamda. He believes that junior coders are not benefiting from the experience of senior figures; “a lot of companies would pay a lot of money to find really good

developers and they just can’t find them. It’s an issue of not enough challenge[s] and seniority around you. Developers like to work with people who are ‘rockstar’ developers – they have to have that feeling around them”. Joseph Khater, technical director of Slash Viral (an upcoming software development startup company) and winner of ArabNet’s 2014 Ideathon prize for his proposed app ‘Lifeline’, noted that there are “a lot of non-experienced developers and a shortage of experienced ones, [and] more talents [are] needed as technology is advancing quickly.” The importance of strong human capital at all levels is not lost on others within the ecosystem also, as Catherina Ballout, Operations Manager of MIT Enterprise Forum Pan Arab, stresses that “forming the right team, and having the right people is very essential because it affects tremendously the decision of funds and angel investors in investing in these startups. [Having] the right human capital, recruiting top people and having the right people on the advisory board is essential.”

## THE EDUCATION DEBATE

There are several coding-based initiatives which are helping to educate individuals either wishing to move into, or advance within, specific areas of the technology sector. Fadel outlines how Leap Ventures is currently working on a corporate social responsibility program to train coders, and place them in their companies, although this is an easy solution for non-management talent; “a developer I can spend six months training, but how do I train a chief technology officer?” she explains. Education at a junior level though is critical, with local and international initiatives addressing potential gaps in the coding system ensuring that there is little confusion when sifting through another developer’s work; or in tech speak, mitigating the occurrence of ‘spaghetti code’. These efforts are warranted, claims Jane Youssef, a User Experience designer with Minefield Digital, an “information technology firm that specializes in the design and implementation of customized business automation” as quoted on their website. She argues that there is an artificial hurdle to technological learning in Lebanon despite the

best efforts of individuals “there’s a gap in the education; it is limited in a field that has no real boundaries.” With statistics on remuneration packages, graduate employment and talent retention all but untraceable, it becomes hard to understand exactly why this gap should exist, but Youssef argues that there is a lack of variety in highly specialist degrees at master’s and PhD level in Lebanon, and experience should be prioritised along with theory at undergraduate level “I learned four programming languages at university

**“FINDING A CHIEF  
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OFFICER...IS  
JUST MISSION  
IMPOSSIBLE”**



Reem Younes (L) and Malik El Khoury of Le Wagon

and I don't use any of them. I learned c# [another programming language] on my own for Unity, [a cross-platform game engine for developing video games]. Even though I took Unity in class it wasn't close to being enough to start a career from; I needed [more] time to discover advanced material."

Though Youssef's experience may not be found in every undergraduate classroom across the country, for some this is clearly an issue. Like Leap Ventures, other entities have moved into the programming sector to facilitate the educational access to coding. Le Wagon, the French coding school for entrepreneurs which trains individuals in an intensive 9-week bootcamp program for 25 developers per cycle, at \$4,500 per place, started running in Beirut on September 14. Malik El Khoury, Chief Wagon Officer, and Reem Younes, project manager at the initiative, discussed the lack of developers within the country and the problems with a heavily-theoretical education. "When people graduate they are not ready for the market at all, they have barely enough knowledge but it's not enough" claims El Khoury, who purchased the licence to Le Wagon in response to finding few developers on the ground when trying to launch his own startup in 2013. He also argues that companies cannot afford to allocate their senior developers to train inexperienced graduates, which subsequently results in two scenarios; "a lot of companies in Lebanon outsource their developers from abroad, or [resort to] what is available - people who teach themselves. [The latter] are able to produce a website that looks nice for a customer, but when you see the backend of the code, it's spaghetti. It's impossible to understand and it's impossible to scale." This produces a woefully inefficient workflow, and Le Wagon seek to rectify poor coding habits by teaching best practices to those who wish to excel in the web development field. "It's not difficult, it's not easy, but

[the bootcamp] needs a lot of commitment. What we give in one day of the course in bootcamp is the equivalent of what they see in three or four months in a course in university" adds El Khoury, who further notes that motivation is absolutely key for successful developers. "Anyone can learn to code, but not everyone can become a coder" he stresses, "to become a coder requires patience, commitment and research. We give them the basics, and we give them the mindset." The developers end with a demonstration day for their products, and the registration for the second cycle is open on their website. Both El Khoury and Younes acknowledge the importance that advanced coding skills have on the wider sector; "Entrepreneurship is booming in Lebanon. For a team to be accepted on some accelerator programs, they need a tech founder. For an entrepreneur that tries to launch a startup and tries to [outsourcing] a person to do their development, it's impossible."

However, Wassim El Hajj, Associate Professor and Chair of the computer science department in AUB disagrees with the sentiment that graduate students are ill-equipped for the workplace in Lebanon, especially when presented with the argument that courses are too theoretical without incorporating enough on-the-ground experience. "Many people forget that Computer Science is a science and ultimately has a core knowledge that must be delivered to students," argues El Hajj, in a statement to EXECUTIVE, and states that this knowledge is "more theoretical than practical and this makes sense since students will be able to build on this core knowledge throughout their careers" and that the major offered at AUB includes options within an elective to gain experience in an industrial placement. Though an employer may prioritize practical skills over

critical-thinking skills, El Hajj believes that this is the wrong way to approach educational development; "what [the] local industry needs to understand it that they should recruit smart students who are problem solvers, not students who are knowledgeable in a certain [programming] language or technology and ready

to produce from day one. The first type of recruits is the one that lasts longer and is more rewarding in the long run. This type is hired by top companies such as Google and Facebook." El Hajj does however acknowledge gaps within certain areas of the educational system and argues that the responsibility to rectify such a problem lies with both the academic and industrial sectors, especially when discussing the problems recruiting high-end talent, which he explains with poor remuneration opportunities. "Senior developers are not appreciated enough in Lebanon," reasons El Hajj, "the good ones hop from one company to the other gaining some extra money in every hop. Give them good salaries and I guarantee their loyalty."

### "SENIOR DEVELOPERS ARE NOT APPRECIATED ENOUGH IN LEBANON"



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## MICROSOFT ENTREPRENEURSHIP SUPPORT



The Lebanon office of tech multi Microsoft has engaged in support of local software developers for almost 20 years. To get an update on the latest offerings in the nurture of entrepreneurs, EXECUTIVE sat down with Ghassan Chahine, the corporation's senior audience marketing manager for North Africa & the East Mediterranean.

### **E What support do you offer to startups in Lebanon or on the regional level?**

On the regional level it is the same as in Lebanon. Microsoft is very active in supporting startups to unleash their potential and help them focus on their core projects. For this we have a program called BizSpark. The core of BizSpark is to provide startups, first of all with free development tools and all of Microsoft's products needed in order to build their projects so that they can forget about the hassle of buying licenses. We also provide them with cloud backend via our cloud platform, Microsoft Azure. Any startup with an IT project, including open source or iOS or Android, is most welcome to join this platform.

### **E Is your support nowadays mainly focused on developers in the mobile space?**

It is focused as a mixture between web and mobile. Many startups are based on applications but whenever you have an app, it has a web version and the backend most of the time is a cloud backend. BizSpark does not only provide

developer tools but also visibility and technical support. We have a team – of which I am a member – that is dedicated to supporting startups from A to Z, from the creation of the project until going to market.

### **E What does this team do?**

The team gives workshops to these startups and provides them with technical support, checking their inquiries and making sure they are going smoothly toward finalization of the project. We also have something called BizSpark Plus which is purely for high-potential startups. These are startups which are going to boom. We are providing them with \$120,000 worth of Azure computing for one year. This program is active around the region and if one of these high-potential startups succeeds during that year, they can pay for the services easily in the following year. If not, they would just 'go home' and we would not ask for anything from them. But we have never faced the issue that a high-potential startup would leave the platform and go home. Hopefully we will never face it.

### **E How does the support for the high-potential startup differ from what you provide to a normal one?**

We actually doubled the support amount available for high-potential startups this year. Previously it was \$60,000. For a normal startup, we are giving free Azure computing credits of about \$150 a month.

### **E How many BizSpark Plus enrollees do you currently have?**

We have about three in Lebanon and four or five in Jordan, and a few in Algeria, Morocco, Tunisia and also in Egypt. The region that I cover is the East Mediterranean and North Africa. The total number in the region is around 15.

### **E How do you identify the high-potential startups?**

They can be identified through their Microsoft Azure consumption, by their idea, by their project and by the impact of their application or solution toward the consumer. We at Microsoft can identify that.

### **E Can you give us the local ratio between high-potential startups which qualify for \$120,000 worth of computing time and the normal ones, which can benefit from a couple of thousand dollars per year?**

In Lebanon, we have on average about 50 or 60 startups enrolled per year.

### **E Is that number stable?**

No, it has been increasing year after year. In 2009, we used to have 22 or 23 enrolled in BizSpark. More people are joining the program and this is great because they start by developing their projects and then accompany them step by step; and for high-potential startups we are also helping them go to market. We connect them with our enterprise customers and this brings them work and revenues.

### **E Doesn't that make the startups dependent on Microsoft?**

All startups in the BizSpark program in Lebanon and the region are not connected to Microsoft. We connect them to our clients for free because we know them; they don't pay us anything and there are no contracts between us and them. We are doing it because our aim is to support startups in realizing their potential to grow and improve the local software economy system. It is a kind of giving back.



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## FACEBOOK ENTREPRENEURSHIP SUPPORT



How can Lebanese entrepreneurs benefit from the social empire at the top of the digital universe? EXECUTIVE asks Jonathan Labin, who heads the Middle East, North Africa & Pakistan at Facebook and leads the regional office in Dubai.

### **E How does Facebook interact with stakeholders in Lebanon's knowledge economy, for example with media or with entrepreneurs?**

We generally think of ourselves as a platform and that is true all over the world and for Lebanon. We try to facilitate and we try to enable. There are many different stakeholders and media is one of them. We do see that media companies in Lebanon are leveraging Facebook to drive traffic and generate interest. I have some personal interest

in the startup ecosystem and I work with the startup ecosystem here from a business point of view and sometimes from a mentorship point of view, [collaborating] with VCs and companies such as Wamda, Arabnet and Leap Ventures.

### **E What value added can Facebook and you yourself bring to the entrepreneurship ecosystem in Lebanon?**

I think our core competency lies in helping startups that are apps. That is something that we are used to; it is the business that we ourselves are in. We have our core competency there and can pass this on. First this is about building apps. We have a service called Parse which basically provides the backend for app developers. The basic service is free and provides free push notifications and free analytics. So if you are a startup and want to build an app, you take care of the frontend experience, of the consumer experience, and we take care of the backend and the rest for you. That is a service we provide for a lot of startups.

We also have something called Fb-Start where startups can apply and get

free Facebook credits, free additional services. After the build phase, developers need to grow in the next phase. They can integrate in this phase with Facebook Connect to grow their user base organically and use Facebook advertising.

### **E How dependent will such integration make a developer of a mobile app on Facebook as their platform?**

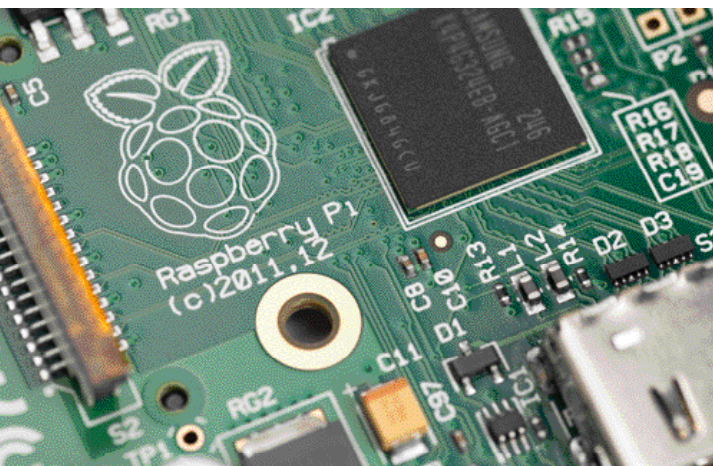
It depends on what value it will bring them. If I am a developer and want to increase my user base, want people to use my app, [my question will be] who does provide the best value for money when I compare Facebook advertising to other advertising solutions?

### **E Facebook would not be a company that would take equity shares in startups?**

No; it would be that you tap into the demand from Facebook and then go revenue sharing.

### **E Would taking a share in a startup and becoming an angel investor be something that you would do personally?**

Yes. I have not done it in Lebanon but [I have] in the Middle East.



## TEACHING AT A SEED STAGE

Arguably, it is easier to stamp out poor coding habits (if and where found) at a younger age. Teens Who Code, is the brainchild of co-founder and president Nour Atrissi, who has launched classes and courses which specifically target young individuals. The initiative, which has been operating for almost a year, offers courses and private sessions in a variety of languages for both mobile and web development. "I saw that in the UK it has become mandatory for children to learn how to code at school until the age of 16; there are lots of international movements for teaching kids [to code]. We decided that this was the best thing to do in order to have the biggest impact [in Lebanon], if we teach [coding] to kids it might change their lives." Her next step, along with co-founder and chief coder Ziad Alameh, is to approach and target schools to advertise their courses and eyes expansion across the entire Arab world as an ultimate goal. "Right now we're focussing on bootcamps [as a structure]



as it is what is most suitable for the market and they work,” says Atrissi, who has case samples of teenage students being given opportunities of internships and jobs straight out of her program. For their bootcamp in October, they charged \$75 per child for two full days, and an iOS course, which is two hours a week (with a flexible time schedule) for two months, which Atrissi states costs \$250. The UK Lebanon Tech Hub has also spied a new opportunity for more education in the school system. As part of their Outreach program, which runs parallel to their scaleup accelerator, they have launched a Raspberry Pi Competition in October to run in all private and public schools in Lebanon. The Raspberry Pi is a low-cost credit card sized computer which was developed by the Raspberry Pi Foundation in the UK, the first model of which was released in 2012. The foundation wished to advance global connectivity and facilitate the access to technology at an affordable price for the wider world. The computer enables users to program in the Scratch and Python languages, and perform other basic computer functions. The winners of the UK Lebanon Tech Hub competition will be taken to London to meet the winners of the UK competition, and benefit from a study tour in the country.

## INFRASTRUCTURE WOES

Whilst the technological sector has witnessed positive initiatives in 2015, there are still mountains to climb, and tackling coding-related issues is but one part of that mountain range. Many of the initiatives interviewed argue there is a gap in the education, but the debate exists over why this is the case, and where the responsibility lies. This is not necessarily reflective of the entire debate across all institutions either, as the selling of bootcamp products relies on a lack of, and therefore demand, experienced coders, whereas present programmers will insist that job prospects within this country pale in comparison to abroad. However, for a flourishing ecosystem that operates under the tech umbrella, strong technological skills are essential, and data and statistics are also needed to back any policy recommendations made to improve the sector. At an infrastructure level, EXECUTIVE has discussed the internet at length, but seven months after our extensive analysis of why the internet is so slow, nothing has been done to improve it. We are still missing our brand new fiber optic network, which still is not being fully utilized despite continual promises. As discussed in the overview (see page 26) whilst poor infrastructure can be circumnavigated by businesses equipped with enough capital, it has an impact on the psyche of the average citizen who has to exist within a societal structure which has crumbling foundations.

