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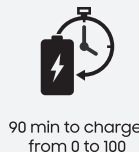
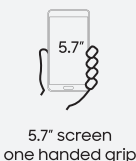
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THE WILL TO PREVAIL



In 2015, many of the reasons behind Lebanon's built-in logjam came to the surface. The garbage crisis is the case in point that best illustrates how the whole system is rotten to the core. Beyond our government's inability to preemptively devise solutions to imminent perils, we watched as priorities were often confused and demands articulated in an incoherent manner.

Everyone wants a solution to the garbage problem but no one wants a sanitary landfill anywhere near them. Many believe in private enterprise but dislike the private sector. Our beautiful nation is tired of being unremittently abused and turned into a vulgar yet frail land for politicians to continue taking advantage of. It's of little surprise that citizens no longer wish to associate themselves with it.

Meanwhile, 60 kilometers away, the Syrian crisis keeps getting even more complicated as new players continue to join the 'game'. Discovering water on Mars would be easier than finding Abou Bakr Al-Baghdadi. Western alliances use \$1 million Tomahawk missiles paid for by the KSA to target \$20,000 Toyota pickup trucks bought with Gulf money, and all the while oil tankers driven by ISIS militiamen pass through Mosul before being targeted by Russian fighter jets on their way to Turkey. We'll spare you the rest.

Amid all this madness we are reminded again that our sovereignty is pegged to a geopolitical equation that has not yet reached equilibrium. *En attendant un president*, businesses still painfully survive with an outdated set of laws resonant of the 1960s. Our central bank preserves its independence to defend and keep up the pace, free to issue circulars compliant with new international regulations – an existing luxury that promising new industries, like oil and gas, do not possess.

It is out of this narrow margin of maneuver that Circular 331 was born. Regardless of all its deficiencies, it kick-started the entrepreneurship ecosystem, now flourishing with talent, innovation and creativity. Above all, it gave hope to entrepreneurs and investors alike to make and prosper.

Knowledge, coupled with freedom, always prevails in Lebanon. Both are safe from all the brutality surrounding our nation. What keeps us thirsty for more is the eternal renaissance of culture and private enterprise that is always ahead of our inherited political stagnation.

Yasser Akkaoui

Editor-in-chief

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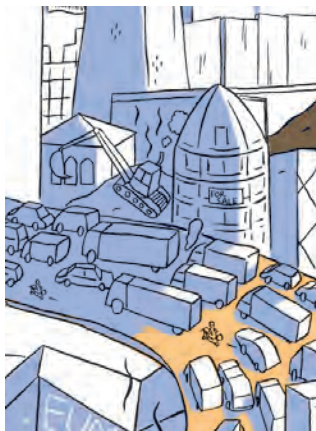
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> A **strong winter storm**, nicknamed **Storm Zina**, began on January 5 and battered Lebanon with heavy snow and rain, **leaving 12 dead and hundreds of thousands in freezing temperatures**. The storms hit the Syrian refugee population in Lebanon the hardest, as many live in inadequate shelter without heating.

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

> Lebanon's **Internal Security Forces** carried out a **raid in Roumieh prison's notorious Block B**, which houses Islamist detainees, on January 12. The crackdown followed reports that some prisoners were connected to the twin suicide bombings targeting a café in **Tripoli** on January 10.

> An Israeli strike on Syria's **Golan Heights** on January 18 killed six **Hezbollah** members and a senior Iranian general. Among those killed was **Jihad Mughniyeh**, the 25-year-old son of **Imad Mughniyeh**, a top Hezbollah operative assassinated in Damascus in 2008.

> On January 20, the **German Development Bank** announced **a donation of \$39.6 million to support Syrian refugees in Lebanon**. The grant is

meant to assist **UNICEF** in "providing access to quality formal and non-formal education" as well as to offer technical support to **Lebanon's Ministry of Education & Higher Education** to build institutional capacities, according to a statement released on ReliefWeb's site.

> **Islamist militants** fighting in Syria launched an **attack on January 23 against a Lebanese army** outpost near Ras Baalbek in the eastern Bekaa, killing five soldiers. Ensuing clashes between the army and militants led to the deaths of three soldiers and over 40 militants.

> **General Security** placed **new restrictions on January 5 on Syrians**

entering Lebanon, requiring them to obtain a visa prior to entering. **UNHCR's** representative in Lebanon, Ninette Kelley, announced that the number of new refugees in Lebanon dropped 44 percent in 2014 compared to 2013.

> According to a report released by **Byblos Bank**, the number of incoming tourists to Lebanon in January 2015 was 90,784 which marked an increase of 22.6% from 74,019 tourists in January 2014. However, it did not reach 2012 highs of 95,816 tourists in the same month.

> Lebanon signed **an agreement with Norway** on January 27 which will see Oslo support the **Lebanese oil and gas sector**.

> **Car sales in Lebanon** rose by 4.55 percent in 2014 compared to the previous year, according to data from the **Association of Car Importers in Lebanon**.

> In its "Global Economic Prospects" report published in January 2015, the **World Bank projected a GDP growth of 3.4 percent in Lebanon in 2016**.

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

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

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

> The **Order of Engineers and Architects** of Beirut and Tripoli **granted 972 new construction permits** in January 2015, a 29.1 percent decrease from the number issued in January 2014.





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> **An explosion on February 1 ripped through a bus** transporting Lebanese Shiite pilgrims to religious sites in **Damascus**, leaving at least six dead. While **Jabhat al-Nusra** claimed on Twitter that a member of the group had carried out a suicide attack, Syrian state media reported the bombing was caused by an explosive device planted on the bus.

> A **joint security force** consisting of the army, the Internal Security Forces and General Security launched a **security plan in the Bekaa Valley**, expanding operations and raids aimed at detaining fugitives. According to army reports, **the crackdown resulted in the arrest of over 150 suspected criminals** in addition to the confiscation of illegal drugs, light weapons and unregistered cars.

> Former Prime Minister **Saad Hariri** returned to Lebanon to deliver a speech **marking the 10th anniversary of his father Rafik Hariri's assassination**. Speaking at the BIEL complex on February 14, Hariri stressed that "Lebanon does not belong to any regional axis" and urged Hezbollah to end its participation in the fighting in Syria.

> The **labor ministry rejected a proposal to create a union for migrant domestic workers**, after the **National Federation of Labor Unions** had endorsed the move. According to a statement released by the ministry,

"advanced laws would solve the problems that the sector is suffering from, not the formation of groups under the guise of a syndicate."

> According to figures released by the **Automobile Importers Association**, 2,436 new passenger cars were sold in January 2015, a 2.7 percent increase from the 2,372 cars sold in the same month in 2014.

> Figures released by **Rafik Hariri International Airport** showed an 11.4 percent year-on-year increase in the number of passengers for January 2015, while total freight handled by the airport decreased by 16.4 percent.

> Lebanon is ranked 94th

out of 186 in the **Heritage Foundation's 2015 Economic Freedom Survey**. The survey assesses the **state of economic freedom** in a country on the basis of four categories: rule of law, government size, regulatory efficiency and market openness.

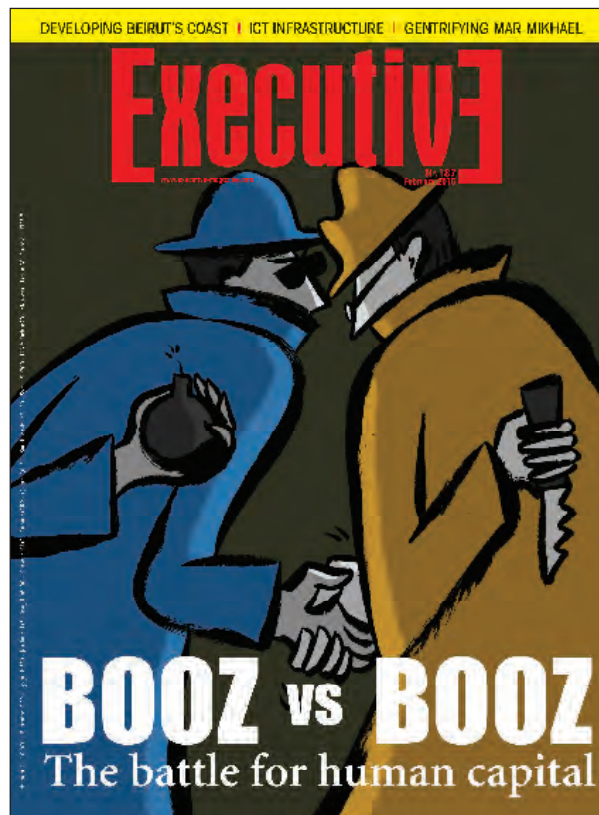
> The UN's **Food and Agricultural Organization** sent a delegation to inspect the Beirut slaughterhouse in **Karantina**. The facility was ordered to close in November 2014 by **Beirut Governor Ziad Chebib after inspections revealed numerous health and sanitation violations**.

> According to **Bank Audi's** research department, the first two months of 2015 saw a

30 percent decline in the trade deficit year on year, from \$3.108 billion in January and February of 2014 to \$2.175 billion in the corresponding period of this year. This came as the result of a 26.2 percent fall in imports amid a 2.2 percent decline in exports.

> **Lebanon's gross public debt reached \$69.2 billion at the end of February 2015**, representing a 6.6 percent year-on-year increase. Meanwhile, domestic debt rose 8 percent during the same period, reaching \$41.7 billion at the end of February 2015, according to data released by the **Association of Banks** in Lebanon.

> **Finance Minister Ali Hasan Khalil** announced during a news conference that **Lebanon launched its largest-ever sovereign Eurobond of \$2.2 billion**. The issue was planned to be divided into two categories: the first for \$800 million with 10-year maturity and 6.2 percent interest; the second for \$1.4 billion with 15-year maturity and a 6.65 interest rate. Foreign investors subscribed to 15 percent of the issue and Lebanese planned to cover the remaining 85 percent. The amount was enough to meet Lebanon's short-term economic needs, but the finance minister said that **Parliament** would have to authorize further bond sales to cover costs for 2015. The total Lebanon was entitled to issue in 2015 was \$2.5 billion, "though this amount is not sufficient to meet the full needs of the state," said the finance minister at the conference.





VERSACE

> Former Prime Minister and current head of the Future Movement's parliamentary bloc **Fouad Siniora** testified before the **Special Tribunal for Lebanon** in The Hague. He noted that former Prime Minister Rafik Hariri's ties with Damascus worsened when Bashar came to power in July 2000.

> **Labor Minister Sejaan Azzi** ratified the **National Social Security Fund (NSSF) bylaw amendments** needed for the implementation of the **unified prescription form**. Policy makers hope that adopting a unified form will expand the market share for generic drugs and save money for NSSF and patients alike.

> Central bank governor **Riad Salameh** stressed that **Lebanese banks are not involved in money laundering** operations to finance the **Islamic State of Iraq and Syria** after US Assistant Secretary of the Treasury for Financial Intelligence Daniel Glaser expressed concerns about this possibility.

> According to a report on the Lebanese economy, the **Institute of International Finance** said that **stabilization and reforms are becoming increasingly urgent**. While the report predicts a small growth in GDP supported by a central bank stimulus package, it notes that economic recovery in 2015 and 2016 is contingent on an improvement in the security situation.

> **Cedrus Bank** was officially launched on March 3 following the acquisition of **Standard Chartered Bank** in Lebanon by Cedrus Invest. The **new bank** will provide both private banking and financial consultancy services and has a view to expand by opening branches in Syria, Iraq and GCC countries.

> Lebanon was ranked 135th among 166 countries in the **Economist Intelligence Unit (EIU)'s Healthcare Outcomes Index**. With a higher rank indicating a better outcome, this means the country has the **32nd best healthcare outcome worldwide**, and the third best out of 22 countries in the

MENA region. The EIU index analyzes four health indicators, namely disability-adjusted life expectancy, health-adjusted life expectancy, adult mortality and life expectancy at the age of 60.

> Lebanese daily **Al-Akhbar** abruptly **shut down its English language website**, which was active as an online-only platform since 2011, after plans to launch an English print edition were canceled.

> **Beirut ranked 181 out of 230 cities** worldwide in the **Mercer 2015 Quality of Living** rankings. It was placed 15th out of 24 cities in the MENA region, falling behind cities such as Dubai and Port Louis, Mauritania. Ranking 230,

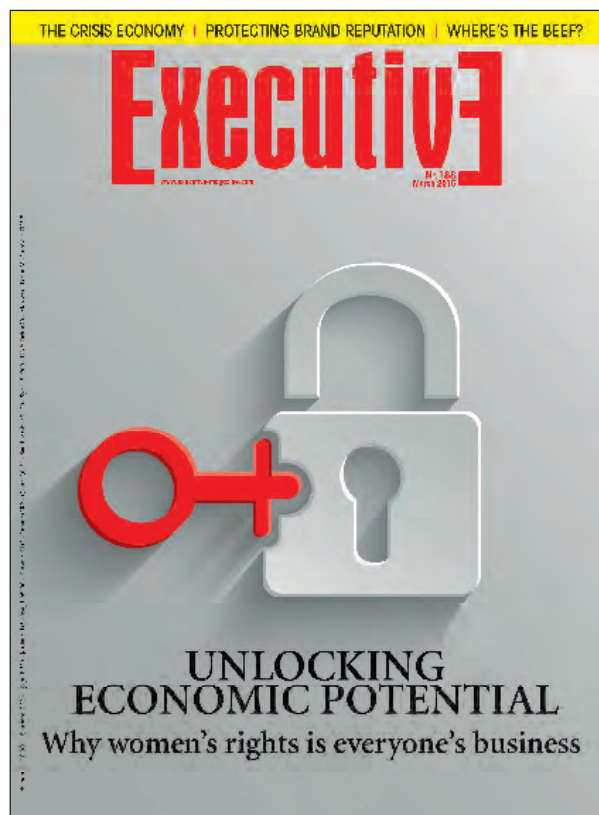
Baghdad was the lowest ranking city in the MENA region and globally.

> **ArabNet**, a tech business that serves as a hub for digital professionals and entrepreneurs held its sixth annual Beirut conference in mid-March. During the event, regional startup accelerator **Flat6Labs** announced that it is launching a tech program in Lebanon, whereby it will invest seed money amounts ranging from \$30,000 to \$50,000 in more than 100 companies in exchange for 10-15 percent equity in the companies.

> According to The Daily Star, an internal memorandum to aid agencies concerning new residency measures for **Syrian nationals** included a provision that **refugees sign a pledge not to work in Lebanon**.

> The third **International Humanitarian Pledging Conference for Syria**, held in Kuwait City, saw US permanent representative to the UN **Ambassador Samantha Power** declare that **extra funding of \$507.8 million** would be given to meet urgent needs of the humanitarian crisis in Syria and neighboring countries.

> The **Lebanese army confirmed the arrest** of a key **ISIS commander, Hasan Ghorli**, on March 3. Ghorli was arrested while receiving treatment at a hospital in the Bekaa Valley for wounds sustained after clashes with the Lebanese army.





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> The first **shipment of French weapons and military equipment**, stipulated under a \$3 billion Saudi-funded deal, arrived to Beirut. The deal, first announced in December 2013, involved a mix of land, sea and air equipment aimed at helping the Lebanese army in its fight against militants. **French Minister of Defense Jean-Yves Le Drian** came to Lebanon to oversee the first delivery on April 17.

> **Twenty prison guards were taken hostage** for a few hours during riots by Islamist detainees in Block D of the notorious **Roumieh prison**. According to **Interior Minister Nouhad Machnouk**, the riots were prompted by extreme overcrowding in the prison, as Block B, which has traditionally housed **Islamist prisoners**, was temporarily closed for renovations.