**WE ARE STILL  
MISSING OUR BRAND  
NEW FIBER OPTIC  
NETWORK**



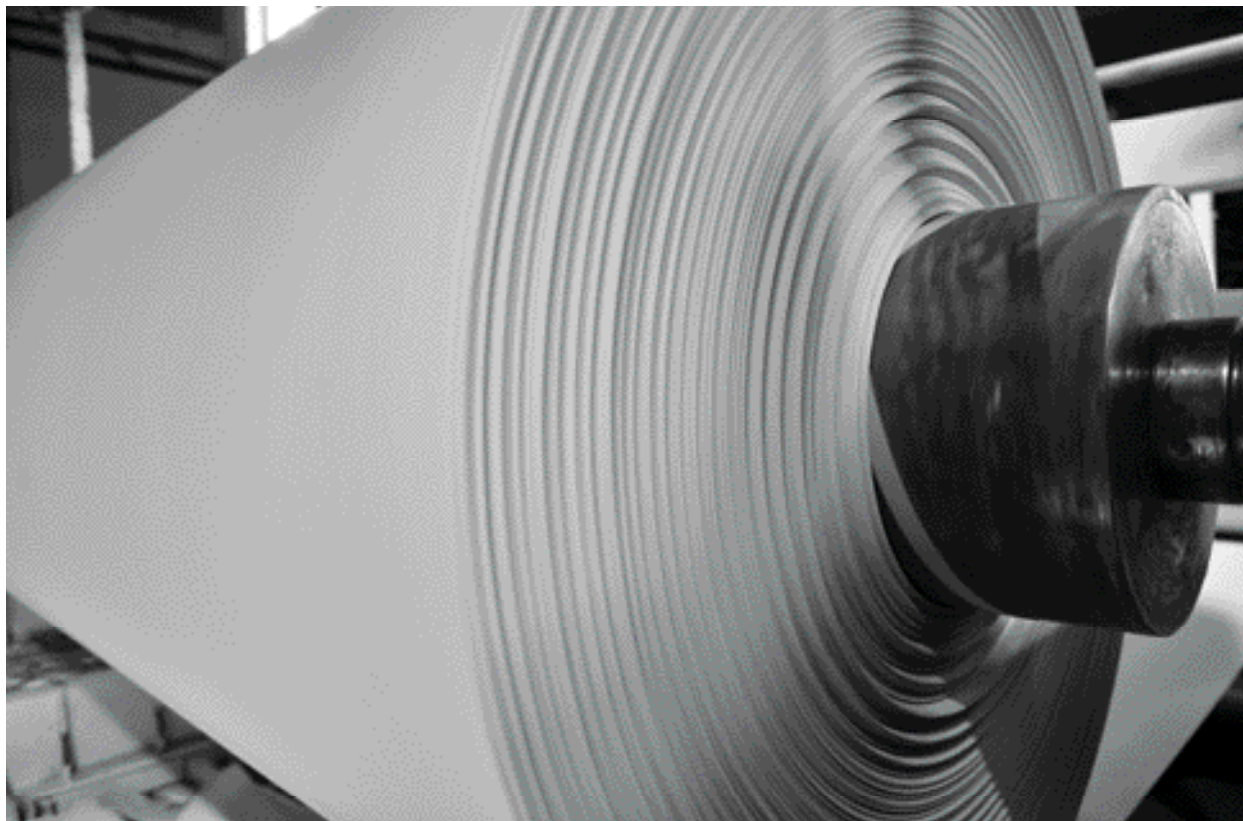
As El Khoury and others suggest, a strong technological sector is vital to support a booming entrepreneurial ecosystem. But without the infrastructure to support such technological development, the entrepreneurial ecosystem will stagnate and will never evolve beyond ‘playing house’ in comparison to other countries. Lebanon’s internet has poor connection speeds, and several things must be done for the tech sector to thrive without man-made constraints. Even registering a domain name, for example [www.showmefastinternet.com.lb](http://www.showmefastinternet.com.lb), is a headache. Trademarks, which detail who or what owns the rights to a particular name, must be proved with a trademark certificate issued by the Lebanese Ministry of Economy and Trade. The required paperwork therefore to register a domain name makes it a hassle that those who register simple .com domains don’t suffer. Tech savvy individuals are also wary of purchasing anything through third party websites which offer speedy access to a .com.lb sitename - if another individual owns the trademark, they own the rights to the website, and the rights can

be nullified if the Lebanese Supreme Court of Commerce rules the domain name is allocated to another party. If initiatives are coming together to address the gaps in education in the technology sector, this should be complemented with intensive lobbying of the government to improve the infrastructure, lest the money poured into coding initiatives should fail. Connectivity, be it through fast internet, competent and accessible infrastructure, or levels of education which sees Lebanon compete on a global technological stage, may not be a ‘human right’ which sits parallel to that of clean water. But you can be sure that it is definitely an entrepreneurial right, and one which needs addressing on every front.



# Industrial recycling

Waste is a resource in the manufacturing sector, and industrialists say more recyclables are needed *By Matt Nash*



**F**or all the talk of Minister of Agriculture Akram Chehayeb's waste management plan including robust recycling initiatives, it actually lets municipalities decide how to treat and dispose of their waste with few guidelines and no fixed quotas. That is to say, there is no clear picture of what recycling will look like in Lebanon should the plan – approved by the cabinet on September 9 – actually be implemented. It calls for an 18-month interim period during which municipalities will prepare their waste strategies. During this time, municipalities are to sign any contracts that need signing and build any infrastructure that needs building. As cities and villages ready themselves for garbage duties, waste from Beirut and five surrounding districts will be distributed among newly built sani-

tary landfills in the northern district of Akkar, the Bekaa Valley and Bourj Hammoud. A small portion of the waste is also supposed to be taken to a new waste treatment facility in the southern city of Saïda. During the 18 months, the limited amount of waste sorting done by Sukomi – the Averde company responsible for composting, recycling and landfilling much of the country's trash – will stop. Neither the company – a sister of the far more well known trash collection firm Sukleen – nor the government have given precise figures on the amount of sorting and recycling Sukomi does. Minister of Environment Mohammad Mashnouk recently said the company landfills around 80 percent of the waste it collects, and an employee tells EXECUTIVE, on the condition of anonymity because he is not author-

ized to speak with the press, that Sukomi recycles only the percentage it is contractually obliged to recycle. He declined to provide the percentage.

Prior to the July 17 closure of the Naameh sanitary landfill – which accepted around 50 percent of the country's waste – the Ministry of Environment maintained Lebanon had a 9 percent recycling rate. Everyone directly involved in recycling EXECUTIVE has interviewed in the past three months, however, scoffed at the figure as being too low. Several NGOs – including arcenciel and T.E.R.R.E. Liban – and one company – Contra International – have run recycling programs in Lebanon for years. EXECUTIVE has not been able to ascertain whether the waste they collect and sell for reuse is included in the 9 percent. In late October, Sukleen said in a press







release that the company collects recyclables from over 2,300 local businesses. Again, EXECUTIVE is unsure if this activity is captured in the 9 percent. Finally, the informal network of recyclable material collectors is likely entirely off the radar. All that said, recyclables are a valuable raw material for local industry. Companies in Lebanon transform waste paper, cardboard and plastics into finished and semi-finished products for both the local market and export, explains Fadi Gemayel, president of the Association of Lebanese Industrialists and head of Solicar, a paper and cardboard recycler. EXECUTIVE sat down with Gemayel to talk about the industry's need for recyclables.



**E Does 9 percent sound like an accurate figure for total recycling in Lebanon?**

No. The Lebanese recycling capacity for paper is only 120,000 tons per year. Meaning you need at least 150,000 tons of raw material. That said, we still import 200,000 tons of raw material to make paper locally, so there is plenty of room for growth. Industry is very much aware of the value of waste as a raw material. Paper recycling started in Lebanon in 1929. Worldwide, 70 to 80 percent of all packaging material made of paper or cardboard is made of recycled material. In Lebanon, we are very close to that number. Also, there are targets for recovery, how much are you obliged to recover from your paper you put

on the market. That rate is around 60 percent in Europe. We are not at this level yet in Lebanon. But recycling is important for the packaging industry. There are at least five major paper recyclers in Lebanon.

**E Do you have any numbers or studies suggesting what the total industrial demand for recyclables is?**

No.

**E But industry does use paper, as you've noted, plastics and, to a lesser extent, glass and metal, correct?**

Yes. I've explained paper. Plastics are also recycled. There are many small companies using scrap and bigger companies that create fiber from recycled plastic and export it to Denmark. For glass, Lebanon has been known for glass work since the Phoenician times. Today, we have sophisticated factories producing glass. We have two. The biggest, however, was bombed in the 2006 war and never rebuilt. I am not sure of our capacity for glass recycling, but glass is used as a raw material in Lebanon.

**E What about metal? You often hear Lebanon has no foundries – which melt scrap metal to repurpose it for reuse. Do we have foundries?**

There are two big firms and many smaller, more specialized ones. However, a huge amount of scrap gets exported because of the problems in costs. So the bulk of the raw material is exported. The big foundries have not been able to sustain. Export less and the foundries will be happy. The problem is a foundry is very energy intensive, and in countries around us, they have cheap, subsidized energy. Regional foundries can bid up the price for scrap. Here you are squeezed because of the high energy costs, so local foundries cannot pay as much for the raw material.

**E Where does industry source recyclables?**

There are sorting facilities, like the one operated by Sukomi. We, as Solicar, buy from Sukomi. There are also Zero Waste Act, T.E.R.R.E Liban and arcenciel. There is a network.

**E What role does the informal sector play?**

Some time ago, the informal sector was very strong. Nowadays it exists, but less and less as people are going and picking through the garbage. Today, supermarkets are selling used cardboard. And the more Sukleen got organized, the more scavenging was reduced from the bin itself.


**E When did that happen?**

I don't have a clear idea of the timeframe, and I don't know exactly what triggered it. Scavenging exists. The rate of recovery in Lebanon is high, but it is not perfectly organized.

**E If there were to be more formal recycling in Lebanon, could industry absorb the additional volumes of recyclables?**

Don't worry. We have a problem when we don't have enough recyclables. And we don't have enough. Now with the crisis, we are very squeezed. Don't worry about surpluses.

**E Can you put a figure on the cost savings associated with using recyclables as a raw material?**

It's hard to give an exact figure because we're dealing with a major constraint: the cost of energy. Recycling and the green industry are nice, but they come with a price tag. It is very energy intensive. Very. Energy costs account for as much as 35 percent of the selling price of paper. Energy costs are high for plastics and for glass. We have high energy costs, and we are surrounded with countries that subsidize their energy costs. The fact that Lebanese industry has been enduring for so long means there is an economic reason. But don't think recycling is a huge money saver. 



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# Blame it on Bassil

Future Movement MP Ghazi Youssef's account on why Lebanon still doesn't have electricity



## **E What was minister Bassil's plan to reach 24 hours of electricity by 2015?**

[Bassil decided] that we needed barges imported from Turkey, a new [power plant to generate] 700 megawatts, to rehab Zouk, Jiyeh, Zehrani, Deir Ammar and Baalbek, and the implementation of 1,500 megawatts from [public-private partnerships]. [Bassil] talked to then prime minister Najib Mikati to send [\$1.2 billion] as [a project of law] – from the [council of ministers]. Nabih Berri accepted it and when Nabih Berri accepts something it can [move] super fast – it went straight to the parliament. We said we needed the electricity today better than tomorrow – we have no problem with the politics of it – and it's costing \$6 billion of economic loss per year not having 24 hours of electricity.

## **E From your perspective what happened next?**

We asked [that] the \$1.2 billion [be] allocated to the government. Two, [that] the prime minister seek financing for the \$1.2 billion instead of paying it from the treasury – we don't have [the money and] because we know that donors insist on trans-

parent terms of reference, supervise the spending and supervise [project] implementation. Three, appoint a new board of directors for Electricite du Liban. We cannot have Kamal Hayek who has failed, maybe he is not responsible, but there hasn't been a board since 1998 – and appoint a regulator. The fourth condition is that the minister will have to show [cabinet] the work that has been done, the terms of reference and how he'll approach the tender. These were the rules and conditions, [Bassil] got the waste basket and threw them in it.

## **E He did not comply with any of the parliament's stipulations?**

[Bassil] did not appoint neither the [ERA regulator] nor a board [EdL], and he came up with terms of reference for a tender for Deir Ammar 2 and for reciprocating engines [diesel engines].

## **E So the power plant at Deir Ammar was tendered but has not been built. You allege that contract negotiations were mishandled – what happened?**

After opening the bids they found that the cheapest was [Abenor-Butec] – a cost per kilowatt hour of 13.6 cents and on natural gas 9.2 cents. After winning the tender [Bassil] said that Abenor's offer was too expensive. It was \$660 million, [producing] 560 megawatts. The cost per megawatt was \$1 million – compared to the reciprocating engines at \$1.35 million. [Bassil] said he would negotiate with them to knock off \$100 million – they said they could not do that.

## **E But then the contract was canceled and re-rendered.**

[Bassil] went back and took off work worth \$68 million – the line that connects for gas and the chimney that

was 120 meters [in height] became 60 meters. Given these new realities only two companies applied. J&P [a Cypriot company] when it had first applied wrote a letter saying it could not do the job within 30 months, but reapplied for the job that now had to be done in 25 months. Sepco [a Chinese company] refused to sign some of the conditions, saying it could not be done. The envelopes were opened and [the contract awarded] to J&P for \$548 million. [Bassil] renegotiated with [J&P] and they accepted for \$504 million.

## **E And there was also the additional ambiguity over who might be responsible to pay the Value Added Tax in the contract?**

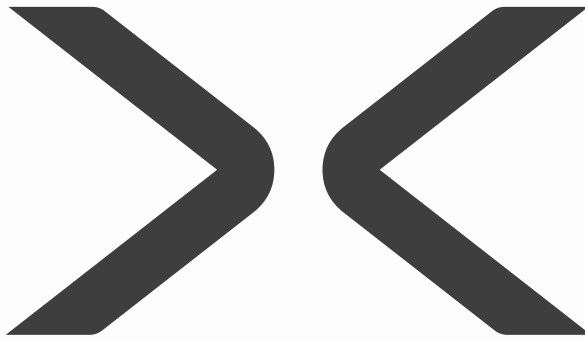
The contract did not specify who was to pay the Value Added Tax. We're talking about \$50 million. For a company that won the tender valued at \$548 million, accepted at \$504 million, it means they'd make some profit. [But] if they have to pay the \$50 million [in VAT] they would lose. When this contract was reviewed by the Court of Audit they noticed the \$50 million [needed to be paid].

Cesar [Abou Khalil, an advisor to the Ministry of Energy] says that the condition wasn't placed on the company to pay the \$50 million because at that time it was not decided whether or not to seek financing from an international donor. Only [donors] are subject to non-payment of VAT – they're exempt.

## **E The current Minister of Energy Arthur Nazarian recently promised an additional three hours of electricity – is that realistic?**

At Jiye the production capacity there is around 350 megawatts [but] actual production is 75 megawatts





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currently. The reason is that these are all Toshiba [engines] that don't have spare parts – [staff] have cannibalized old engines [to make repairs]. The reciprocating engines that were put in Jiyeh will be operational by November. [In late September current Minister of Energy Arthur Nazarian] said we[d] have three more extra hours of production because we'll have two new productions units – he's talking about the reciprocating engines, in Zouk and in Jiyeh. In Jiyeh it is true, it will start in a month and a half and will [generate] 84 megawatts. In Zouk, the 260 megawatts will not be ready until May 2016.

**E Your criticism then is that the reciprocating engines were high priced backups that would not actually be as beneficial to the current need as investing the money into new generation capacity?**

If Gebran [Bassil] wanted to be transparent he would have started with Deir Ammar 2 and by now we would have had 560 megawatts working. That was the priority and not the reciprocating engines. The engines became the priority because it was easier and more expensive and payoffs were paid out.

**E Is there documentation of these commissions and payouts?**

I don't have anything on the commissions that were paid but one can review the cost per megawatt of reciprocating engines and we find a big difference between \$1.35 million that was paid and what could be had for \$1.1 – \$1.2 million. We're talking about \$60 million.

**E This \$60 million, are you saying that Gebran Bassil was distributing it to his own interests – what's the story?**

We should, as politicians, all of us, give our financial bank accounts – everybody close to me [whether] first or second degree – [to show] what I've made over the last 10 – 15 years. Gebran ought to do the same, [from] 2005 until now. I know people who have paid him.

**E Suppliers or bidders?**

Suppliers who have paid. They're not going to say it publicly but they've told me and they've told me how they paid. In cash or to a friend of his.