> A new **traffic law** went into effect on April 22 that **includes stiff fines for not wearing a seat belt, speeding and other violations**. On the first day of the law's implementation, drivers in Tripoli blocked roads and set fire to tires in protest. The government responded to criticism saying that the law was not aimed at imposing heavy penalties, but rather improving road safety with the goal of cutting the number of annual traffic deaths by 2020.

> According to Lebanese banking consultancy **Bankdata**, consolidated net profits of Lebanese alpha banks (those whose deposits exceed \$2 billion) grew by 9.1 percent in

2014, compared to 0.1 percent growth in 2013. Total assets also increased 10.4 percent last year, from \$176.3 billion at the end of 2013 to \$194.6 billion at the end of 2014.

> **BDL's** bi-monthly balance sheet ending mid-April showed that foreign assets decreased by \$233 million in the first half of the month, reaching \$38.2 billion on April 15.

> Expatriates' **remittances** to Lebanon increased by 13.2 percent from \$7.86 billion in 2013 to \$8.9 billion in 2014, according to a **World Bank** report. The report attributed this growth to both improved economic conditions in countries where Lebanese expatriates reside, as well as the rise in remittances sent to Syrian

refugees hosted by Lebanon.

> In the **2015 Global Information Technology Report**, published by the World Economic Forum in partnership with Cornell University and INSEAD, Lebanon was **placed 99th out of the 143 countries in the Networked Readiness Index**, dropping two places from 2014. Regionally, it fell one position, ranking 11th among the 14 MENA countries included in the survey. According to the report's executive summary, this index measures the capacity of countries to leverage ICT for increased competitiveness and well-being.

> The **Spring 2015 Lebanon Economic Monitor**, a **World Bank** publication, noted an

increase in economic activity in the second half of 2014, saying that "stronger economic performance and lower oil prices pushed real GDP growth to an estimated 2 percent in 2014, compared to 0.9 percent in 2013." However the report pointed out that "one-off cosmetic and unsustainable measures" helped improve the **fiscal balance** in 2014, rather than policy actions.

> **Nine Lebanese truck drivers were kidnapped** at the start of April by **Jabhat al-Nusra** militants along the Syrian-Jordanian border. After arriving at the Syrian side of the border, the truck drivers were kidnapped after clashes broke out between government forces and the militants. Having been held captive for two weeks, all nine men were released after efforts and intervention from agriculture minister **Akram Chehayeb**.


> The **Armenian-Lebanese community** took to the streets of north Beirut on April 24 in their thousands **to commemorate 100 years since the Armenian genocide** which killed an estimated 1-1.5 million Armenian citizens.

> **Education Minister Elias Bou Saab** made the decision to **close both private and public schools for the Armenian Genocide Remembrance Day**; his decision was met with criticism from a number of Sunni organizations which feared the gesture could harm efforts led by Turkey to secure the release of Lebanese servicemen kidnapped in Aarsal.

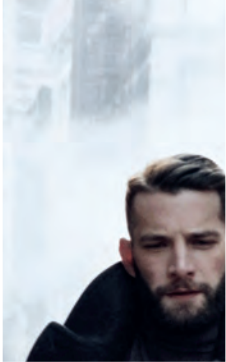
SPECIAL MAP: BEIRUT'S PRIVATE COAST

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

> May 25 marked the one year anniversary of Lebanon being without a **president**. Parliament has not been able to come to an agreement on a consensus candidate since former President Michel Sleiman's term ended on May 25, 2014. U.N. Special Coordinator for Lebanon Sigrid Kaag urged Lebanese leaders to pick a president for the sake of the country's **stability**. She also added that because of the absence of a president, economic growth is being hindered, as is the tackling of any social problems.

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

> Former **President**

Amine Gemayel announced that he would not seek another term as head of the **Kataeb Party**, a post he has held since February 2008.

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

> The **labor ministry** warned Lebanese employers and company owners against firing Lebanese employees in

favor of foreign workers. In a press statement, **Labor Minister Sejaan Azzi** said there are "frightening numbers concerning Syrian workers crowding out Lebanese in the labor market." He ordered companies to submit work permits within a two-week time frame or face disciplinary measures. Azzi also stated the importance of hiring **foreign workers** to aid cultural interaction and employers must respect the workers rights to a fair salary and adequate **health insurance**.

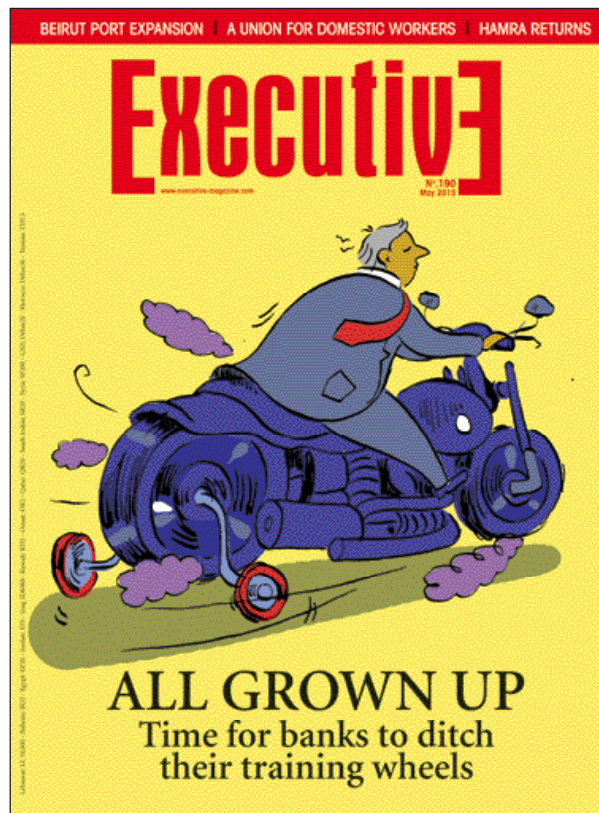
> The concluding statement of the **International Monetary Fund's 2015 Article IV Mission** for Lebanon, issued on May 14, warned that "policy inertia is

taking a growing toll on the economy and in the face of a continued refugee presence and new challenges is threatening Lebanon's resilience." The statement also noted that the growth rate of deposit inflows, which have historically been resilient, is slowing and there was a need for decisive change in policies, stressing the need for electricity sector reform.

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

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

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



YOUR PASSPORT TO INTERNATIONAL STYLE AND LUXURY EXPERIENCES:

INTRODUCING CHIVAS 12YO 'MADE FOR GENTLEMEN'
BY GLOBE-TROTTER



GLOBE-TROTTER
MADE FOR GENTLEMEN
LIMITED EDITION BY GLOBE-TROTTER
SUITCASE COMPANY



In line with its annual collaboration with world-leading craftsmen who mirror the prestigious scotch label, Chivas Regal - distributed by Nexty SARL, part of Fawaz Holding - has launched its fourth limited edition to its Chivas 12yo 'Made for Gentlemen' collection, this time with British luxury luggage artisans Globe-Trotter.

The Chivas 12yo 'Made for Gentlemen' collaborations were first launched in 2012 celebrating the handcrafted brogue by Tim Little, followed by a paid homage to Savile Row tailoring in 2013 with a limited edition by Patrick Grant. 2014 saw Chivas 12yo 'Made for Gentlemen' collaborate with Bremont luxury Watch Company. This year, craftsmanship, generosity and a passion for travel are at the heart of this new collaboration with Globe-Trotter.

Renowned for handcrafting luxury luggage, Globe-Trotter has partnered with Chivas Regal to design an exciting limited edition gift tin housing a bottle of Chivas 12yo, a blend of many different malt and grain Scotch whiskies, matured for at least 12 years. This rich, smooth blend balances style with substance and tradition with a modern twist, while showcasing a vibrant tale of international travel in the Globe-Trotter limited edition tin. Inspired by the tradition of applying stickers onto one's luggage to proudly showcase destinations visited, bespoke luggage stickers were hand-drawn by the British illustrator Andrew Davidson to celebrate iconic cities and adorn the contemporary tin design.