**E What is the total amount of shady money connected to the electricity file?**

I believe it is a minimum of \$100 million, around \$50–60 million in the reciprocating engines and \$40 million for [consulting]. We asked Kamal Hayek [chairman of Electricite du Liban] and the minister to see the accounts – how much and where it was paid out of the \$1.2 billion. We haven't received a document as of today and it's now been over a month.

**E Are you accusing Gebran Bassil mainly of incompetence, wrong prioritizing, or corruption?**

All of the above. First his incompetence because the priorities were not set properly. The notion of corruption is there when you pay more than what you have to pay for in the market. Corruption is when you allow firms to apply and win a tender when they are not supposed to be qualified, when you try to validate a company or lie about whether or not they have to pay the VAT, and when you sign a contract and maneuver the terms of payment after the signature to get preferential treatment for whomever won the tender. All of these combined [show] that there is incompetence and corruption.

**E The United Nations defines corruption as the use of public office or power for private gain. Do you think that Bassil achieved private gain from this endeavor?**

I don't have direct proof of it, but my feeling is he must have.

**E You want to be taken to court by that kind of feeling?**

If I'm taken to court I will lift my secrecy and let him lift his. And we'll let the court decide. I believe he must

have had some private gain.

**E Who benefited from the \$40 million consultancy fees – do you know who are the consultants?**

No. [The ministry must] show us the receipts.


**E Since we also exist within the context of a fragmented political environment do you think that political rivalries and power ambitions play into this?**

This is a question I have been asked – why this late in the [process] you come in with the questions? Well we're not late. First, [the Future Movement] came up with a booklet last year on the electricity. It took us two years to prepare it by looking at where the problems are in terms of the whole sector in energy and specifically in electricity. We said where we are not able to move ahead, how much was spent, the costs and the loss to society,

**CORRUPTION IS WHEN YOU ALLOW FIRMS TO APPLY AND WIN A TENDER WHEN THEY ARE NOT SUPPOSED TO BE QUALIFIED**

and what has to be done. Even at that time we had questions for Gebran, to the current minister, for EdL – what have you done so far with the \$1.2 billion.

**E Are the minister's advisors accountable to any oversight?**

They're not accountable to anybody, only to the minister. [On September 15] we were supposed to have a parliamentary committee meeting – we asked for the Ministers of Finance and Energy to be present because we wanted to see the results and numbers. He sent us Cesar Abu Khalil who is not an official of the government to represent the minister. So Mohammad Qabbani [chairman of the committee] said go home, there won't be a meeting until the minister comes. 





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# Less than glossy

Lead weighs down the paint industry *By Paul Cochrane*

**E**arlier in the year the American journal *Environmental Research* ran an article on “Total lead concentration in new decorative enamel paints in Lebanon, Paraguay and Russia. It claimed that five leading Lebanese paint manufacturers had products with exceedingly high lead content, and in certain cases had misled customers through erroneously labeling paint as ‘lead free’. Is lead in paint another health worry on top of the garbage crisis and recent food contamination scandals?

White, yellow and red paint from four Lebanese brands – Tinol, Sipes, Noula, Omega as well as the US-affiliated Dutch Boy – were acquired by local activist organization *IndyAct* and sent to the United States for testing. The results showed that certain paints, particularly yellows and reds, had extremely high levels of lead, in excess of US standards of 90 parts per million (ppm). It stated that two of the brands, Tinol and Dutch Boy, were mislabeling products as ‘free of lead’ or ‘lead free’.

Lead was widely used in paint due to its density – covering more with less paint – durability and resistance to corrosion. However, direct and constant exposure to high levels of lead from paint chippings, contaminated dust and soil is a cause of mental retardation, especially in children. According to the World Health Organization (WHO), exposure to lead during childhood contributes to an estimated 600,000 new cases of intellectual disabilities per year. As a result, restrictions and outright bans on lead in paint have been put in place over the past 40 years, with the US banning lead in decorative paints in 1978. Jordan for example banned lead paint in 2013, while in April, 2015, the Global Alliance to Eliminate Lead

Paint, co-led by the United Nations Environment Program (UNEP) and the WHO, announced the goal of eliminating lead paint globally by 2020. In Lebanon, lead in paint is not restricted or banned.

## NO LEAD HERE...

When the named manufacturers were interviewed by *EXECUTIVE* (Noula refused) two out of the four were not aware of the study. Wajih Bizri, Chairman of Sipes Paints, was surprised at the article’s finding, and asked for a copy. He says there is no lead in his paint – the report states 135,000 ppm in yellow and 27,700 ppm in red – and that the company

was not headquartered or affiliated with Sipes Egypt, as stated in the research. “All of the information is not true. We don’t use lead in our paint. Egypt has nothing to do with our factory and our shareholders are not the same,” he says.

Mohamad Ali Maatouk, Executive Manager of Omega Paints, was equally surprised when shown the results that its yellow paint had 83,800 ppm and the red 131,100 ppm. He also says that no lead was used in decorative paints, as Omega stopped using the ingredient four years ago due to the related health hazards.

That date is significant, as it turns out that despite the article being

## THE SECTOR

As for many economic sectors, statistics on the paint market are elusive. There are no figures on overall production, value, or exactly how many paint manufacturers there are. Out of the estimated 200 plus paint factories, a handful of leading companies account for around half of overall sales, with the other smaller sized operations that are invariably unlicensed and unregulated, according to the Paint Manufacturers Syndicate.

The sector itself is experiencing tough times, although it is difficult to quantify. Sales started to slide from 2010, by around five to seven percent a year, according to Wajih Bizri, president of the syndicate. “It has been gradual but continuous, probably down by a minimum of 30 percent over the past five years,” he says.

The conflict in neighboring Syria and the downturn in the local economy are the chief culprits.

“We were exporting to the Arab countries, but the situation is very bad, especially in Syria. Exports have almost stopped, down by around 20 percent overall,” says Mohamad Maatouk, Executive Manager of Omega Paints.

Despite manufacturers offsetting the loss of traditional export markets by focusing on domestic sales and looking to new markets, it was the slowdown this year in the construction sector that has hit the sector. “The construction sector is not directly affected by the political-economic crisis like tourism is. It is over a two to three year period, which is why we are feeling it now. I expect it will take two to three years to bounce back,” says Maatouk.

Chemipaint’s Bassam Bizri concurs, estimating the market to be down 15 percent on 2014. “Our market is mainly in the South, and it was booming. Now it seems with the involvement in the Syrian war people are not so sure of the future, and curbing expenditure. There’s also been a big slump in new projects in Beirut. This is the first year we’re feeling it, and we’re really in a bind,” he says.

Tinol, the country’s oldest brand, has however bucked the trend, albeit with just one digit of growth, estimating the overall market to have slumped by a more conservative 10 to 12 percent.



submitted to Environmental Research in November 2014, and published in 2015, all of the paints were purchased in October 2011. It is a point not lost on the manufacturers.

"This report is not fair to all the (named) manufacturers as it is outdated. It also doesn't name the products – we have pages of varieties – and where it was bought from. The manufacturing date depends on whether it is from a factory or an agent, as these colors – yellow and red – are not common," says Chaker Saab, Chairman of Tinol Paints. The report stated that Tinol's yellow paint had 236,000 ppm and red 101 ppm.

"We never use lead in decorative paint. The test must have been on an industrial paint," says Saab, adding that the company sourced from Western Europe and would not falsely label paint as lead free, as claimed. Lead is still

## DIRECT AND CONSTANT EXPOSURE TO HIGH LEVELS OF LEAD...IS A CAUSE OF MENTAL RETARDATION

widely used – and still allowed - globally in industrial paints due to its durability.

While manufacturers pointed out certain discrepancies with Environmental Research's findings, such research has kept the companies on their toes to ensure they are lead-free. In the case of Dutch Boy, the report prompted the company to re-check the sourcing of raw materials.

On reading that Dutch Boy's red paint had 32,400 ppm and yellow 1,360 ppm, the US licensor Sherwin-Williams contacted Chemipaint in Beirut to provide samples. "We had


to search the market for samples from 2011," says Chemipaint's Bassam Bizri. "Tests were then carried out in the US, and the problem was the oxide (used as a pigment). We stopped using lead years ago, but we'd bought a titanium oxide (pigment) from China that was not supposed to have lead. It was contaminated and we didn't notice. All paints have been re-tested, and have less than 90 ppm."

## THE NEED FOR REGULATIONS

Dr Naji Kodeih, an environmental consultant and volunteer at IndyAct who contributed to the report, says he has prepared a draft proposal for an official standard for lead in paint to not exceed 90 ppm, but his requests for a meeting with the health and industry ministries have been rebuffed.

Sipes' Bizri, also President of the Syndicate of Paint Manufacturers, says they have also been asking for standards to be adopted. "At meetings with the economy minister we've said we're willing to back any regulatory decision."

However, there are over 200 paint factories in the country while fewer than 30 are members of the Industrialists Association or the syndicate. "For big companies regulations are not an issue but a lot of smaller companies are unlicensed. Some are under residential buildings, it's crazy. The government needs to regulate local manufacturers and importers, as nobody is looking at what is coming in. It's a real problem," says Bizri.

With no regulatory action expected from the government anytime soon, the larger companies state they are self-regulating by adopting international standards and bringing in external certifiers to ensure consumer confidence, and to have a competitive edge. "It is as if everyone needs a country administration within their company - you have to manage everything, the treatment, the dust collection, cleaning without solvents," says Wafa Saab, CEO of Tinol. 





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# Pearls of economic wisdom

Discussing the global economy with UBS's Paul Donovan *By Thomas Schellen*

**I**n good times and in bad ones, leading wealth management institutions and Lebanese families and individuals are connected via a bond of mutual interests in profits and wealth preservation. Among the torchbearers of this bond are the top-rated economists of Swiss banks who come to visit Lebanon with clockwork regularity. Usually, they bear at least some glad tidings. But instead of incense and myrrh, they carry presents of economic insight and advice. So it was also this year.

EXECUTIVE shared the benefit of enjoying, from three floors above a Downtown street still strewn with debris from the previous night's protest, elaborations on the state of the global economy by Paul Donovan, UBS's Managing Director, Global Economics.

Among the topics he discusses is China, which Donovan sees as still a good distance away from being integrated into the East Asian economy and whose slowing performance he believes is less of a factor than it would be in circumstances of greater integration. He also talks about the Federal Reserve, whose indecisions since the summer have been providing endless fodder for debate among analysts and investors. While his big-picture view of the global economy is that "it is not doing too badly," with the eurozone improving after two terrible years and the United States continuing to be alright, Donovan concedes that there are enough potentials for trouble, including Brazil and Turkey, where he sees "significantly increased risks" not only because of the political situation but also with regards to the economy. "The central bank has run a complicated policy and Turkey remains

relatively dependent on international capital flows to support its economy. That is not an ideal combination," the UBS economist says.

But as the conversation progresses, more complex issues are being discussed and the real answers to today's economic challenges seem to grow more elusive. These include questions such as whether it is possible to reach a needed, broad democratization of the Chinese economy by achieving gains in the standards of living that exceed the overall growth rate of the economy; or the question of how to stem an increase in counterproductive, prejudice-driven discrimination against refugees and migrants who have been arriving to Western Europe and are needed to vitalize the continent's aging countries. While such migration should be positive from an economic perspective, Donovan confesses his skepticism that defeating the growing scapegoat economics and irrational prejudices is possible. This is all the more unfortunate because irrational discrimination is indeed a detriment to economic performance, he says. "In my view, and this should probably be the next book that I should be writing, one of the biggest threats to an economy today is prejudice in the treatment of people and the treatment of a labor force, because we are in an environment where what economists call human capital is the greatest asset that a country has."

## IN CONVERSATION WITH PAUL DONOVAN

**E** Mr. Donovan, if you would, consider the following scenario: Three top European economists meet in a bar on Uruguay Street, right around the



corner from where we are sitting. One is the chief economist of a large private bank, the second is the chief economist of a central bank, and the third is the chief economist of a large manufacturing conglomerate. They start talking and each share their worst experience in 2015 to date. What will each say?

For the bank economist it would be that the Fed is not behaving itself, in two ways. One, by delaying rate hikes which is troubling but not serious. Two, by signaling that markets had impacts on rates. I don't think that this is actually true but the impression is damaging, because the last thing we want is markets dictating things to economists.

I think the biggest problem for the central bank [economist] is the unreliability of economic data. The data is to be revised and there is so much structural change that the data is very limited in telling us what is actually happening. That creates a situation where one can take a positive or a negative view on one and the same number, depending on your mood.

If the manufacturer is an exporter, I would say the [third economist's] biggest headache is currency volatility. Currencies have been relatively volatile, in a relatively unpredictable manner. This obviously creates unpredictability around profit margins and around resource allocation.





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**E Looking into 2016, would there be a shared biggest nightmare for our three economists or would there be different scenarios for each?**

I think there is a related theme, which is that volatile data lead to volatile markets and volatile policy. We have uncertainty about how genuine the data is and how things are performing in real time. For the policy maker, this creates the risk of policy error, for the company the risk of a volatile operating environment and for the investment bank uncertainty in the sense of Keynes' famous saying, 'the market can [remain irrational] for longer than you can remain solvent.'

**E Do you have a specific message that you bring on your visit this time, not necessarily just to investment clients of UBS but to the market here in Lebanon?**

My role is of course to try and explain where we think the world economy is going. Broadly speaking, I think the world economy is not doing too badly; growth in the United States and Europe will in my opinion continue to perform relatively well. The Chinese economy has slowed a little but China doesn't matter as much as China thinks it does. I think we are in an environment of moderate economic activity. I hope that this is going to lead to a period of stability in issues like commodity prices, and when we look at the Gulf region that is very important. This will also be important for Lebanon via remittances from workers in the Gulf.

I think the main story that is worth reminding clients and others of is that the global economy has undergone a great deal of change in the last 15 years, and this is not just since the crisis. Before the crisis, significant change had taken place and this makes understanding economic relationships more difficult.

The challenges of understanding the economy and the challenges of investing in the economy have increased because of the structural changes. In particular, trade is today very different to what it was 20 years ago. We have difference in labor markets, people work for longer, female participation rates have risen, labor markets are not the labor markets of 20 years ago. If there is a very simple message to communicate it is that the world is changing – challenge everything you think you know.

**E What is your view on the Middle East economy – is it the most volatile of them all?**

It is perhaps the most focused of them all. It comes down to oil in the GCC and if you don't have oil, it still comes down to oil. Dubai depends

**“IF THERE IS A VERY  
SIMPLE MESSAGE  
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THINK YOU KNOW.”**

in large part on oil revenues flowing through its financial center or on tourism revenue from regional visitors who have oil-related incomes. Lebanon is perhaps a little different but the remittances from oil revenues to Lebanon are very important. This is a tricky situation where you have to focus on a single commodity whose price is as volatile as the price of oil is. Economic diversification of the region has still remained limited. Dubai is the exception but even the domestic industry of Dubai is still very dependent on oil money flowing through.

**E Do you have an outlook for the Lebanese economy in 2016?**

We don't have a formal forecast for Lebanon but it is clear that the challenges in the region are fairly significant. The influx of refugees, the weaker tourism numbers - the lower oil price is a help but the lower remittances to Lebanon effectively cancel that out.

**E If we talk about capital flows, is quality or quantity more important?**

Quality or quantity is more important, depending on the circumstances. We have a general problem: global capital flow has shrunk and now is roughly a third of what it was at its peak in relation to GDP. Depending on how you measure it, global capital flow in 2007 was between 15 and 20 percent of GDP; today it is about six percent of global GDP. For a country like Lebanon, [inflows of] capital for infrastructure development and regeneration are very important. Today everybody -- in emerging markets and in developed economies -- wants to [see investments into] infrastructure and regeneration, but there is now less capital, so we have suggested that we are witnessing the start of a war for capital.

**E Is there anything from your vantage point that Lebanon could do to increase the efficacy of capital flow and also be more attractive to foreign capital?**

Again, Lebanon has a problem of circumstances. The situation in Syria is always going to present a challenge and I am not for a moment suggesting that Lebanon is in a position to do anything about this. I think that investors tend to appreciate relatively stable political environments – political stability gives them confidence if they invest something with a 20-year view and continuity of law is helpful. The current discussions over the



political structures here are perhaps a challenge to attracting capital.

**E Perhaps?**

Perhaps. Ideally of course, governments do not just exist to attract foreign capital but for many reasons. This is a hurdle to overcome. Clearly this is not stopping capital from coming in, not stopping regeneration here in Beirut. The question is if it could do better and I think at the moment the answer is, yes, it could do better.

**E How about our imperfect Lebanese capital markets structure? A detriment from your perspective?**

To the long term, yes, I think there are issues. In the near term where we are talking about attracting [Foreign Direct Investment], you look for an investor who wants to come in and commit to Lebanon for

a 15 or 20 year program. The capital market in Lebanon is not necessarily important if they are investors from the GCC or Europe; they have their own sources of capital. In the longer term, if Lebanon is seeking more indigenous or domestic capital and seeking to smoothen the way of taking domestic savings and invest-

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**“[THE LEBANESE ECONOMY] IS AN ECONOMY [UBS] WORK[S] WITH VERY CLOSELY.”**

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ing them in an efficient way, capital markets are better than most of the alternatives. An efficient domestic capital markets structure is constructive and a positive development – it is not perhaps an urgent requirement. In the near term, I think Lebanon

could improve its economic output without a highly efficient capital market structures. However, I am a free market economist working for a bank, so over time I am of course going to favor capital market structures.

**E If we were drawn into a war over capital, would UBS be inclined to come to the aid of Lebanon?**

UBS is of course very committed to Lebanon. We have an office here and I am here twice a year. It is an economy we work with very closely. It is a situation where certainly a bank like UBS is very happy to offer the advice and expertise that they can to Lebanon as a country and I think that is something that Switzerland in general is very happy to try and do. That advice and expertise will hopefully help Lebanon find a path in a more difficult global environment. 

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**Executive**

# Downtown blues

Business in Beirut's Central District struggles to survive *By Nabila Rahhal*

**B**eirut Central District (BCD) is home to flagship stores of international high end retail brands such as Armani and Hermes; it is also where five star hotels such as The Four Seasons, Le Gray and Phoenicia are located, and where many restaurants and cafés, whether in Minet el-Hosn, Zaitunay Bay or Uruguay Street, can be found.

And yet, most of BCD has been a ghost town for the past five years, save for a few exceptional months. The inactivity has particularly affected the retail and hospitality sectors, the mainstay of the area, with few going to its restaurants, hotels and shops.

## HOSPITALITY SECTOR FIGURES

The footfall challenges experienced in BCD are not restricted to the

hospitality sector alone, with the retail sector also suffering.

In fact, the entire hospitality sector in Lebanon has witnessed a drastic drop in consumers since 2010, according to Tony Ramy, president of the Syndicate of Owners of Restaurants, Cafes, Night Clubs and Patisseries in Lebanon.

The hospitality sector, a major pillar of the Lebanese economy, with sales reaching a total of \$9.8 million in the year 2010, saw that figure drop to barely \$4 million so far this year, according to Ramy.

Since 2006, there have been 212 closures of food and beverage (F&B) outlets in Beirut's downtown area alone. According to Pierre Achkar, head of the Syndicate of Hotel Owners, the majority of Lebanon's hotels are partially closed, operating at half-capacity only.

## TROUBLING HISTORY

When it comes to BCD, the hospitality sector has had its ups and downs, Achkar explains. He goes as far back as a decade, recounting the various security incidents – from the July 2006 War to the 17.5 month long sit-in in Riad El Solh square in 2008 – to explain the factors responsible for the drastically decreased productivity in the sector.

The reasons behind the turmoil in the sector, according to both Ramy and Achkar, can be summarized succinctly: The significant drop in the number of tourists visiting Lebanon ever since the war in Syria started in 2012 led to the sector's reliance solely on people already residing in Lebanon. Lebanese citizens and residents, in turn, have themselves suffered from low purchasing power causing them to limit their outings and expenses.



## HARD TO BOUNCE BACK

In the past, Ramy argues that the F&B industry would always bounce back as soon as security risks receded. Recent years, however, have not offered the sector any respite: “The problem is that typically, in Lebanon, you have a bad year followed by a good year or so and in that way we could always manage to sustain ourselves. But the situation has not improved for four years now, and we are entering a phase in which we will no longer be able to sustain ourselves,” explains Ramy, speaking for the sector as a whole.

## EVENTS OF SUMMER 2015

The straw that broke the proverbial camel's back, or in this case BCD's hospitality sector, came in the summer of 2015, when garbage began accumulating on the streets of Beirut following the closure of the Naameh landfill on July 17. As Achkar puts it: “It is hard to attract tourists to the country when they have to wade through mounds of garbage while sightseeing.”

The crisis was followed by a string of popular protests in downtown Beirut, demanding a solution to the waste management crisis. This, coupled with the heavy security that accompanies political meetings held recurrently to discuss the crisis, which also took place in BCD, led to significantly decreased footfall to both hotels and F&B outlets in the area. “We had people cancelling their reservations because why would they want to stay in downtown when they can't get to or leave their hotel with ease?” says Achkar, adding that Markazia Monroe Suites, the downtown hotel that he operates, took the decision to close by the end of the year if the situation does not change for the better.

Meanwhile, Ramy reports that seven out of the 19 venues on Uruguay Street, Downtown's pedestrian pub area, have had to close down since July 2015, with several other

**“THE PROBLEM IS THAT TYPICALLY, IN LEBANON, YOU HAVE A BAD YEAR FOLLOWED BY A GOOD YEAR...BUT THE SITUATION HAS NOT IMPROVED FOR FOUR YEARS NOW.”**

venue owners saying they will follow suite if the situation in the area does not improve.

Ramy and Achkar claim they do not blame the situation on the protesters, insisting they support their cause. They are merely against the chaos caused and damage to private property.

While both say that only long-term political stability and security will restore Lebanon as a tourism destination, they are meanwhile asking for immediate and practical solutions. For instance, they would like to see Parliament Speaker Nabih Berri call for an economic round table made up of the key businesses in the hospitality sector to reach a solution to the sector's economic woes before it's too late.

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# The cluster men

An in depth look at Venture Group's business model *By Nabila Rahhal*

**I**t all began in 2005, when Rabih Saba and Marwan Ayoub, who were at the time employed by multinational companies, decided to make some extra money on the side through freelance consulting work for hospitality companies in Lebanon.

They have since come a long way. Today, they are the managing partners of Venture Group, a hospitality development company which counts Uruguay Street, the only pedestrian pub street in Beirut Central District, as its first development project. Currently, just four years after signing the Uruguay Street contracts, they are in the final phases of construction for two other similar hospitality cluster areas (The Village, Dbayeh, to be launched by early November 2015 and Backyard Hazmieh to follow a few months later).

EXECUTIVE met with Saba and Ayoub near their Hazmieh project to find out more about how they are growing from a "two man" show to a structured organization with enough prowess to attract a \$4.5 million investment participation in Backyard Hazmieh. EXECUTIVE also discussed Venture Group's business model of clustering hospitality outlets under one project which relies on the economics of proximity.

## THE EARLY YEARS

In 2008, Saba and Ayoub, who until then had only been dabbling with hospitality consultation, decided to quit their jobs and become full time consultants for the hospitality sector. "We started doing consulting work in the hospitality sector as a side job to make extra money. When we saw that we were bringing value to our clients, we thought of doing it full time," explains Saba.

In 2011, recalls Saba, the two

partners launched their first cluster development project on Downtown Beirut's Uruguay Street, named so because the boats arriving to Beirut Port from Uruguay used to dock there. "We always had the idea of a hospitality cluster project in mind but we needed the capital," recalls Ayoub, explaining how they took a major risk in that investment as they only had enough capital for the first payment which they used to book the street.

Ayoub and Saba recount with a certain twinge of pride how, in their

first contract on Uruguay Street, their exposure was for a few million dollars and today they are developing projects with a value of \$5 to \$10 million each, multiplying their appetite for risk by 20 percent.

## THE RISE AND FALL OF URUGUAY STREET

What Venture Group, then known as Venture DT, did with Uruguay Street was enter into a master lead contract with Solidere, which owns the former Municipality Building along Uruguay Street. They had a fixed lease for the building's dozen or so ground floor outlets and then sub-rented them to selected pub operators in return for a percentage on sales and a minimum guarantee.

Saba and Ayoub saw the makings of a sustainable pub area in the

**"WE ALWAYS HAD THE IDEA OF A HOSPITALITY CLUSTER PROJECT IN MIND BUT WE NEEDED THE CAPITAL."**



*Rabih Abou Saba (L) and Marwan Ayoub, founders of Venture Group*



# VINTAGE WINE CELLAR

## HOSTS THE WORLD-RENOWNED WINE CRITIC JAMES SUCKLING IN BEIRUT FOR EXCLUSIVE EVENTS

Internationally acclaimed wine and cigar critic and journalist James Suckling came to Lebanon for a short but exciting visit in October, attending two back-to-back events organized by Vintage Wine Cellar. On the first evening a crowd of 80 enthusiasts gathered at La Centrale in Saifi for a unique tribute event: The Legendary Bordeaux 2005. The following night he was guest of honor at a wine tasting at Vintage Wine Cellar, where a cigar corner was also launched. A number of clients and customers were invited to enjoy a wine tasting and cigar experience. Suckling enjoyed his time mingling with some of Lebanon's biggest wine lovers, later answering a few questions about his experience:

### **What's the purpose of your visit to Lebanon?**

I was invited by the Bocti family, owner of Vintage Wine Cellar for a wine tasting on Bordeaux 2005.

### **How was the Legendary Bordeaux 2005 event?**

Vintage Wine Cellar invited their top VIP clients to enjoy the tasting of 2005s. The 2005s we tasted were just amazing! The wines showed so well, even better than I thought. 2005 was a great vintage for Bordeaux. I really enjoyed the different profiles of the invitees from the super connoisseurs to the wine lovers.

### **Why did you choose the 2005 vintage for last night's event? How important is it for Vintage Wine Cellar to have this wine?**

Vintage Wine Cellar invited me to come. I've been a professional wine critic for about 34 years now and I've been going to Bordeaux for at least 32 years so I've seen all the great vintages, from grapes, to wine, to the bottle. Vintage Wine Cellar were big fans of the 2005 vintage so they bought a lot of wine at the very beginning. They wanted to do a tasting 10 years after and show how great the vintage is.

### **If you had to choose three Labels from the wine collection at Vintage Wine Cellar which ones would you recommend?**

There's a huge choice so that's not an easy thing. I'd have to choose one of the wines we had at the Legendary Bordeaux 2005 event. The one that really seems like really the perfect brand for Beirut, the Château Rauzan-Ségla. It's a Bordeaux from the Margot area, it's a really beautiful structured yet elegant wine. It's owned by the



*James Suckling enjoying wines with wine connoisseurs in Beirut*

same family that owns the Chanel fashion group. For me I think that when you drink wine you also want to know the story behind the bottle or the label – I think that's an added value. So at least what I could see on the street there's a number of people who like the Chanel brand in Beirut.

A second one would have to be a champagne. I think that Lebanese like to party so I think there's a lot of champagne consumed here. So one that I would really like to drink, wherever you want to, could be at the beach, could be at a club or a restaurant would be Laurent-Perrier Rose, which is always good – it's one of the best roses – because it's so fresh, fruity, crisp and delicious at the same time.

The third – this is going to be hard! I'd pick a white, a beautiful wine from Alsace, like the Trimbach Riesling. I think that Lebanese, particularly the passionate wine consumer in Beirut, are always looking for something different, which I really appreciated in the selection here but also just talking to people. They are interested not only in drinking labels and brands but also drinking something interesting.

### **Described Lebanon in three words.**

Passion, luxury and contrast

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Work in progress on Backyard Hazmieh

location judging by factors such as it being one of the few pedestrian streets in Beirut, it being in a non-residential area with solid infrastructure and the availability of several parking lots in proximity and a valet parking service which they introduced.

The partners explain that they had initially agreed with Solidere on both economic and social targets related to developing the street's culture and positioning it as a pubs and nightlife destination which included creating desirability and order by selection of tenants, restriction of expansion, competition analysis and so forth.

However, with the initial success of Uruguay Street, other building owners in the area got inspired to lease their properties to bar operators. Almost two years later, Venture Group were no longer the main players on the block. Numerous new outlets cropped up on the same street, with some spilling onto Argentina Street, perpendicular to Uruguay.

This over saturation of pub offerings, according to Ayoub, created a chaos which decreased the street's attractiveness for its primary target clientele, the trendy Lebanese and the so-called "in crowd". This, coupled with the transient nature of Lebanese

nightlife whereby people were already abandoning Uruguay Street in favor of new destinations such as Mar Mikhael and Badaro, led to a decrease in footfall for Uruguay Street which began almost six months ago.

To combat this effect, Venture Group had planned, in collaboration with Solidere, a series of marketing events and activities aimed for fall and winter 2015 to relaunch Uruguay

**"SO FOR NOW [WE'RE IN] SURVIVAL MODE AND WE NEED TO DO EVERYTHING IN OUR CAPABILITIES TO MAKE THESE TENANTS SURVIVE THE CRISIS."**

Street and the surrounding areas while also working, again with Solidere, on returning some structure to the street by controlling the music volume and the number of chairs per outlet. However, with the protests triggered by the waste management crisis which began in late July 2015 taking place mostly on the development's doorstep, these plans have been postponed. "So for now, [we're in] survival mode and we need to do everything in our capabili-

ties to make these tenants survive the crisis," says Ayoub.

Uruguay Street's tenants are currently struggling to pay the rent. A few outlets in the building where the Phoenicia Bank used to be have been forced to close down in the past month alone. Saba explains that, working with Solidere, they were able to help their tenants by giving them a three month grace period from rent, subject to renewal if the situation stays as is. "We had to take part of the hit but we would live with that because we are a group with many other projects and can balance our profits here and there. The main issue is just to keep the project surviving but it all boils down to the macro-political situation," explains Saba, adding that, on a more positive note, most of their tenants operate several other venues as well and should be able to survive a few months of low footfall.

## LESSONS LEARNED

Venture Group's first experience with cluster projects through Uruguay Street has taught them what to replicate and avoid in their upcoming projects in Dbayeh, Hazmieh and Ashrafieh.

According to Ayoub, they learned to diversify the location risk by constructing projects in varied regions rather than relying on Beirut alone. Such regions, explains Saba, have the added advantage of allowing Venture Group to bring known food and beverage (F&B) brands in proximity to residential areas where such brands may not already be within walking distance.

Saba adds that diversification also applies to bringing a variety of tenants, from casual dining and bars to gyms and beauty salons, into the project, depending on the targeted area's needs which Venture Group identifies with thorough market research.

"The lessons learned from Uruguay Street are mainly the lessons learned in every destination that grew



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organically such as Monot, Gemmayzeh or Mar Mikhael. This always brings us back to the main issues affecting the industry, such as licensing, the number of outlets allowed per capita, the infrastructure, flow and organization,” says Ayoub, explaining that since they and their partners are the sole owners of their new developments, they will have full control over the number of outlets and the layout, thus ensuring complementing venues are next to each other and desirability is maintained.

### PUTTING IN THE MONEY

Venture Group, explain Ayoub and Saba, typically enters into long term property lease contracts with the landowners but emphasize that the cost for leasing the land represents a lesser risk whereas their biggest risk is the cost of development itself. It would take them an average of six years to return their investment.

Should the location fail as a hospi-

tal project, Venture Group would be left with outlets which are only usable as F&B outlets, Saba said. To mitigate this threat, explains Saba, they ask for three years of rental commitments from their tenants, thereby somewhat sharing the risk with them.