Richard Black, Global Brand Director of Chivas Regal explains: "We are delighted to be partnering with Globe-Trotter for the fourth stage of our Made for Gentlemen journey. There are many synergies in our values and approach to craft. Modern gentlemen are constantly on the lookout for authentic, stylish experiences and products wherever they are in the world and we believe the limited edition we co-created with globe trotter could be a passport to just these types of experiences."

James Fisher, Global Marketing Director of Globe-Trotter, adds: "It was a compelling and enjoyable exchange of ideas with Chivas Regal from the first creative session. We even discovered Chivas Master Blender Colin Scott has travelled the world with Globe-Trotter luggage for much of his forty year career. Pieces of Globe-Trotter luggage are travelling companions for life and frequently become heirlooms – wear and tear reflects the personal journeys of their owners. We really enjoyed designing the limited edition that elegantly showcases our crafts in one-off, contemporary ways."

The collaboration between Chivas Regal and Globe-Trotter is a duet of inspired brothers who have gone on to become global successes, sharing their appreciation for quality, craftsmanship, heritage, creativity and timeless style.



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

> Fighting took place in the Taytaba neighborhood in **Ain al-Hilweh**, Lebanon's largest refugee Palestinian camp, between gunmen from **Fatah** and **Jund al-Sham**, an al-Qaeda linked group. The clashes killed two people and wounded 11. Both sides accused the other of provoking the fight while Palestinian officials raised concerns that the fighting could lead to more clashes in the camp which is located on the outskirts of **Sidon**.

> According to documents published on **WikiLeaks**, Lebanese Forces leader **Samir Geagea** had asked for Saudi financial assistance to keep his party from going bankrupt in 2012. In a released letter written by the **Saudi Ambassador to Lebanon Ali Awad Asiri to the former Minister of Foreign Affairs Prince Saud al-Faisal**, the ambassador argued that the kingdom should support Geagea, as he "expressed readiness to do what the kingdom asks him to do,"

The Daily Star reported.

> Beirut mayor **Bilal Hamad** denied claims made by Progressive Socialist Party chief **Walid Jumblatt** in an interview with The Daily Star that private plots along the Ramlet al-Baida beach would be purchased for \$130 million from the current owners by the municipality, saying that no negotiations have been or were being held with the current landowners.

> MP **Sami Gemayel** was elected as the new leader of the **Kataeb Party**, succeeding his father, former **President of Lebanon Amine Gemayel**. He was elected by winning the majority of 399 votes against one of his rivals **Pierre Atallah** who only won 37 votes. Gemayel greeted his victory with promises

of change to Lebanese political life saying, "We will not become the political life of Lebanon, we will let the political life in Lebanon become like us."

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

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

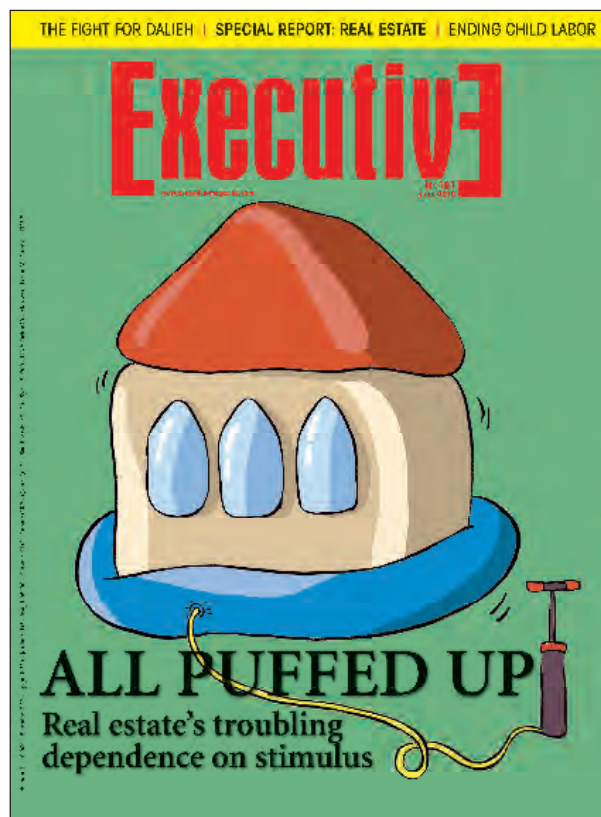
by 50 percent.

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

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

> According to **Mercer's 2015 Cost of Living Survey**, Beirut has climbed up the ranking and is now the 44th most expensive city in the world, ranking third in all of the MENA region, after Dubai and Abu Dhabi. Nathalie Constantin-Métral, Principal at Mercer who is also responsible for compiling the survey said that "Many currencies in the Middle East are pegged to the US dollar, which pushed the cities up in the ranking."

> The **Druze** community, one of Syria's religious minority groups, became a target for militant group al-Qaeda's **Nusra Front**. An **attack** which saw 20 Druze people killed took place in the village of **Qalb Loze** in Idlib province. The neighboring Druze community in Lebanon has made appeals for their fellow Druze in Syria to be armed and supported in order to protect themselves from the rebel group.



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> **Byblos Bank** and the **American University of Beirut** published their **Consumer Confidence Index** results for the second half of 2014. Consumer sentiment hovered around 35 percent in the second half of the year before jumping to a high of 45 percent in November, due to improved perceptions of security, a fall in global oil prices, a reduction to telecoms tariffs and a food safety campaign.

> The **United States Department of Commerce** announced in its Country Commercial Guide that it **exported \$1.3 billion worth of goods to Lebanon**, 5.9 percent of Lebanon's total imports, in 2014. The CCG said that fuel oil (\$306 million) and vehicles (\$227 million) were top exports to Lebanon.

> The **Ministry of Public Health** announced that its new **unified prescription forms** would go into effect on August 10. The regulation aims to improve the monitoring of prescription medication and will encourage a switch from expensive brand name medicines to the generic equivalent, a move that could save money for patients and the government.

> The **World Gold Council** said that, as of May 2015, Lebanon's **gold reserves totaled 286.8 tons**, valued at \$11 billion. The reserves totaled one fifth of Lebanon's total reserves, including gold and hard currency.

> **Fatah security**

chief Talal al-Ourdani was assassinated on July 25 in Lebanon's **Ain al-Helweh** refugee camp, the largest in the country. A June firefight in the camp between Fatah and Jund al-Sham, an al-Qaeda affiliate, killed at least two.

> World powers reached an agreement with **Iran** over the country's nuclear program, allowing sanctions to be lifted from the Iranian economy in exchange for ceasing uranium enrichment. **Lifting sanctions** was considered a benefit for Lebanon, with local economists projecting Iranian **investments** in the energy sector, specifically electricity and gas exploration.

> The government closed the **Naameh landfill**,

scheduled for decommissioning in 2004. With no available solution for waste disposal, **Sukleen** has not emptied garbage bins throughout Beirut and Mount Lebanon since July 17. Protesters blocked highways leading to Beirut, leading to clashes with the army, in response to garbage piling up on the streets.