### OF PARTNERS AND FUNDS

For each project they develop, Venture Group has different strategic partners who play an active role in the development, working hand in hand with Venture Group, marketing the project and sharing the investment risks, explain Ayoub and Saba.

**“WE HAVE LEARNED THE POWER OF CLUSTERING WHICH COULD APPLY TO HOSPITALITY OR ANY OTHER SECTOR IN SIMILAR INDUSTRIES.”**

For example, for their planned hospitality cluster in Ashrafieh on Saint Nicholas Street, their partner is Emile Sabbagha, while Emerging Investment Partners (EIP) invested 51 percent into the Special Purpose Vehicle that is holding Backyard Hazmieh, marking EIP’s first investment in a hospitality project and in Lebanon. Ayoub says they agreed with EIP on a minimum expectation of 20 percent internal return on investment over the nine year lifetime of the project.

However, Venture Group’s expectations for the partnership are more on the strategic side and not limited to this one project. Ayoub says that “The concept of this partnership goes beyond Backyard Hazmieh. It’s not an exclusive partnership as we each have our separate projects, but now we are confident that we have a strong financial partner at our side when we look at future opportunities.” These opportunities could see Venture and EIP collaborate in projects outside of Lebanon







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or in an F&B Fund that would seek to invest in promising startup concepts or in “baby brands” which have achieved proof of concept in a small number of locations but lack the financing power to grow into chains.

## RAKING IN THE PROFITS

In terms of operating their upcoming clusters, Venture Group runs on a business model of turnover participation with their lessees. Ayoub and Saba enter into agreements with their tenants that call for a 10 to 14 percent share in sales revenue depending on the value of the products the outlets are selling. This means they would take a bigger percentage from a sushi place than they would from a coffee shop, for instance. “We sit with potential tenants and look at their feasibility study together to see what they can pay as a rental price and we manage around these prices,” explains Saba, adding that since their background is in hospitality, they understand how the sector works.

They also charge a minimum guarantee which approximately represents 70 to 80 percent of the projected rent they expect to have, explain the two partners. “This way, when the economic cycle in the country is down, we will not lose our tenants and at the same time when the market is high, someone will have to pay back and we will have a good margin,” says Saba. According to Ayoub, the company’s rewards include the value of the infrastructure they contribute to each cluster as well as financial benefits from increases in traffic which Venture Group can influence because they are in charge of marketing each destination.

## WHAT VENTURE GROUP OFFERS

The value that the model provides to tenants is anchored in giving them developed infrastructure at a lower cost than a tenant would incur by having to set it up themselves which they would be forced to do in other projects or in standalone operations.

Secondly, Venture Group brings to its tenants a solution that mitigates the inflation in land rental costs. Years ago, hospitality operators would buy land in non-central regions for a low price, Ayoub explains, and the cost would be low enough that they could construct one restaurant on it and still have ample space for parking, children’s playground and landscaping.

However, with the high inflation of land rental prices starting 2010, it became more economically feasible for these operators to rent an outlet instead of leasing a piece of land for any single restaurant projects. “We used economy of scale and cluster

## VENTURE GROUP CURRENTLY RETAINS 90 F&B TENANTS ACROSS THEIR THREE PROJECTS, MAKING IT ONE OF THE LARGEST PORTFOLIOS FOR A HOSPITALITY CLUSTER DEVELOPER IN LEBANON

cost effectiveness in our business model where we would rent land big enough to host several outlets and would then divide the cost of the land among these outlets. We also handle the buildup and construction so the restaurant operator would end up renting a place with full infrastructure and full landscaping at a fraction of the cost he would have paid for the land itself,” says Ayoub explaining that through their landscaping, they somehow address the need for public green spaces among Lebanese which is an added value of their projects.

“We are into leisure business by the base of our business culture and so the angle on which we approached the project is different from real estate developers as we approached it with leisure in mind,” says Saba.

## COMPANY GROWTH AND FUTURE PLANS

Acquiring the partnership of an investment fund such as EIP and also the growth that Venture Group experienced over the last four years necessitated that the company goes through the process of structuring their business model, explains Ayoub.

“Being a young company, we have been doing things right in that we have good lawyers and auditors and everything is done with a high level of transparency because our partners in other companies are reputable and structured. However, due to the fact that it’s a fund which is regulated, we went that extra step with governance which has upgraded our way of doing things. We are happy with the way things are going and are becoming more of an organization,” says Saba.

Today, Venture Group has ten employees in their main office with a complete and separate team for each project ranging from engineers and designers to the cleaning crew and on the ground facilities management.

Venture Group currently retains 90 F&B tenants across their three projects, making it one of the largest portfolios for a hospitality cluster developer in Lebanon.

In term of hospitality cluster projects, the company is still looking at areas outside of Beirut with a year-round seasonality, such as Byblos, which will appeal to their target clientele. They are also hoping to diversify their scope of operations by starting a fund, in partnership with EIP, which would financially back startup F&B operators looking to launch a brand or those with two or three branches in their name wanting to further expand but lacking the capital.

“We have learned the power of clustering which could apply to hospitality or any other sector in similar industries, and we would like to look into opportunities to use our expertise in developing clusters in different industries,” concludes Ayoub.



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# BEIRUT ART RESIDENCY

A PLACE OF INSPIRATION FOR INTERNATIONAL ARTISTS

Words by **Olga Habre**



**B**efore quitting her job and ending a 7-year stint outside Lebanon, Amar A. Zahr set up a fake website to test an idea: How many artists would want to come to Beirut for an art residency? She received 46 applications in one week.

Clearly the creative types want a piece of the action in this bustling, chaotic city. A. Zahr moved back home and this autumn launched the Beirut Art Residency (BAR), a six-week program and multidisciplinary space in the heart of Gemmayzeh. The non-profit space invites international artists to get inspired as well as inspire and collaborate with the local art scene, offering them a place to live and work, enriching experiences like workshops and talks, and ultimately an exposition of their art.

One of the criteria for applicants is their interest in Beirut. "Some artists could work anywhere in the world but the ones that find the most relevance to

Beirut are the ones we look at more closely," A. Zahr says. BAR's first residents are Sara Naim, a Syrian photographer and visual artist, and British-Iraqi painter Athier Mousawi, both currently based in Paris. Mousawi had previously spent a month in Lebanon and couldn't wait to return. "It's a very inspiring place, the imagery and street aesthetic is unique, even when I leave it will be a part of my visual vocab," he says, adding that it's also an interesting time to be here. "Everyone is coming together and there's a kind of electricity. It's the opposite of apathy," he says. Naim agrees: "There's a lot of energy here. It comes from the political unrest and all the other things, but you definitely feel like it's never neutral."

It's also an exciting time for the art scene, from the historic openings of the Sursock Museum and Aishti Foundation, as well as other smaller initiatives. According to A. Zahr, there's still much room to grow:



You see a couple.

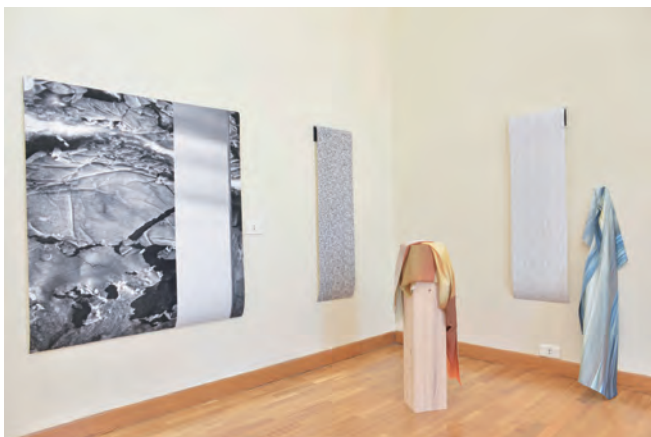
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"Everything that currently exists is either a gallery or the organizations that have always been there. We're coming in as more accessible, experimental and dynamic."

Residencies are typically removed from the city and isolated, so setting up the space in the middle of Beirut serves a different purpose. BAR aims to build its own community through interaction and engagement, providing a platform for communication and exchange between the invited artists and the Lebanese art scene. "I feel like it's much needed in Lebanon because we have the scene, the cultural focus, the best galleries and artists, but the few residencies here – which are highly respected – have only a couple of positions per year so it's not very fluid," she explains. With BAR's relatively short-term program, more artists are able to benefit.


Naim and Mousawi agree the duration is actually perfect. "A residency is about having time to experiment on a project which you otherwise wouldn't have had time for. Six weeks is a really solid, high-intensity time to produce," assures Mousawi. He has been painting bold canvases, exploring the themes of sword and skewer, fusing symbolism, abstraction and geometry. Naim's fascination with the human body has resulted in a series of photographs of microscopic cells and abstract installations representing the body.

Naim worked considerably with local craftsmen on producing her work and Mousawi points out that Beirut is a city of ateliers, from woodwork, metal, fab-

ric and furniture. "This helps an artistic community because you already have so much at hand; it's easier than other cities to get things done [here]," he says. In Naim's experience everyone was really helpful, referring her to other craftsmen and even suggesting ideas – although the occasional power cut slowed things down. As the inaugural artists, the pair are helping BAR build a database of suppliers.

"We invited Sara and Athier to set the bar high since they are quite established artists," says A. Zahr, but the program is not limited to visual artists. The next residency expects a curator and a filmmaker (who is already scouting for local actors). "With BAR I hope to bring something new to the local art community, especially for those who don't travel much or collaborate with international artists. We can bring to them a local platform for exchange and exposure," she says.

At the end of the six weeks the artists had their open house (cleverly called "Open BAR"). Lebanese musician Charbel Haber performed at BAR's multi-purpose space on the street level while the 3rd floor studio welcomed guests to discover the residency and artwork.

A. Zahr says there's a handful of art residencies in the region including one in Dubai, one in Egypt and a few in Turkey. On the other hand, Athens alone has 15. "That sparks a question – maybe we should have more residencies here. There's so much room," she says, welcoming the idea of more local residencies. 



# BEIRUT ART FAIR 2015 EDITION

## A BREATH OF FRESH ART

With growing number of visiting collectors, significant sales and contagious enthusiasm

**In its sixth edition, BEIRUT ART FAIR 2015, registers its place in the heart of Beirut's artistic calendar and projects the spotlight on its international cultural influence.**

Gallerists, collectors, directors of institutions, artists, and art market professionals; all endorsed the quality of BEIRUT ART FAIR and its cultural journey combining discoveries and philanthropy.

### THE 6TH EDITION OF BEIRUT ART FAIR VALIDATES THE STRENGTHS OF ITS IDENTITY:

- A demand for quality
- A general field-of-interest in order to offer a diversified panorama of contemporary art and emerging creations
- Anchored at the heart of the ME.NA.SA region, in synergy with public and private players in the art and culture world
- A fresh look on the developments related to the field of creation

BEIRUT ART FAIR demonstrated its openness towards different forms of creation, reinforcing its cultural statement by presenting performances and installations and by offering a series of thematic encounters related to current artistic issues and trends.

Taking place at BIEL, overlooking the sea, covering **3600m2**, presenting more than **1500 works of art** coming from all backgrounds, **300 artists** from all over the world, **51 galleries from 19 countries**, and

**18 000 visitors**, BEIRUT ART FAIR, blew a fresh wind of pure art over the Lebanese capital ... despite the general overheated atmosphere!

The 2015 edition generated significant sales of several hundred thousand dollars. This number was overall satisfactory and the artworks had a price range that varied from **300\$ to 250,000\$**.

The outdoor art exhibitions presented, in parallel with the fair, generated great enthusiasm and served as evidence of the Lebanese artistic buzz. In addition, for the first time, BEIRUT ART FAIR organized a program that promoted the visit to private collections. These collectors, who are also patrons wishing to remain in the backstage, agreed to open their doors to groups of international visitors, fostering a dialogue between art professionals and enthusiasts.


During its opening, which attracted more than **7,000 people**, **Lama Tamman Salam** reaffirmed her support for the event through the following words: "It is a great joy to inaugurate BEIRUT ART FAIR, which has become symbol of our country's artistic vitality. It is happening now for the sixth time and I believe that the general public, the Lebanese people and the international art lovers became strongly attached to it.

This edition of BEIRUT ART FAIR helped us to understand the importance acquired by the ME.NA.SA

artists on the international scene and to discover the young talented artists, who are still newcomers, but who might become the rising stars of the future."



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# STIRRING THE MELTING POT

BKERZAY CONSERVATION EFFORT FOR CRAFTS,  
NATURE AND NATIONAL UNITY

Words by *Olga Habre*



**B**kerzay rests on a beautiful piece of land near Baakline, blanketed with olive groves and lush woods, boasting picturesque mountain views typical of the Chouf region. It's steadily developing into a cultural gem – a conservation project aimed at preserving not only the land, but even more so, its heritage. The idea is to promote local products like soaps, oil and honey, as well as crafts. Off the main road, signs lead to a small path winding towards the heart of the project: a studio, showroom and eatery, where a traditional Lebanese brunch is served on weekends. There's also a hiking trail going through the green territory.

Once a year, a pottery festival brings in even more people eager to breathe the crisp air, savor delicious Lebanese treats and locally-grown produce and rekindle a penchant for an age-old craft. At this year's Bkerzay Potter's Fair on 26-27 September, artists, students, collectors and clay lovers all came together to

appreciate pottery, nature and Lebanese culture.

"Pottery dates back thousands of years, and it's part of our heritage in Lebanon, but it's one of the many crafts that are dying. Our craftspeople are losing their jobs and shifting to other careers. That's why we're bringing back the art of pottery and other crafts eventually," says General Manager Marianne Geadah. "It's a very small part of the economy but these are our people," she adds. By making pottery more of an art form, the Bkerzay pottery festival has already brought on a revival. "A lot of people are coming to do pottery here – they're interested. And old potters are interested in reviving their work because they see that other people are becoming more interested," says Geadah. Classes are available and the organization is also working with schools to introduce youth to the craft.

Current expansion plans for Bkerzay involve building guesthouses, which would allow artists to stay for

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long periods of time, explore the area and create. Geadah says the houses themselves will be decorated with local crafts, from furniture and marble, to embroidery, cotton, woodwork and more. "When someone comes to stay they should be able to have everything from the area, not brought from somewhere else. We want to reduce the carbon footprint," she says.

To Geadah, pottery is not just a handicraft; it's part of a bigger picture to unite the Lebanese. "It's working with clay, so it allows you to be in touch with the land. If we want to move people away from politics and sectarianism, we need to have something to bring them together," she explains, adding, "Love of the land is the only thing that can do that." 

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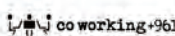


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# A REVOLUTION ON THE STAGE

"MASRAH AL JARIMA": A COMEDY WITHIN A TRAGEDY

Words by *Olga Habre*

"Masrah Al Jarima" will make you laugh and wonder why you don't go to the theater more often. The witty, spot-on comedy (and tragedy) by veteran Lebanese actress and director Betty Taoutel is a poignant look at the theater scene in Lebanon using caricatures of Lebanese people and their very Lebanese problems (including, but not limited to, trash and electricity). The relatable characters and familiar situations are hilarious, but ultimately tragic.

The story follows police in a Lebanese jail conducting a lukewarm investigation into a neighborhood explosion. Original and over-the-top, the characters include the police chief, his stupid assistant and an absurd assortment of suspects: an actor caught kissing his girlfriend in his car; the frightened girlfriend, perpetually fainting; a very opportunistic parking attendant; the neighborhood's self-important "mokhtara" (mayor); an angry old man; a prostitute posing as a doctor and others. As the play turns increasingly interactive, the accused find themselves working together with the police to avoid an international crisis.

On a much more serious note, the production is a look at the history of theater in the country. Through one of the characters – a Lebanese-French man returning to Beirut in search of his grandmother, a famous actress during Lebanon's golden era – the audience learns about the rich theater culture that Lebanon once had. Over twenty theaters and cine-theaters existed in Beirut during the golden era, but the scene slowly deteriorated during and after the Lebanese Civil War. One of the few survivors – the Monnot Theater – is mentioned heavily in the play and is where "Masrah Al Jarima" is actually held (very meta).