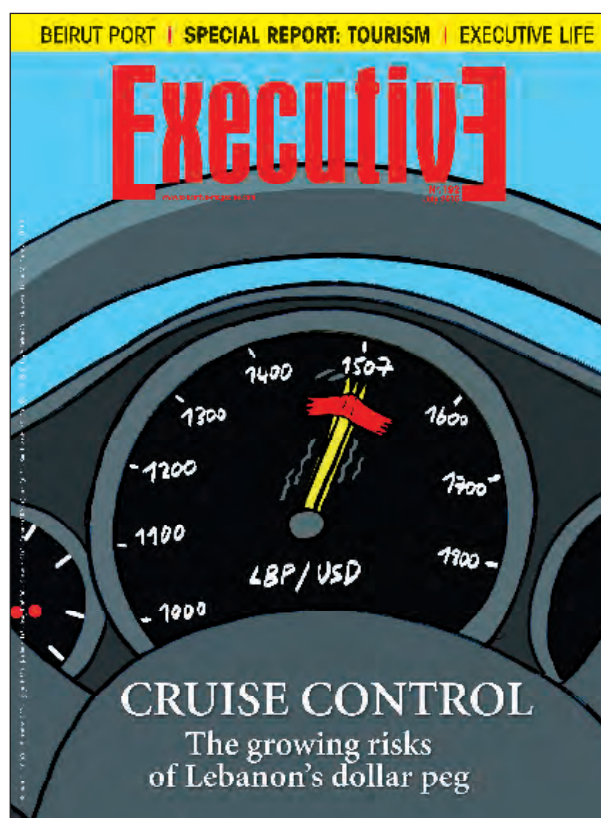
> A July 8 cabinet meeting erupted into a shouting match between Foreign Minister **Gebran Bassil** and Prime Minister **Tammam Salam** after the former accused the latter of violating Lebanon's constitution in light of the presidential vacuum.

> **Bank Audi** continued in the first half of 2015 to consolidate its presence in

countries with promising growth prospects, registering an adequate growth in assets and profits. Consolidated **net profits grew by 7 percent** relative to the first half of 2014, reaching \$202 million, of which 48 percent came from entities outside Lebanon.

> According to the 10th annual **Cisco Visual Networking Index Forecast 2015**, there will be 425 million total **Internet** users (27 per cent of population) in the **Middle East and Africa** in 2019. This constitutes a six-fold growth at a compound annual growth rate of 44 per cent, driven by increasing mobile access and demand for video services, the report said.

> Real estate advisers **RAMCO** published a report revealing the **average asking prices of apartments in Beirut**. The group surveyed 346 buildings under construction across **Municipal Beirut** and looked specifically at the sales prices of first floor apartments in 71 neighborhoods of the capital. The average sale prices vary between \$2,088 and \$7,000 per square meter (sqm). In the **Beirut Central District (BCD)**, average sale prices on the first floor vary between \$6,000 and \$7,000 sqm. RAMCO noted that prices in the BCD have dropped over the past 12 months and fell compared to 2014 since there are no projects currently under construction around the Bay of St. Georges. The highest averages are located in the area of **Foch-Allenby**, since it enjoys views of the **Port of Beirut**.






Chateau Musar **85** *ans*

...ET LE VIN CONTINUE

> A **string of popular protests kicked off in downtown Beirut on August 22**

with thousands of people from all different backgrounds coming together to demonstrate their anger against the government's mishandling of the garbage crisis. The protests soon adopted more general frustrations against the government, accusing political leaders of corruption and fueling sectarianism, among other issues. Protesters, who were largely peaceful, were met with excessive force on the part of the security forces and riot police, **with 400 injured over the course of the protests** and several dozen arrested and released.

> Salafist **Sheikh Ahmad al-Assir**, wanted by authorities since 2013, was arrested at **Rafik al-Hariri International Airport** when trying to board a plane to Nigeria via Cairo. Despite facial surgery and a disguise, Assir was apprehended by officials. He was carrying a fake Palestinian passport with a valid Nigerian visa. The sheikh was wanted for leading a **two-day battle in Saida in June 2013 against the Lebanese Army**, which saw the deaths of 18 soldiers.

> Fresh fighting broke out in the refugee camp of **Ain al-Helweh** in Saida between Fatah loyalists and Islamist factions. An **assassination attempt on Abu Ashraf al-Armoushi**, a Fatah official, left three dead and several wounded on August

22, and clashes following the attempt saw thousands of Palestinians trying to leave the camp to avoid violence. Although efforts were made to broker a cease-fire, fears of further unrest remained.

> **BDL Governor Riad Salameh** announced plans for a stimulus package of \$1 billion to revive the Lebanese economy, which has been damaged by regional unrest and the government's impotency. In light of Lebanon's own political vacuum and crisis, Salameh told reporters that BDL "is committed to preserving the solvency of the country, and has the means for that in the worst case scenario, if there's no other alternative left in the market." Commercial lenders

will benefit from a 1 percent interest rate attached to the funds.

> A **survey on bribery** published by the **World Bank** showed that 19.2 percent of firms in Lebanon will pay at least one bribe when dealing with public institutions and administrations such as tax or electricity officials. Lebanon ranks 50th out of 135 countries globally, and 5th in the MENA region in terms of corruption levels. Around 61 percent of firms in Lebanon identified **corruption as a large obstacle to their business** compared to 35 percent of firms worldwide.

> **Bank Audi** released a report saying that

remittances to Lebanon have helped stave off a fate similar to that of Greece. "Lebanon's remittances-to-GDP ratio stands at 18 percent today, one of the highest worldwide, against a mere 0.3 percent for Greece." It stated this has helped cushion Lebanon against the global financial crisis. The report also compared the debt-to-GDP ratio of both countries and noted that "While Greece's debt is external to the extent of 87 percent, **Lebanon's external debt does not exceed 13 percent of total debt.**"

> **Akkar's tobacco farmers** appealed to the government to help the industry by granting permission for them to expand their harvest area and increase the production per permit from 330 kilograms to 500 kilograms. **Abdel Hamid Sakr**, leader of North Lebanon's syndicate of tobacco farmers was quoted saying, "we also ask the government to increase the price of 1 kilogram from LL 10,000 to LL 12,000 to help farmers cover their living expenses."

> The state-run **National News Agency** reported the **prices of fuel in Lebanon fell sharply in August**. 95 octane and 98 octane gasoline dropped by LL 600 by the end of the month and prices were at LL 23,000 and LL 24,000. Diesel also saw a drop in price, falling LL300 to LL 14,000. The drop in the price of oil led the finance ministry to reduce **Electricité du Liban's** allocation of fuel oil to operate its power plants.



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> **US Ambassador to Lebanon** David Hale announced on September 23 that the US will provide the Lebanese Army with an additional **\$59 million in military aid** including border security equipment. Over the past 10 years, US military assistance to Lebanon reached \$1.3 billion, with the aim of strengthening the Lebanese army's defense capabilities against extremist groups.

> A panel discussion on the ongoing **waste crisis** held at the **Issam Fares Institute** on September 22 showed that experts, activists and the general public alike are still highly skeptical of Agriculture Minister **Akram Chehayeb's proposed waste management plan**. The plan sets forth an 18-month long provisional stage whereby trash from Beirut and Mount Lebanon is set to be dumped in three locations across the country: Akkar, Burj Hammoud and a waste-processing center in Saida, before giving back trash collection authority to the various local municipalities. But skeptics opposed the plan for its high environmental and health costs, arguing that local residents should not have to suffer for the mistakes of politicians.

> **Mohammad Zbeeb**, a journalist with **Al-Akhbar** newspaper, was accused on September 21 of slander and defamation by **Interior Minister Nouhad Machnouk**. The lawsuit came after Zbeeb published a photo on his personal Facebook account of a check of \$953,000 in the minister's name given by the

Al-Madina Bank in 2002, linking it to a **bribery scandal** in which 411 individuals, including several Lebanese MPs, had illicitly collected money from the bank at a total tune of \$606 million, according to a report handed to the judiciary in April 2013.

> **Christina Lassen**, the EU's new **ambassador to Lebanon**, took office on September 21, in a month that welcomed several diplomatic appointments. British **chargé d'affaires Hugo Shorter**, who had received his first ambassadorial position according to a UK government press release, was joined by **German appointee Martin Huth**, **Sri Lankan chargé d'affaires Herat Gidara Mindes**

and Ambassador Abdul Mottalib Sarker from Bangladesh, on a protocol visit to the **Foreign Affairs Minister Gebran Bassil** on September 10, as the presidential vacuum was still ongoing.

> Two global indices issued in September ranked Lebanon in the median range of global economy. **The Fraser Institute Index of Economic Freedom**, which measures how supportive policies and institutions are of economic freedom, ranked Lebanon 76th among 157 countries and 7th among 15 MENA nations in its 2015 report. The **2015 GLObal Innovation Index by INSEAD** ranked Lebanon in 74th place out of 141 countries globally and 6th among

Arab countries. Within index categories, Lebanon achieved its highest score for human capital and research and its lowest in market sophistication.

> Lebanon is an attractive destination for **Eid Al-Adha** visitors. Even as holiday tourism was impacted by the garbage crisis, there was a moderate increase in tourism arrivals year on year. According to the **Ministry of Tourism**, tourist arrivals showed an increase of 12 percent in September 2015 when compared with the same period in 2014. The **occupancy** rate in four and five star hotels for September was 53 percent according to Ernst & Young.

> **Industrialists and businesses** warned in a meeting on September 17 that Lebanon's economic stability was in jeopardy because of the ongoing **anti-government protests** in downtown Beirut. They added that dialogue meetings and successive sessions to elect a president being held in government buildings in Downtown were also causing people to stay away from the area. "As much as the demands of the civil society action are gaining legitimacy, this mode of action is putting economic stability at risk," said the head of the Beirut Traders Association, **Nicolas Chammas**, at a conference in Beirut. "They (protesters) must completely leave the street," he pleaded. His comments caused outcries among protestors and civil society activists who saw him as being **out of touch with sentiments on the streets**.





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ABC DEPARTMENT STORE DBAYEH
BEIRUT SOUKS
CITY MALL
BEIRUT CITY CENTRE

> US Secretary of State **John Kerry** announced the US would double the amount of **military assistance to the Lebanese army to more than \$150 million**, according to a statement by the U.S. Embassy in Beirut. The funds are in addition to the \$59 million in border security assistance, announced earlier in September by US Ambassador to Lebanon David Hale.

> Israeli Prime Minister **Benjamin Netanyahu** claimed, during the **UN's 70th General Assembly in New York**, that Iran had delivered a number of Russian-made SA-22 anti-aircraft and Yakhont anti-ship **missiles to Hezbollah** with the purpose of targeting Israel and vowed to prevent future weapons transfers.

> The **US Department of the Treasury's Office of Foreign Arrests Control (OFAC)** designated four Lebanese, two German nationals and 11 companies as Special Designated Nationals (SDN), among them renowned Lebanese businessman **Merhi Abou Merhi** for his alleged ties to a maritime network tied to the "**Joumaa Criminal Organization**." According to the treasury, Lebanese and German individuals provided support to narcotics trafficking and money laundering conducted by Lebanese-Colombian **drug trafficker Ayman Saied Joumaa**.

> A **Grand Serail** meeting failed to solve obstacles stalling **Agriculture Minister Akram Chehayeb's waste management plan**. Prime

Minister Tammam Salam chaired the meeting with Chehayeb and **Interior Minister Nouhad Machnouk**, who had been trying to sell the plan to **wary residents in Akkar**. "[The prime minister] asked those present to draw on all urgent technical, legal and administrative measures to execute the plan, immediately," Chehayeb said at a news conference following the meeting. Under the plan's terms, authorities would move tens of thousands of tons of trash to a reopened Naameh landfill and begin sending waste to four other locations around the country over the coming 18 months.

> A roadside **bomb** exploded on October 5 in **Eastern Lebanon** as a passenger van drove past without

causing casualties, the Lebanese army said. An army statement said the 4-kilogram device went off around 12:00 p.m. on a road in **Chtaura**, near an office of Lebanese customs. The road the device went off on was frequently used by Hezbollah fighters en route to Syria. But it was not immediately clear if Hezbollah was the target of the apparent attack.

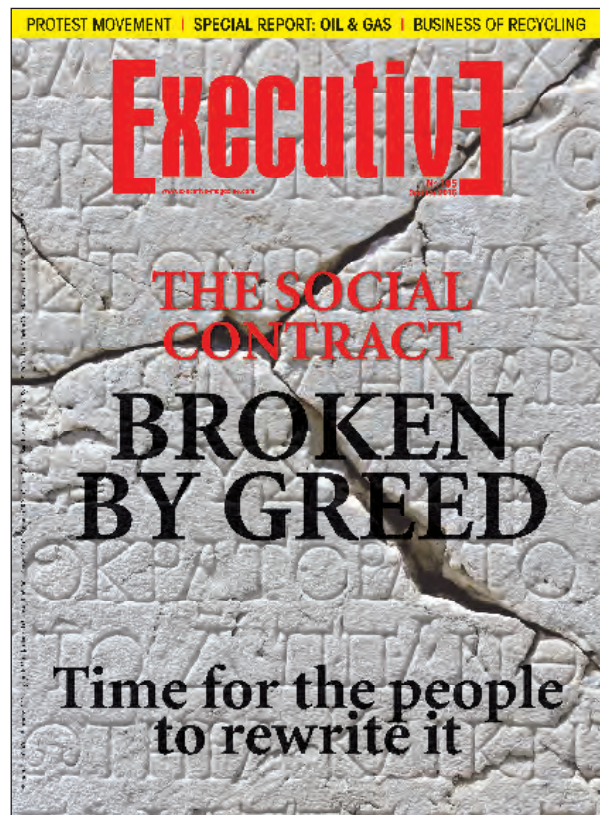
> Lebanon designated four Lebanese and international banks to co-manage the **issuance of \$1.3 billion in new Eurobonds**. **Fransabank, SGBL, Citigroup and Standard Chartered Bank** were named by the **finance ministry** to handle the issuance.

> Beirut's **Sursock Museum** reopened, touting

itself as Lebanon's first interactive museum of contemporary art. Closed for eight years for major renovation work, the mansion-turned-museum is now open to the public, free of charge, with exhibits honoring the **history of art in Beirut**. The walls were adorned with photographs from Lebanese collector **Fouad Debbas** and vibrant paintings from the country's "golden era" in the 1960s.

> **Riot police** used **clubs, tear gas and water cannons** to disperse hundreds of **anti-government protesters** who dismantled a security barrier in **downtown Beirut** October 9 in a renewed attempt to access a heavily fortified square outside Parliament. Medics said at least seven protesters were wounded and 35 others **treated for tear gas inhalation** after the violence erupted near **Martyrs' Square**. Police said several **officers were also wounded**, including a number in critical condition. Organizers said at least 32 protesters were arrested, including several peaceful demonstrators who had raised their arms in a symbolic gesture to show that they were opposed to the violence.

> Lebanon's **gross public debt** fell by \$309.78 million during the month of August 2015 to **\$68.88 billion**, down from \$69.19 billion in July, it was announced in October. On an annual basis, however, gross public debt expanded by \$3.02 billion, from a reading of \$65.86 billion in August 2014. It is worth highlighting, in this context, that the Lebanese banking sector detained 54.39 percent of the country's gross public debt at the end of August 2015.



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> **Russia** requested on November 20 that Lebanon clear its airspace so that its naval fleet **could conduct military drills over the Mediterranean Sea.**

A statement issued by the **Lebanese Civil Aviation Authority** following communications between Lebanese, Russian and United Nations officials said that air traffic from Beirut "will continue in a normal fashion." The request was met with criticism by Lebanese officials.

> **MP Sleiman Frangieh**, leader of the Marada Movement, emerged as the **favorite candidate to fill the vacant presidency** following a meeting with former Prime Minister **Saad Hariri**. Frangieh's candidacy for the country's top post has won American, French and Saudi backing, boosting his chances of election. Emerging from a new round of national dialogue, Frangieh confirmed that Hariri had launched an initiative to break the **18-month-long presidential deadlock**, though he refused to deny or confirm his reported meeting with the leader of the Future Movement in Paris. The presidential seat has been vacant since May 2014 after the term of former President Michel Sleiman ended.