As director and writer of the play, Taoutel remembers these theaters from her childhood and even performed in some as a young actress. Their closure and the decline in people's interest in theater makes her



sad, but she is determined to continue. "Even with everything that's happened to theater, I'm still putting on a play, and that is a message in itself. It's a message of pain but also of hope," she says.

By combining comedy and culture, Taoutel is encouraging audiences to visit the theater. "I'm trying to present something that people can enjoy, comedy about funny situations. It's funny and light but very deep at the same time. Comedy and culture can go together," she says.

Taoutel's perseverance is an even bigger statement than just the messages in the play. "This is an alternative to going out on the streets and protesting. I am putting on a play despite what's happening in Lebanon. I'm taking a risk because the situation is uncertain and there's a chance people might not come. This is another kind of revolution – on the stage," she says.

"Masrah Al Jarima" will run until 15 November at the Monnot Theater.



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# REMY MARTIN

## THE COGNAC REVIVAL

Words by *Olga Habre*



Cognac sounds traditional – perhaps even archaic, old and wise. It sounds like a warm drink your grandfather would sip by the fireplace on a winter evening. But times, they are a-changin’.

In fact, cognac can be served chilled – or better yet, in a tantalizing cocktail. Bursting with aromas, it pairs beautifully with food and even more so with velvety desserts. Remy Martin, a 300-year-old French cognac producer, aims to jump-start a revival for the spirit regionally – starting with Lebanon.

Why Lebanon? Area Manager of Remy Cointreau Tarek Baz says, “Despite everything, people still go out and clubs and restaurants are still full. Lebanon is still one of the cosmopolitan scenes that people look up to in the region.” He adds that the brand is trying to change perceptions and “Lebanon is a window to the Middle East. It’s where trends start.”

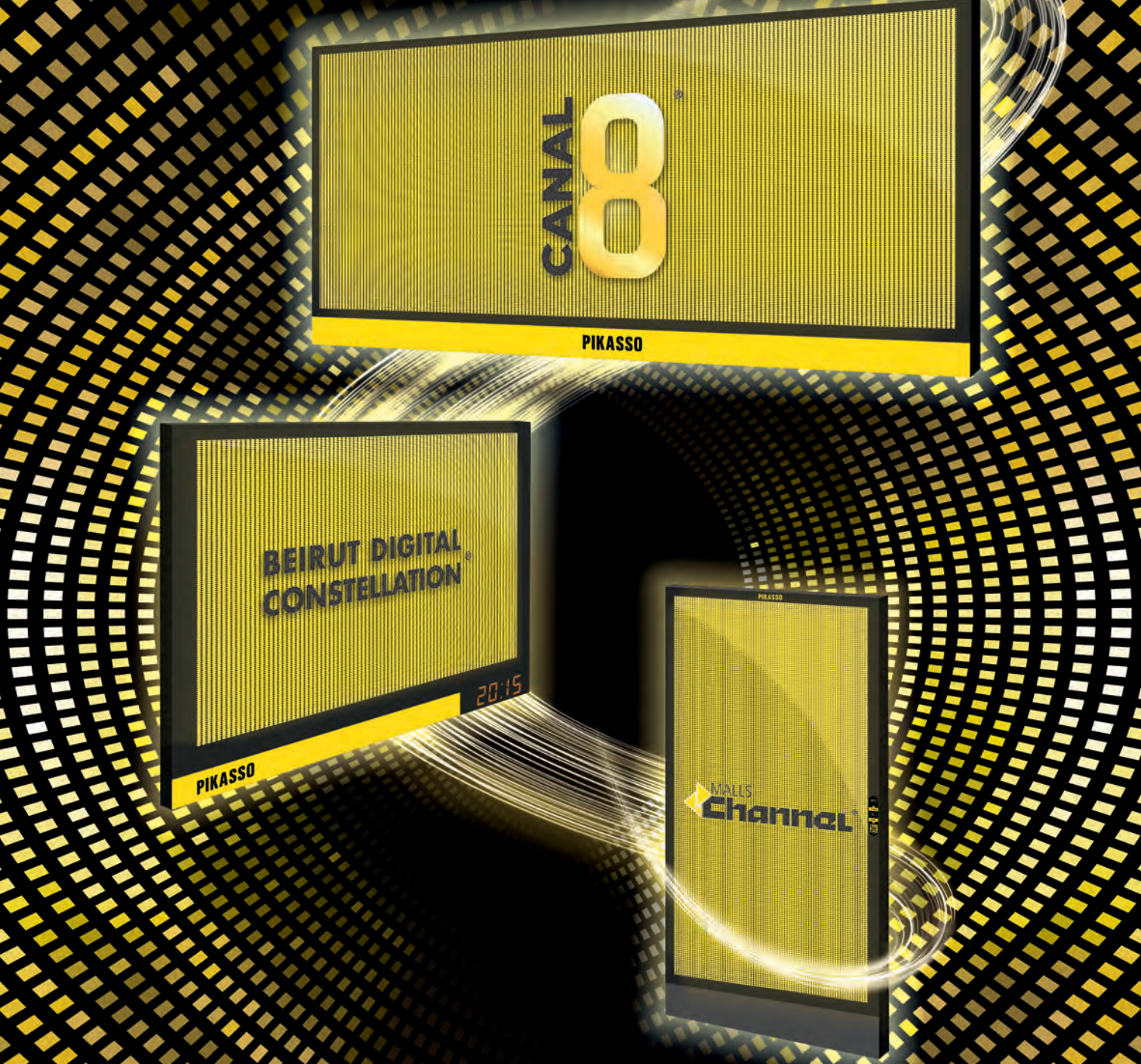
Remy Martin Brand Ambassador Alex Quintin agrees: “Lebanon is a very small market but it’s very influential. The people love partying, they love luxury, and they have great taste.” Quintin laments that cognac’s reputation is not what it should be; that the younger generation thinks it’s not for them. But by consistently creating awareness about cognac

through their brand, they hope for change. “Cognac is not for your grandfather anymore,” he laughs.

During a recent visit, Quintin taught 15 of Lebanon’s top mixologists and sommeliers about cognac, including how to make classic cocktails. “They are prescriptors. They recommend cocktails to customers and tell them how to drink in different ways, so they have to be educated,” he says. Private events have also helped introduce the spirit to Lebanese media and enthusiasts.

Cognac – named after the Cognac region in France – is similar to brandy, but with more legal requirements. First, a white wine is made from specific grapes. The white wine is then distilled twice to create a 70 percent strong, clear aromatic liquid called eau de vie. This eau de vie is aged in oak barrels, giving it a rich caramel color. Cellar Masters in cognac houses decide how to blend the different eaux de vie, creating various categories of cognac.

By law, Very Special (VS) grade cognac must be aged for at least two years; Very Special Old Pale (VSOP) for at least four; and Extra Old (XO) for a minimum of six years. “Every house makes their own blends of different years’ harvests to create the com-



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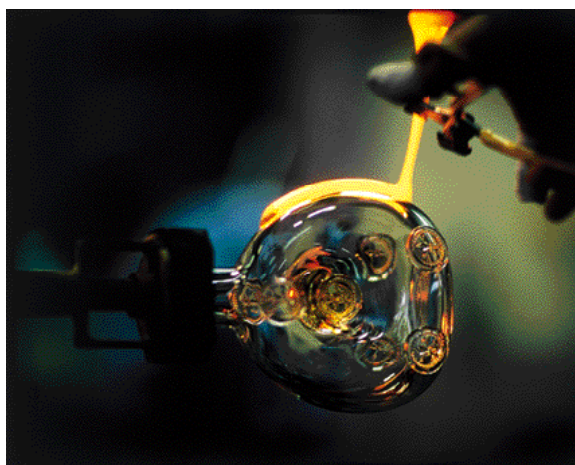
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plexity of the cognac," explains Quintin. Rémy Martin, like many other houses, ages their cognacs for longer than the lowest required time.

Rémy Martin does not make a VS, but its VSOP is created with over 200 eaux de vie and aged for up to 14 years. It's fresh, vivacious and aromatic, with undertones of apple, pear, apricot and vanilla – all concentrated flavors that were once in the wine from which it is made.

The Rémy Martin XO contains eaux de vie as old as 35. "The XO spends a lot of time in oak so it's more concentrated and the aromas have evolved into richer fruits. It tastes more like dates, candied fruit, toffee, with hints of flowers and spicy vanilla," describes Quintin.

The most exceptional cognac in the Rémy Martin lineup is the Louis XIII, a blend of over 1200 different eaux de vie, aged up to 100 years. "It's a firework of taste," Quintin says, comparing it to an orchestra of flavors. Sold in a striking Baccarat crystal decanter, it's sometimes called "a century in a bottle." In Lebanon,

the Phoenicia Hotel Beirut just acquired the first Louis XIII Rare Cask and became the country's premier Louis XIII Fortress – an honor bestowed on prestigious hotels carrying the brand.

"It's about trying new things," Quintin says. "But cognac comes from wine, so if you like drinking wine you'll enjoy cognac," he assures, saying the spirit is actually very versatile and relevant. He describes two kinds of food pairings for cognac: as a fusion with foods that are very similar in taste, or with foods that are complimentary and contrasting. Spicy and salty food pair well with the spirit, as do goat cheeses and Roquefort, as well as white fish, lamb and foie gras. It's also a great dessert drink – pairing perfectly with chocolate, caramel and fruit tarts. "A hot dessert with a chilled XO to contrast – it's beautiful for the palate!" Quintin says, adding that playing with temperatures and textures enhances flavors.





**ADVERTORIAL**

# VINIFEST<sup>2015</sup>

**The 2015 edition of Vinifest will be a memorable vintage.**

Vinifest 2015 was a great success as it created a breakthrough for viticulture and wine production in the sunny region of Lebanon.

With an 18% increase in attendance, this eighth production of Vinifest will be a memorable vintage where the tastings and professional networking were surrounded by a wonderful ambiance of music and joy.

For the first time in the history of the festival, a renowned magazine such as Decanter, put forward lebanese wines on the international stage.

Each year, thousands of visitors rush between the pine trees of the hippodrome to live this must-attend event of Lebanon, which is at the same time a fair, a beautiful display of the wines, and a musical rendez-vous. To conclude the beautiful 2015 program, la boite Al Mandaloun has literally enflamed its very young audience.

This event is organized by Eventions in partnership with BSL Bank





# SPEAKING OF HOPE

THE NAWAYA NETWORK MOVES FORWARD WITH A NEW VISION

Words by **Olga Habre**



They say hope dies last. The Lebanese definitely need a hearty helping of hope these days – to continue aspiring, working, and building despite the circumstances. Sometimes listening to inspiring stories rekindles hope and gives us the strength to persevere, to continue knocking on doors that seem bolted up and working towards ambitions that appear impossible.

The Nawaya Network is trying to do just that – build a strong community of hope for some of the most hopeless of people in Lebanon through its work in developing the talents and skills of youth from underprivileged backgrounds. After a chance meeting with a talented young girl in a remote village, founder Zeina Saab decided to launch the organization in 2012. Her goal was to give boys and girls the means to achieve their biggest dreams through a mentorship

program, keeping them off the streets and away from violence and drugs.

After three years of concentrating on individual strengths and mentoring over fifty youths, Saab is shifting Nawaya's focus to better meet the needs of her target communities. "We wanted to develop passions, and we did for some time, but that approach didn't reach the most vulnerable youth. We reached children from low income but non high-risk families," she admits, stating that she is now focusing on skills that are of more value, connecting youth to income-generating opportunities, internships and jobs, and giving them exposure and connections that go beyond vocational training or an education. She is establishing a partnership with the Lebanese University in three fields: computer coding and programing, digi-

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tal design and fashion. "We recognized that to make a deeper impact we had to focus on different skills," she says, adding that in light of the shift she hopes to reach as many as 500 youths next year.

Another new addition to the Nawaya platform is inspirational TED-style talks, held for the first time this year. One of the speakers at The Nawaya Talks: The Untold Stories of the People of Beirut event was Nadeen Ghosn, the same young girl that inspired Saab to launch the venture. Ghosn spoke about pursuing her studies in fashion and her current work with Lebanese fashion designer Cherine Khadra. Throughout the day-long event, the audience listened to a series of these cathartic accounts of adversity and determination.

Lebanese entrepreneur and CEO of Vinli, Mark Haidar's video testimonial told a rags-to-riches story of a struggling boy from a poor community who left during the bombings of the 2006 war, earned a scholarship at a US university and supported himself by working nights at a gas station to achieve success. Nawaya mentor and doctor Amany Sabbagh echoed similar sentiments. After repeatedly having the door

shut in her face, she continued to persist and knock again and again, refusing to take no for an answer. Johnny Gerges's transformative story took him from a life of drugs to a life in the circus. He explained how a visiting circus saved his life, brought him to his passion and ultimately culminated in his own circus organization. Nawaya youth Hovsep Zeitounlian's passion for music didn't wane when he encountered numerous setbacks, and he revealed how he once miraculously found a gold chain on the street. He sold it for the exact amount needed for the instrument of his dreams – a violin. In an emotional video, painter Paul Baghos Nazikian, who was born almost deaf, spoke of his struggle with his disability and how he used art as a refuge. Nawaya supporter Rania Hashem painted a picture of her impoverished childhood, describing her home as one filled with love, but not much else. Through hard work, she managed to pursue multiple degrees and started her own company.

The moving event was dotted with musical and artistic performances by Nawaya youth who perhaps best exemplify the power of hope against all odds. 



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# BANK OF BEIRUT

## SET UP SUPPORT FOR SMALL BUSINESSES

**B**anks are fully aware that small and medium-sized enterprises (SMEs) are the backbone of the economy and a key driver for growth and job creation. Today, SMEs account can account for more than 90% of all enterprises in Lebanon and estimates reveal that they employ more than 50% of the working population.

Bank of Beirut has a long history of serving SMEs, start-ups and entrepreneurs and plans to have a long future with this sector. "Not only do we believe that SMEs are key to ensuring economic growth, innovation and job creation, but we also believe that supporting this sector is vital to help Lebanon overcome its challenges, and help the Lebanese stay in their land and hold onto their roots" says Georges Aouad, Head of the Retail and Branch Division at Bank of Beirut who confirms that supporting this sector forms an integral part of the Bank's social responsibility.

Lebanon has been facing many economic challenges in the last few years, due to the prevailing situation in the neighbouring countries. Those challenges highlight the important role that SMEs can play in supporting the economic growth and achieving sustainable development.

Against this backdrop, Bank of Beirut has further developed its SME segment to respond effectively to the needs of this market. Today, the Bank is instrumental in SME lending and trade finance, where it is consistently ranked as the undisputed leader among all Lebanese banks.

Facilitating financing, supporting innovation, and allocating services and tools to small businesses are vital elements for establishing a productive environment for developing SMEs. "No doubt that the success of a business starts with a brilliant idea, but it is finance that makes the idea take off and networks and expertise that help it soar, and this is exactly what we provide our customers with", asserts Aouad. Finance, training and networks are three parts of the winning formula Bank of Beirut provides to SMEs.

### FACILITATING ACCESS TO FINANCE

"Helping the local businesses develop is a major aim of Bank of Beirut", says the Director, as "SMEs and startups benefit from a wide array of tailored business packages we have developed for them, including lending options, overdraft facilities, current accounts, debit and credit







Business Cards, in addition to Kafalat subsidized loans". After having launched Caritas Micro Credit Loan, offering local craftsmen an up to LBP 10 million funding, and Al Raed loan offering funding ranging between LBP 10 million to 30 million, the Bank has recently added to its existing SME, offering the B-Business Package with funding up to \$100,000 for start-ups, self-employed and small businesses. The package offers a bundle of three diversified financing options so that each SME gets funding the way it is best suited to their business, whether through a term Loan, a current account with an overdraft facility or a free Business Credit Card.