> Lebanon's **budget deficit in the first nine months of 2015 rose to 26.51 percent** compared to 21.93 percent in the same period in 2014 due to a fall in revenues, it was announced in November. According to charts provided by the **Finance Ministry**, total government revenues up

to September 2015 reached LL10.282 trillion (\$6.8 billion) compared to LL10.520 trillion in the same period of last year, a decrease of 2.26 percent. Tax revenues in the same reporting period reached LL7.96 trillion, registering a drop of 1.43 percent. VAT revenues reached LL2.349 trillion, a drop of 6.15 percent.

> **Hezbollah** denounced a bill passed by the US Senate to tighten **sanctions against the party by targeting its financing and main media organization**, describing the decision as a **"crime"**. The bill, which still needs presidential approval, says it "prevents Hezbollah and associated entities from gaining access to international financial and other institutions."

> Twin **suicide bombings** targeted the Beirut suburb of **Burj el-Barajneh** on November 12, **killing at least 43 people and wounding 200 more.**

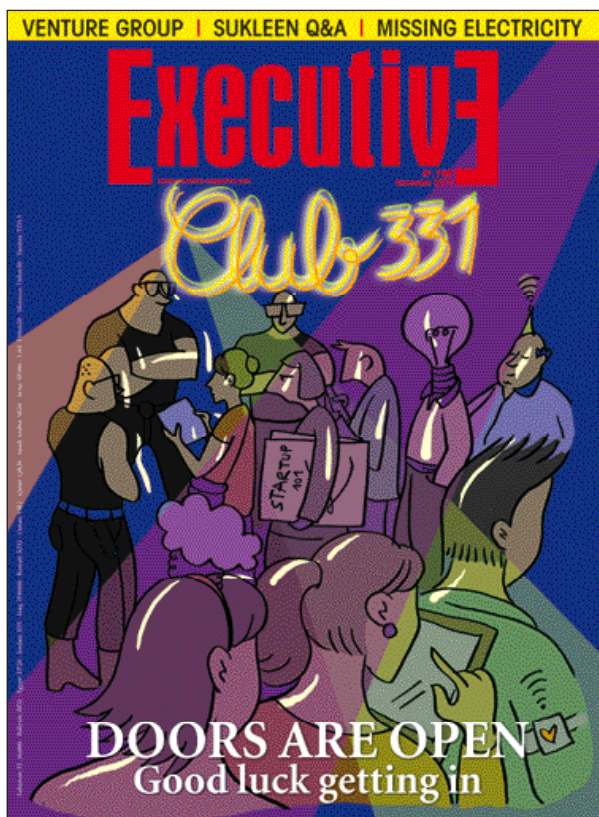
The attack was claimed by the **Islamic State of Iraq and Syria group**. Burj el-Barajneh, a well-known commercial and residential area, suffered extensive damage from the two blasts. The bombings came at a busy time in the evening.

> Despite the **negative impact of the trash crisis on Lebanon's image worldwide**, the country saw a **fair demand for environmental tourism**, according to tourism minister Michel Pharaon. "The months of September and October saw a fair demand for guesthouses in rural

areas, and the development of proper infrastructure may increase the demand for environmental tourism from 5 percent to 20 percent in the next five years," he said during a conference.

> The closure of the border between **Syria** and **Jordan**, and the absence of subsidies by the government to support maritime **export** triggered **a drop in Lebanese industrial exports by 2.6 percent** in the first half of 2015 compared to the same period in 2014, industrialist and **former tourism minister Fadi Abboud** said November 19, citing a statement issued by the industry ministry. Jordan closed its border with Syria on April 1 following heavy clashes between rebels and Syrian government forces near the Nassib crossing.

> Figures issued by the **International Monetary Fund** show that there were 105.1 **bank branches** per 1,000 square kilometers in Lebanon in 2014, constituting a rise of 3.3 percent from 101.8 branches per 1,000 square kilometers in 2013, and compared to 85.9 branches per 1,000 square kilometers in 2005. Lebanon had the **13th highest branch penetration rate among 161 countries worldwide** with available figures for 2014, the third-highest among 43 upper middle-income countries (UMICs) and the highest among 15 Arab countries. Globally, Lebanon had a higher penetration rate than Japan, Colombia and Switzerland, and a lower rate than Belgium, Mauritius and Italy among economies with a GDP of \$10 billion or more. Among UMICs, it came second only to Mauritius.



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An architectural rendering of a modern, multi-story office building with a distinctive white frame and large glass windows. The building is situated in an urban environment with trees and a clear blue sky. In the foreground, several people are walking on a paved sidewalk, and a white car is parked. A Starbucks logo is visible on the ground floor of the building. The text 'THE BUSINESS PARK' is overlaid in large, bold, white letters.

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ECONOMICS & POLICY

Another bad year

Sluggish but stable is how the World Bank describes Lebanon's economy in 2015. The bank estimates 2 percent growth, mirroring their estimate from the year before. Ditto the International Monetary Fund. That said, at an event in November 2015 where they repeated their 2 percent growth estimate, two World Bank economists on hand conveniently forgot to answer one audience question on the elasticity of their estimate. The number seems optimistic given the country's presidential vacuum, legislative paralysis and ongoing waste management crisis.

For the third year running, neither Parliament nor cabinet have done much to boost or even sustain growth. In fact, the Council of Ministers seems to have made Lebanon's economic situation in 2015 even worse. Tourism Minister Michel Pharaon tells EXECUTIVE that the year started off well, with both tourist numbers and spending outperforming 2014 (see Q&A page 148). In July, when cabinet closed the country's largest sanitary landfill without finding an alternative and rotting piles of garbage and trash fires became the new normal, the tourists stopped coming and spending, Pharaon says. The months-long waste management crisis (still unresolved in late November 2015) likely put downward pressure on growth not yet accounted for in these 2 percent estimates. Indeed, in September 2015 the International Institute of Finance revised its estimate from 2.2 percent growth earlier in the year to 1.1 percent – reflecting a more sober expectation of economic activity.

Other sectors, meanwhile, continued weathering a years-long storm that shows little sign of subsiding. In 2015, the war in Syria led to the closure of the last open land routes for exporters, and Minister of Industry Hussein Hajj Hassan tells EXECUTIVE it is too early to tell how a program that subsidizes the cost of maritime export – which went into effect in August 2015 – is impacting agro-food manufacturers and agricultural producers (see Q&A page 138). Stimulus money from Banque du Liban, Lebanon's central bank, is helping real estate developers, they say (see real estate section page 118), but measuring the actual impact of the bank's attempts to keep the economy afloat is hampered by a lack of reliable data. The money no doubt helped, but divining who and how is difficult.

Perhaps the most notable policy development in 2015 was the government's decision to halt the registration of new Syrian refugees, taken a few months after new entry requirements were imposed on Syrians trying to come to Lebanon. This has pushed the number of registered refugees in the country down, but there are still over 1 million here, and their day to day lives are only getting harder (see UNHCR Q&A page 76).

Absent serious policy decisions and a return to governance, 2016 is expected to bring more of the same.

A rubbish decision

Cabinet's approach to waste management comes with very high costs *By Matt Nash*

Lebanon has never gotten nationwide waste management right. In 1971 the government hired a local consultant to help write a plan for treating and disposing of the country's waste, according to the consultant's website. While the company declined an interview request, the existence of hundreds of open dumps around the country attest to the fact that it was never implemented. Even if it had been put into practice, it would have been a casualty of the civil war. In the quarter of a century since the war ended, policy makers did very little to soundly manage the nation's garbage.