### **SKILLED HUMAN CAPITAL**

Beyond access to finance, Bank of Beirut also pioneered other practical ways to support the growth of small enterprises. One of these being a tailored training program developed in collaboration with AMIDEAST. Aiming at providing SMEs with the tools they need to grow their business, these learning and development solutions are designed to educate the workforce, increase their productivity, and

allow them to acquire new skills that help them create the competitive edge they need on the market.

Aiming to maintain contact with small entrepreneurs and encourage them to stay in their homeland, Bank of Beirut is also conducting, monthly roadshows on SME financing in Lebanon's rural areas. The objective of these discussions is aimed at facilitating access to finance and stimulating business growth in remote areas, in addition to the urban ones.

### **IMPROVING ACCESS TO NEW MARKETS**

Access to international markets for small businesses can offer a host of business opportunities, such as larger and new niche markets, lowered costs, increased sales and improved networks.


With this in mind, Bank of Beirut launched Bank of Beirut E-Way, an e-payment portal for corporates and SMEs allowing them to go global with their business and trade their products and services through the net.

According to Georges Aouad: "Bank of Beirut E-Way sets the necessary foundations for encouraging local businesses". Designed to enable Lebanese corporates to expand their businesses online and take advantage of the international sales opportunities, E-Way allows small and medium business owners to create and maintain online presence and expand their business frontiers to new markets, reducing their running costs.

The launch of the portal stems also from the Bank's corporate social responsibility towards Lebanon and the national economy. This step not only strengthens the partnership between Bank of Beirut and the local businesses and boosts Lebanese start-ups and entrepreneurs, but it also encourages Lebanese emigrants to stay connected with the enterprises of their homeland and therefore contribute to the national economy.

### **WELL-DESERVED SME AWARD**

These efforts brought recognition for Bank of Beirut. Awarded earlier this year as the fastest growing bank in Lebanon by the "Banker Middle East", the Bank has also received the Banker Middle East's Award for the "Best SME card in the Levant" in recognition of its efficient, simple and easy to use cash management solution, the Bank of Beirut Business Credit and Debit cards. This solution aims to help the local businesses develop and grow by offering them an efficient and convenient payment solution to better manage their expenditures and allow their employees to make business-related purchases.

Through all these initiatives, Bank of Beirut seeks to be a one stop-shop for SMEs that are on the lookout for a supportive and reliable bank to help them grow their business. 



**ANB Motorcycles**, the official distributor of **KTM** and **Piaggio Group** motorcycles in Lebanon, organized, in collaboration with **City Mall**, where the event was held, a free riding course along with a thrilling stunt show over a six day period between September 28 and October 4, 2015.

**Bank Audi** achieved a relatively good performance in the first nine months of 2015, as its consolidated net profits grew by 8.7 percent relative to the corresponding period of 2014, reaching \$304 million, of which 54 percent are from Lebanese entities and 46 percent from entities outside Lebanon.

On the occasion of the launch of the 2nd edition of "Salon du Chocolat" and the 5th edition of "Beirut Cooking Festival" taking place in **BIEL** from November 12 to 14, the organizers, **Hospitality Services**, invited media, bloggers, exhibitors and chefs participating at the workshops to a gathering at **O Monot Hotel**.

On October 15, the opening of the art exhibition "Dream, Earth, and Fire" by the Lebanese painter **Joumana Haswany** was held in Paris. Organized by PR and Events agency **Noise SARL**, it is expected to run until November 14, 2015.

**Ford Motor Company** will chart new territory as it seeks to create adhesive innovations inspired by the gecko. Ford will also work with **Procter & Gamble**, sharing research findings as both companies look to biomimicry for a host of business solutions.

In a move aimed at raising awareness about Lebanese consumer rights and duties, the **Directorate General of the Ministry of Economy and Trade** organized a competition for the best ad, in cooperation with **Brand Protection Group**.

In the presence of Robert and Leila Mouawad, founders of **Mouawad Village Broumana, Starwood Hotels**

& **Resorts Worldwide** celebrated the grand opening of **Grand Hills**, A Luxury Collection Hotel & Spa that marks the entry of **The Luxury Collection** brand into Lebanon. Coinciding with the grand opening of the hotel was also the celebration of the 125th anniversary of the world renowned **Diamond House Mouawad**.

**Century Motor Company** launched the **Hyundai** Start-Up Competition, in collaboration with **ArabNet**, which aims to provide a haven for Lebanese innovators and falls under Hyundai's motto of "new thinking, new possibilities."

**Cadbury Adams Middle East s.a.l.**, part of **Mondelez International** celebrated its National Day of Joy with a specially rigged Bubbly truck which roamed around the streets of Beirut.

Maria Mikati collaborated with renowned American artist **KAWS** for the Spring 2016 edition of her signature bomber jacket.

Held under the patronage of his Excellency Tawfiq Bin Fawzan Al Rabiah, Saudi Minister of Commerce and Industry, the fifth edition of **Horeca KSA**, the Saudi international food, beverage and hospitality exhibition, took place at **Riyadh International Convention & Exhibition Center** from October 18 to 21.

The first **Cuban Lebanese Economic Forum** took place in Beirut, Lebanon, on October 16, 2015 in the presence of high profile officials, dignitaries, spokespeople and professionals and under the patronage of the Lebanese Minister of Economy and Trade, Alain Hakim, and with the support of the **Chamber of Commerce, Industry & Agriculture of Beirut & Mount Lebanon**, hosted by the **Lebanese Cuban Businessmen Council**.

**Air Arabia** has been recognised at the first **Aviation Achievement Awards** for launching the MENA region's first ever low-cost carrier rewards programme.

**Automobili Lamborghini** presented the new Huracán LP 610-4 Spyder at Frankfurt International Motor Show on October 19.

In its yearly workshop, this year focusing on innovation in the social media sector and new tools in the digital arena, **Product of the Year** was one of the foremost innovation catalysts that drives change in the FMCG sector in Lebanon and the region.

The Portofino collection from **IWC Schaffhausen** now includes a beautiful watch model that features a sophisticated new development. With a watchmaking complication in the form of a large date and day display, the Portofino Hand-Wound Day&Date is an extremely practical timepiece.

In celebration of the 14th National Breast Cancer Awareness Campaign, the **Ministry of Public Health**, with the support of Lama Tammam Salam, organized Lebanon's first breast cancer forum on October 12 at the Grand Serail in collaboration with **Roche Lebanon SARL** and with the support of the **Lebanese Order of Physicians, Order of Pharmacists, Order of Nurses, Order of Midwives, Syndicate of Hospitals** and the **National Breast Cancer Committee**.

Once again, **Maserati** owners and friends gathered for a new ride organized by the **Maserati Club of Lebanon** in coordination with **G.A. Bazerji & Sons** – the exclusive importer and distributor of the **Maserati** cars in Lebanon – to discover new sceneries and enjoy a pleasant drive across the country.

On the evening of October 8, **Hilton Beirut Metropolitan Palace** launched

their fabulous weekly seafood nights at the hotel's signature Italian restaurant, Venezia, inviting local media, influencers and food critics to explore marvelous sea wonders served on a plate.

**La Maison Ladurée** is pleased to announce the opening of its first salon de thé in Beirut located in Villa Zein.

**ABC**, the Lebanese retail pioneer, has opened a new section especially for men within its department store at **ABC Ashrafieh**. This new division is designed by the leading retail and leisure design agency **Kinnersley Kent Design**.

**Bank Audi's** Gift Card Vending Machine won the "Best Use of Innovative Technology" award at the annual **MasterCard Innovation Forum** which took place in Kuala Lumpur on September 30, 2015.

**Nissan** has agreed to a major eight-year deal with the **International Cricket Council** that further strengthens its ties with global sport.

**Saad & Trad S.A.L.**, the exclusive dealer of **Bentley** in Lebanon, highlighted the unique features of the all-new **Bentayga SUV** that reaped success at the **Frankfurt International Motor Show** thanks to its innovative offerings, attracting more than 4,000 initial orders globally.

**Mövenpick Hotels & Resorts** will debut in three new African markets over the next four years as its plans to establish a presence in key cities across the continent's thriving Sub-Saharan region come to fruition.

The first complication watch dedicated to women and entirely designed and developed in the Manufactures of La Côte-aux-Fées and Geneva, the **Limelight Stella** watch is writing a new chapter in **Piaget's** enduring love story with women.

**Novo Nordisk** launched the "TALK Hypos" awareness campaign, which provides an acronym to encourage people with diabetes to discuss day and night-time hypoglycemia with their doctor or nurse.

Twelve of the Arab world's most promising and remarkable young innovators were selected as candidates on the seventh season of Stars of Science, **Qatar Foundation for Education, Science and Community Development's** "edutainment reality" TV program on **MBC4**.

600 people joined the 4th yearly fundraising gala dinner event on October 12 of the 'Happy Childhood Foundation - Lebanon', hosted at the **Music Hall** in Beirut's Waterfront and supported by several sponsors including gold sponsor **Bank Med** and silver sponsor **Banque Bemo**.

**Beirut Art Film Festival**, a premiere in Lebanon, will screen a fine selection of 25 recent documentaries on art at **Metropolis Empire Sofil** - Ashrafieh and in major Beirut universities, from November 5 to 8 2015.

After two years of thorough research, **Curli Q** is ready to welcome guests following the grand opening that took place on October 1 at its shop in Beirut located on Sourati Street, Khawli building, in Hamra.

Thanks to the "Donate for the Love of

Running" activation event on October 9 hosted by **Adidas** in **G spa**, Ashrafieh, gym members were given the opportunity to show their support for a noble cause. To encourage those athletes to put their sneakers to good use, **Adidas** offered them a new pair of its iconic Ultraboost for every pair of donated running shoes.

For over 170 years **Ulysse Nardin** has been creating some of the most reliable marine chronometers in existence. With this latest addition to the Marine Diver collection, the Manufacture in Le Locle firmly establishes its reputation as a cutting-edge watchmaker.

**Tumi**, the international brand of bespoke travel and business accessories, celebrated its 40th anniversary with the launch of their newest Fall/Winter collection at **Le Yacht Club - Beirut**.

The 37th edition of Les Régates Royales has brought the hugely successful **Officine Panerai-sponsored Panerai Classic Yachts Challenge** to a conclusion for the season.

**Nissan's** world famous motorsport and road car performance brand, **NISMO**, made its Middle East debut at a spectacular launch event in Dubai.

Since October 1, 2015, **Moët & Chandon**, the largest cellars in Champagne have opened once again to visitors after more than a year of renovation.

On October 1, **Perrier** organized a successful soiree on the rooftop of the **Mövenpick Hotel**, one of Beirut's most lavish five star hotels situated in Raouche, as an ode to the end of summer.

**Jaguar Land Rover** celebrated their vehicles appearing in the new Bond adventure, Spectre which sees the Jaguar C-X75 drive through the streets of Rome in one of the movie's most iconic high speed chase scenes.

**Porsche** is now also offering the





Cayman as a Black Edition. The all-in-black special series previously comprised the Boxster and the 911 Carrera with rear-wheel and four-wheel drive as both a coupé and a cabriolet.

**Total Liban** officially opened its new service station, **Total** Nahr Ibrahim in the presence of Total Liban managing director, Philippe Amblard, regional officials and media representatives.

In presence of H.E. Wael Abou Faour, Minister of Public Health, the **Chamber of Commerce, Industry and Agriculture of Beirut and Mount Lebanon** held a special graduation ceremony for food handlers, where **Boecker** participated in the training of Level 1 and Level 2 sessions.

Tucked away in a picturesque corner of Belgravia, the red carpet was rolled out for the beautiful new boutique of **W.Salamoon and Sons** launched in London.

In an attempt to instigate a nationwide effort to frown less and smile more, **Cadbury Adams Middle East s.a.l.**, part of **Mondelez International**, held a laughter yoga session on September 18, at Mondelez' premises in Sin El Fil.

For the America's Cup's 35th year, **Ulysse Nardin** sails into the sport as an

official partner of Sweden's Artemis Racing.

In presence of the official Lebanese delegation headed by the **Minister of Economy and Trade**, Dr. Alain Hakim, Lebanon celebrated its National Day at **Expo Milano** on September 26, 2015.

**Nissan** has unveiled the all-new, game-changing Nissan Maxima 2016 for the Middle East. The completely redesigned 8th generation model is the sportiest most powerful Maxima ever.

In presence of Lebanese poet, Talal Haydar, and Tenor Eliya Francis, and accompanied by contemporary artist Jamal Kadamani's live performance of upscale paintings, the **Lebanese Pavilion** celebrated **Lebanese Wine Day** on September 24, 2015.

**ABC**, the Lebanese retail pioneer, celebrated the opening of **IRO** new boutique at **ABC Ashrafieh Mall** Level 1 in the presence of media figures, bloggers, Lebanese celebrities and ABC clientele.

To celebrate the launch of the new Oyster Perpetual Day-Date 40, **Chronora Rolex Boutique**, Downtown Beirut, is proud to have hosted its first international **Rolex** exhibition paying tribute to the "presidents' watch".

The first annual "10-10-DYS" conference was inaugurated by **CLES** on October 10 at the **Phoenicia Hotel** in Beirut, under the auspices of Lama Tamam Salam.

**SGBL** launched Sogehome Boost, a groundbreaking concept that redefines housing loans. Subsidized by **BDL**, this new loan is coupled with a savings plan, which allows customers to settle their loans easily before the maturity date.

**Rahbani Laser Clinics**, founded by Dr. Sonia Rahbani, is a

comprehensive medical, aesthetic, and wellness center that has recently opened its doors in Keserwan.

The practice of Creating Shared Value has come to the fifth CSR Lebanon Forum through the addition of CSV-related presentations, a case study and booth from official CSV partner **Nestlé Middle East**.

After five years, the **MINI** Connected app is undergoing a major relaunch, with the new version available to download.

The **NBA** and **Tissot** announced a new multiyear global partnership that makes the Swiss watch brand the first Official Timekeeper of the **NBA, WNBA**, and **NBA D-League**.

As a member of the **Small Luxury Hotels of the World** group, The **H Resort** Beau Vallon Beach, Seychelles presents the best of Seychelles within a unique and warm space.

In the third quarter, **Credit Suisse** reported Core pre-tax income of CHF 861 million (\$875 million), primarily reflecting lower results in Investment Banking due to unfavorable market conditions.

**Nissan Motor Co., Ltd.** released an overview of its exhibit at the 44th **Tokyo Motor Show**, which will be held at Tokyo Big Sight and open to the public from October 30 through November 8.

The **Department of Economic Development** in Dubai has asked all malls in the emirate to prohibit the use of **Segway** scooters (hoverboards) inside after growing consumer complaints and concerns expressed by shopkeepers about collision damage.

As part of the company's long-term initiative to promote the profession of public relations and build an indigenous industry across the Middle East, **TRACCS**, one of the largest public relations networks in the MENA, partnered with **P World** to bring the



*presents*

# Dorsaf Hamdani

*sings*

**BARBARA • FAIROUZ**

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NOVEMBER 24, 2015

Doors open at 8:00pm | Concert starts at 9:00pm sharp

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TICKETS ON SALE AT **VIRGIN TICKETING** | **TICKET PRICES** \$50, \$75, \$100

— Tunisian Dorsaf Hamdani pays a joint tribute to the two grandes dames of Arabic and French chanson —

Proceeds from this concert will go to support Skoun Lebanese Addictions Center



first edition of The Global PR Trends Summit to Beirut.

On October 24, more than 160 iconic monuments, buildings, museums, bridges and other landmarks in more than 50 countries around the world were lit up blue – the official color of the **United Nations**, as part of a global campaign to commemorate UN Day and the 70th anniversary of the **United Nations**.

**Heartland - Territoire d'Affects** is an exhibition where internationally renowned Lebanese artists will present their artworks under the theme HEARTLAND. It opened on October 24 and will run until November 29, 2015 at the **Beirut Exhibition Center-Biel**.

For the first time in Lebanon, **Samsung Electronics Levant** and **Cherfane Tawil and Co.**, Samsung's official distributor in Lebanon, offer consumers the possibility to exchange any used mobile for any new Samsung phone, exclusively covered by CTC's one year warranty.

**Samsung Electronics Co., Ltd.**, announced that all of the 2015 UHD TV models, encompassing Series 9 to Series 6 models, qualify for, and will display, the 4K Ultra HD logos developed by the **U.S. Consumer Electronics Association**.

UAE's renowned Italian restaurant Prego's was in Lebanon at **Gefinor**

**Rotana** Olive Garden Restaurant & Terrace, for the Italian week hosted by Italian chef Salvatore Barcellona, from October 5 till 9.

Under the patronage of the **Ministry of Social Affairs** and the **UNDP**, and in collaboration with the General Directorate of NGOs, the Ministry of Interior and Municipalities, **Quality Systems International-Paris** organized the quality NGO assessment and award: The Best Idealistic NGO with the first prize of excellence was awarded to **Bassma** in the Women Empowerment Category.

**Flydubai** inaugurated flights to two new destinations in Russia, Nizhny Novgorod and Novosibirsk, making it the first Dubai-based airline to serve these cities.

**Samsung Electronics Co. Ltd.** announced a partnership with Italian designer Alessandro Mendini to offer exclusive accessories for its new Gear S2.

**Samsung Electronics Co., Ltd.** announced that it has received eight Outstanding Achievement awards—seven for its SMART MultiXpress series—at the **Buyers Laboratory 2015** Summer Awards.

The regional leading foundation in creating and restoring green spaces, **Azadea Foundation**, partnered with "Positive Lebanon" book creators, **Tamyras**, to organize the first ever "Green Hub" in Lebanon.

**Hyundai** showcased its luxury collection at the **Mzaar Intercontinental Hotel**, on September 19, 2015, in the presence of VIPs, socialites and media representatives.

**MAN** has again been included as one of the most sustainable companies in the world's leading sustainability ranking in 2015.

**Bellevue University Medical Center** was officially re-accredited by the **Joint Commission International**, further reaffirming its position and reputation as one of the region's leading high-quality hospitals.

**Flydubai** received its 50th aircraft. The delivery of the Boeing Next-Generation 737-800 completes the order the airline made at the Farnborough Air Show in 2008.

New Signature Touch is the latest, high-performance smartphone from **Vertu**, the English manufacturer of luxury mobile phones.

**Bank Audi** has announced the launch of its new brand identity which is currently being implemented throughout the bank.

On October 22, under the theme "Bordeaux 2009, The best vintage of the last decades!", **Enoteca** invited its clients to an exclusive wine tasting. The wines were presented by Jean Marc Quarin - Bordeaux Wine Critic and Editor of "Guide Quarin des Vins de Bordeaux".

**Samsung Electronics Co., Ltd.**, introduced the new ProXpress M4030ND single function monochrome printer and M4080FX monochrome multi-function printer.


**CMA CGM** Group has the pleasure to announce that **CMA CGM BOUGAINVILLE**, the largest container ship sailing under the French flag, was inaugurated on October 6 by François Hollande, President of the French Republic, in Le Havre.

**Uber** and **BLOM Bank** are proud to announce their collaboration to create the world's first **Visa** prepaid reloadable card, developed exclusively for Uber Riders.

**Porsche's** unrivalled performance heritage took centre stage in central Beirut this weekend, as almost 60 years of the brand's sports cars were showcased in a unique display open to the public.



# لبوس عليك تغيّر الطقس



## ما بتنسى شي

بس معقول تنسى الصّورة الشعاعيّة  
ذكّرها مرّة بالسّنة

الصّورة الشعاعيّة ضروريّة على صحّة السّلامة  
كل سنة ابتداءً من سنّ الـ 40 وما فوق.

- تستمرّ الحملة حتى نهاية العام في:  
المستشفيات الحكومية: الصورة الشعاعية مجاناً والصورة الصوتية للثدي  
بكلفة 30 ألف ل.ل. (بناءً على طلب الطبيب)
- المستشفيات الخاصة والمراكز الطبية المعتمدة: الصورة الشعاعية  
بكلفة 40 ألف ل.ل. والصورة الصوتية للثدي بكلفة 40 ألف ل.ل. (بناءً على طلب الطبيب)

**HOTLINE 1214**  **BreastCancerLebanon**



**CONFERENCES**

DATE	NAME	ORGANIZERS	CONTACT / E-MAIL	WEBSITE
<b>LEBANON</b>				
<b>12 Nov</b>	Anti-Cybercrime Forum	Al Iktissad Wal Aamal Group	+961 1 780 200; forums@iktissad.com	www.iktissadevents.com
<b>16-17 Nov</b>	Arab Forum for Environment and Development	Arab Forum for Environment and Development	+961 1 321800; info@afedonline.org	www.afedonline.org
<b>19-21 Nov</b>	The Annual Arab Banking Conference for 2015	Union of Arab Banks	+961 1 377800; uab@uabonline.org	www.uabonline.org
<b>DUBAI</b>				
<b>8-11 Nov</b>	Super Return Middle East	ICBI	+44 (0)20 7017 7200; info@icbi.co.uk	www.superreturnme.com
<b>8-9 Nov</b>	Airport Safety and Security Summit	Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleminggulf.com
<b>13-18 Nov</b>	Education Investment MENA 2015	Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
<b>15-19 Nov</b>	HR Summit and Expo	Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
<b>17-18 Nov</b>	7th World Islamic Retail Banking Conference	Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleminggulf.com
<b>22-24 Nov</b>	Risk Middle East	Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
<b>23-26 Nov</b>	21st Annual Maintenance Management 2015	Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
<b>24-25 Nov</b>	Digital Forensics - Cyber Crime Investigation	Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleminggulf.com
<b>30-Nov</b>	UAE Nation's Identity and Culture in the Year 2030 Conference	Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
<b>6-Dec</b>	Education Consultant Summit	Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
<b>7-8 Dec</b>	Second Risk Management in Banking Services	Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleminggulf.com
<b>8-9 Dec</b>	4th Annual Middle East Smart Cities	Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleminggulf.com
<b>16-17 Dec</b>	7th GCC Smart Government and Cities Websites Modernization Conference	Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
<b>28-Dec</b>	GCC eNewspapers Future Conference	Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
<b>29-Dec</b>	UAE National Talents Acquisition Summit	Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
<b>ABU DHABI</b>				
<b>2-3 Nov</b>	Global WIL Economic Forum 2015	Naseba	+971 4 367 1376; prachid@naseba.com	www.naseba.com
<b>6-9 Dec</b>	Power and Water Maintenance	IQPC	+971 4 364 2975; enquiry@iqpc.ae	www.iqpc.com
<b>07-08 Dec</b>	Economic Diversification & Development Forum	BME Global	+44 207 511 9582; info@bme-global.com	www.bme-global.com
<b>QATAR</b>				
<b>22-26 Nov</b>	Strategy Execution and Performance Forum	Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
<b>23-25 Nov</b>	CSR Summit Qatar	Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
<b>10-11 Nov</b>	7th Annual Middle East District Cooling Summit	Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleminggulf.com
<b>23-25 Nov</b>	7th Annual Managing Local Talent	Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleminggulf.com
<b>1-2 Dec</b>	3rd Gulf Business Women Forum	Exicon	+961 1 821421; info@exicon-specialist.com	www.exicon-specialist.com
<b>7-8 Dec</b>	2nd Annual Future Drainage Networks Qatar and Meetings	Advanced Conferences	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
<b>16-17 Dec</b>	Financial Stability Forum	Union of Arab Banks	+961 1 377800; uab@uabonline.org	www.uabonline.org
<b>KSA</b>				
<b>2-3 Nov</b>	Kingdom Security 2015	Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleminggulf.com
<b>8-10 Nov</b>	3rd Saudi Conventions and Exhibitions Forum	Exicon	+961 1 821421; info@exicon-specialist.com	www.exicon-intl.com
<b>15-17 Nov</b>	Arab International Aluminium Conference and Exhibition	BME Global	+44 207 511 9582; info@bme-global.com	www.bme-global.com
<b>30 Nov - 3 Dec</b>	CSR Saudi Arabia 2015	Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
<b>7-8 Dec</b>	3rd Annual Geo-Empower Middle East	Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleminggulf.com
<b>8-10 Dec</b>	Saudi Mega Projects Summit 2015	Meed Events	+971 4818 0200; events@meed.com	www.meed.com
<b>13-14 Dec</b>	Talent and Diversity Leadership Forum	Naseba	+971 4 367 1376; prachid@naseba.com	www.naseba.com
<b>EGYPT</b>				
<b>17 Nov</b>	13th International Operations and Maintenance Conference	Exicon	+961 1 821 421; info@exicon-specialist.com	www.exicon-intl.com
<b>8-9 Dec</b>	Egypt MegaProjects	Meed Events	+971 4818 0200; events@meed.com	www.meed.com
<b>9-10 Dec</b>	Lighting Egypt	Advanced Conferences and Meetings	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
<b>13-14 Dec</b>	Egypt Investment Forum	Al Iktissad Wal Aamal Group	+961 1 780 200; forums@iktissad.com	www.iktissadevents.com
<b>KUWAIT</b>				
<b>24-26 Nov</b>	Kuwait Projects 2015	Meed Events	+971 4818 0200; events@meed.com	www.meed.com
<b>29 Nov - 2 Dec</b>	Kuwait Sustainable Energy Conference and Exhibition	IQPC	+971 4 364 2975; enquiry@iqpc.ae	www.iqpc.com

# NEW INTERIOR



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**EXHIBITIONS**

<b>DATE</b>	<b>NAME</b>	<b>ORGANIZERS</b>	<b>CONTACT / E-MAIL</b>	<b>WEBSITE</b>
<b>LEBANON</b>				
<b>5-8 Nov</b>	Maison & Co.	Promofair	+961 1 561600; info@promofair.com.lb	www.promofair.com.lb
<b>12-14 Nov</b>	Beirut Cooking Festival and Taste of Beirut	Hospitality Services	+961 1 480081; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb
<b>19-22 Nov</b>	Dream 2015	Promofair	+961 1 561600; info@promofair.com.lb	www.promofair.com.lb
<b>DUBAI</b>				
<b>31 Oct - 2 Nov</b>	Seatrade Maritime Middle East	Seatrade	+971 43245344; cyrus@seatrademiddleeast.ae	www.seatrade-middleeast.com
<b>17-18 Nov</b>	The Customer Festival Middle East	Terrapinn Middle East	+971 14440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
<b>23-26 Nov</b>	The Big 5	DMG Events	+971 4 4380355; dmgdubai@dmgeventsme.com	www.dmgeventsme.com
<b>15-17 Dec</b>	30th International Autumn Trade Fair	Al Fajer Information & Services	+971 4 340 6888; alfajer@emirates.net.ae	www.alfajer.net
<b>KSA</b>				
<b>10-13 Nov</b>	Decofair	Reed Exhibitions	+971 4 3642813; Wellah.Ellis@reedexpo.ae	www.reedexpo.com
<b>17-20 Nov</b>	Foodex Saudi	Reed Expo	+971 4 3642813; Wellah.Ellis@reedexpo.ae	www.reedexpo.com
<b>25-28 Nov</b>	ISF Saudi	Reed Expo	+971 4 3642813; Wellah.Ellis@reedexpo.ae	www.reedexpo.com
<b>13-17 Dec</b>	Saudi International Motor Show	ACE Expos	+966 12 654 6384; ace@acexpos.com	www.acexpos.com
<b>22-25 Dec</b>	Jeddah International Trade Fair	ACE Expos	+966 12 654 6384; ace@acexpos.com	www.acexpos.com
<b>EGYPT</b>				
<b>17-19 Nov</b>	13th International Operations and maintenance Conference in the Arab Countries	Exicon	+961 1 821 421; info@exicon-specialist.com	www.exicon-specialist.com
<b>26-29 Nov</b>	Handling Expo	IFG	+202 25264499; info@ifg-eg.com	www.ifg-eg.com
<b>9-10 Dec</b>	LightingTeck Egypt	IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
<b>QATAR</b>				
<b>7-8 Dec</b>	Future Drainage Networks Qatar	IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
<b>IRAQ</b>				
<b>16-19 Nov</b>	Iraq Agro - Food Erbil	IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
<b>7-9 Dec</b>	Project Iraq	IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
<b>BAHRAIN</b>				
<b>5-7 Nov</b>	Bahrain International Property Exhibition	Bahrain Society of Engineers	+973 17810733; vivek@mohandis.org	www.bahrainexhibitions.com
<b>25-26 Nov</b>	Middle East Heavy Oil Congress	DMG Events	+971 4 4380355; dmgdubai@dmgeventsme.com	www.dmgeventsme.com
<b>JORDAN</b>				
<b>10-12 Nov</b>	HORECA Jordan	Hospitality Services	+961 1 480081; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb

CAPITAL CONCEPT S.A.L.



STRATEGY - FINANCE - GOVERNANCE



## &gt; Universal Periodic Review

# Lebanon's failing grade

Ending impunity should be the country's priority in Geneva

**L**ebanon's seasonal rains brought with them more than the usual road chaos this year. Trash that had been left on sidewalks as a result of the government's self-inflicted garbage crisis floated down the streets, sending a stark reminder of the impending health disaster.

Despite the multiple emergencies, Lebanon's problems – like its garbage – are mounting while the government and the country's political leaders while away the time. Lebanon's political class seems to have turned procrastination into a governance strategy. Parliament can't agree on an electoral law? No problem; its members have extended their own terms twice. No president? Let's wait until the regional conflicts sort themselves out. Garbage piling up? Maybe the rain will just wash it away to the sea.

The lack of progress in the country will be clear in the outcome after Lebanon appears on November 2 for its second Universal Periodic Review (UPR) at the UN Human Rights Council in Geneva. Think of the UPR as a rather friendly exam session where a country's human rights record is reviewed by other states that are members of the Human Rights Council. At Lebanon's first UPR, five years ago, it made a commitment to carry out various reforms, and it will need to show this time around the progress it has made since then. Unfortunately, there won't be much to show for.

In its 2010 UPR, Lebanon agreed to establish a National Commission on Human Rights and to improve the fight against torture by criminalizing all forms of torture and ill-treatment. Five years later,




the draft law for such a commission is still stuck in Parliament, alongside many other initiatives to improve the country. As for torture, security forces continue to ill-treat and abuse detainees amid a general climate of impunity. At best, when videos of abuse by security forces surface and create a scandal – such as the videos that emerged this summer showing several Internal Security Forces officers beating inmates in Roumieh prison – officials promise accountability and announce investigations that seem to fade away as soon as the media attention shifts to other scandals.

When confronted with their failure, many local officials will politely agree about the need for reform but disagree on the timing, arguing that no progress can be made due to a never-ending series of local or regional crises. Lebanon is facing a number of challenges, but these excuses ring hollow and the countries reviewing Lebanon's record in Geneva should recognize them as such.

The failure to prosecute human rights abusers, like the failure to find a solution to the garbage crisis, is not due to external crisis but rather is deeply rooted in the country's culture of impunity. It is a culture that received

an official seal of approval at the end of the civil war, when the warlords agreed on a general amnesty. This approach has since metastasized to all parts of the administration, making the struggle to end impunity a difficult one.

The challenges ahead were evident in the recent effort to hold security officers accountable for excessive violence against protesters demanding an end to the garbage crisis. Despite the opening of a judicial investigation into excessive use of force, two months later there is no indication that any judicial measure have been taken. For now, the only action seems to be light disciplinary measures against six security officials for acting without checking with their superiors.

Ending impunity should dominate Lebanon's review at the UPR in Geneva. If Lebanon's political class dismisses the demands for more transparency by local protesters, perhaps they will feel the need to respond to questions from peer states in Geneva. In the meantime, get ready for more garbage floating along a street near you. 

*NADIM HOURY is deputy Middle East and North Africa director at Human Rights Watch.*

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