In 1997, cabinet enacted an emergency plan for Beirut and its immediate suburbs. It awarded contracts for waste collection and disposal to companies founded by Maysarah Sukkar, a Lebanese who had been successfully operating waste incinerators in Saudi Arabia. His local company began operations which it is still conducting under the name Sukleen. A lesser known sister company, Sukomi, treats and disposes of the waste Sukleen collects. The companies' service areas expanded to include the capital and five nearby districts (namely Keserwan, Metn, Baabda, Aley and Chouf). By Ministry of Environment estimates, the Sukleen/Sukomi service area accounts for around 50 percent of the nation's garbage. The vast majority of this waste – over 80 percent according to Environment Minister Mohammad Machnoug – ended up in the Naameh landfill, some 20 kilometers southeast of Beirut. While the most common thing one reads about Naameh is that it was filled beyond design capacity, what few report is that new sanitary cells were added as more space was needed. Naameh was not an environmental disaster. It was a properly managed, modern sanitary landfill. The fact that it

was receiving 125 trucks of garbage per day – including putrid, rotting organic materials – however, meant it stank. EXECUTIVE stood on top of the sanitary landfill after it closed and noticed no foul odors. Residents living near it have long wanted it closed and became more forceful in their demands in January 2014. That year, they blocked access to the landfill and uncollected waste piled up on the streets of Sukleen's service area as there was no place to put the garbage if the company collected it. The result of this street action was a government promise to close Naameh in one year's time. Simultaneously, cabinet appointed a committee to find an alternative waste management plan for the country. Neither happened as planned.

LOOKING FOR SOLUTIONS

Naameh's closure was slated for January 2015. Cabinet extended that deadline to July, but dragged its feet on finding a solution. The plan was to tender waste management for the entire country while relying on the tender winners to decide how and where to treat and dispose of waste. As EXECUTIVE noted in March, the initial tender deadline was far too close to the deadline for closing Naameh for a real solution to be in place in time. Further, finding a location for a new landfill or other waste treatment facility has always been problematic in Lebanon because no one wants to live near them. This problem is only compounded by the country's sectarian diversity – sect A does not want to accept the waste of sect B. After extending the tender deadlines, Minister Machnoug announced winners on August 24, more than a month after Naameh closed. The following day, after an uproar over the supposedly high fees winners would have charged, the tenders were cancelled. In early September, cabinet approved a new plan that has not

yet been implemented at time of writing.

While garbage piles were a common sight in administrative Beirut in July, the city soon found a temporary solution and began depositing its waste in a parking lot in Karantina. Indeed, according to the Ministry of Environment's website, Machnoug instructed all of the nearly 300 municipalities in Sukleen's service area to inform the company where to dump. Those that could not find land were deprived of collection services and trash continued to pile up on roadsides. The ministry did not compile a comprehensive list of "temporary" dumping grounds, but activist photos and EXECUTIVE's observations reveal that municipalities were disposing wherever they could, with no thought of the environmental repercussions. On top of that, open burning of garbage became a national phenomenon. Again, numbers don't exist, but the Ministry of Environment recognized trash burning as a problem outside of Sukleen's service area before Naameh closed, and visual evidence, photos and inconsistent reports from Lebanon's firefighters – the Civil Defense – suggest the problem only worsened after the landfill closed.

What none of the decision makers who closed Naameh with no alternative in place seem to understand is that the trash crisis has serious associated costs. It will be all but impossible to fully clean this mess. The long-term environmental and human health costs will be paid for years to come, even if measuring their exact amounts is impossible. What we do know from Tourism Minister Michel Pharaon is that the opportunity cost in the tourism and hospitality sectors is significant. 2015 could have been a much better year if not for the filth now spread throughout the country.



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Resource wealth buried under paperwork

Legislation needed to move oil and gas sector forward *By Jeremy Arbid*

Another year of waiting has come to pass and yet there is still no movement for Lebanon's oil and gas sector. Is it a regional conspiracy to prevent the Lebanese government from taking its own decision, or is it the fault of American diplomats, as Speaker of Parliament Nabih Berri claimed in November 2015? Almost a year after a ministerial committee was formed to reach consensus on two needed implementation decrees, the Council of Ministers has not yet placed the items on its agenda. Parliament, meanwhile, has to approve an adjustment to the tax regime to account for oil and gas and must debate a law to combat corruption in the sector.

A jovial ceremony announcing the launch of Lebanon's first offshore licensing round back in 2013 promised that the country would soon become an oil and gas producer. In the two years since, the proverbial train has fallen off the tracks. Lebanon's Council of Ministers, hampered in its ability to manage the country, has failed to pass two needed decrees to move the licensing round forward – one delineating the blocks and coordinates of offshore Lebanon and the other approving the tender protocol and model exploration and production agreement. Parliament, for its part, has declined to legislate for the better part of this period, except, of course, when it risked losing key international financing. Parliament must update Lebanon's tax regime as oil and gas is – in other jurisdictions – taxed in a higher bracket than the 15 percent corporate rate Lebanon currently has on the books, but it has not opened debate on a draft law submitted earlier this year. Since officials have publicly announced that a new tax law has been drafted,

oil companies interested in bidding in Lebanon no doubt know change is coming and could well hold off on investing until the tax rules are clear.


Transparency in Lebanon is always harped on but words are rarely put into practice. With oil and gas being a notoriously dirty industry around the globe, legislation in this sector is of the utmost importance. In early 2015, MP Joseph Maalouf, a member of Parliament's energy committee, drafted a bill pointing out where corruption might be a risk along the full lifecycle of an oil and gas project. Maalouf had told EXECUTIVE in August 2015 that Speaker Berri had fast-tracked the bill but Parliament has yet to open debate on the law. In September 2015 EXECUTIVE asked Minister of Energy and Water Arthur Nazarian about the draft law but the minister seemed largely unaware of the details of the transparency bill.

On a positive note, because it does not require legislation, Lebanon has made progress in further calibrating its understanding of data previously collected through seismic surveying offshore. In 2015, two re-interpretations of the data were carried out to “better understand the sedimentations and the potential reservoir parameters,” the Lebanese Petroleum Administration told EXECUTIVE in September, but did not elaborate on the results of those studies. As for onshore Lebanon, 6,000 square kilometers were surveyed, providing a baseline of data to indicate where potential oil and gas reservoirs might be located. More narrowly focused studies are needed to build on the acquired data but the ministry of energy has not yet indicated what its strategy for onshore is moving forward.

Lebanon has already begun selling the seismic data collected offshore – last publicly announced at \$34 million in 2013, representing the first revenues

of the country's oil and gas sector.

When EXECUTIVE asked the minister for clarification on the government's share of revenues from the sale of seismic surveying data – a topic on which this magazine has, for two years, continuously sought answers – Nazarian said it was “state secrecy” while simultaneously claiming transparency.

Misinformation, or, as a lesser evil misrepresentation of information, when covering oil and gas is also very concerning – the same wrong numbers keep circulating in the Lebanese media. Lebanon is not blessed with vast energy reserves – only exploratory drilling can confirm whether oil and gas resources are present. In November 2015 Anonymous Lebanon – the self-proclaimed local chapter of a global group of activists and hacktivists – published a video arguing that the government has been intentionally misleading the public, promising the nation would soon become oil rich with revenues to be used to reinvigorate the economy, pay down public debt and build fantastic new infrastructure. The video was later picked up by popular talk show ‘7ki Jelis’. In itself a misled accusation, the numbers Anonymous quotes are based on a misunderstanding of an unclear quote. When then Minister of Energy Gebran Bassil said in 2013 that “the current estimate, under a probability of 50 percent, for almost 45 percent of our waters has reached 95.9 trillion cubic feet of gas and 865 million barrels of oil,” Bassil was speaking of probabilities based on the interpretation of seismic data, not of certainties that only exploratory drilling can confirm. In the end, Lebanon will never know with certainty if it does have oil and gas until it passes the needed decrees to bring exploration companies to drill. 



#ExtraordinairePerrier

Plan of (in)action

Lebanon is reporting little progress in implementing a new vision for telecoms *By Matt Nash*

If a five-year plan to modernize Lebanon's telecommunications infrastructure announced in July is being implemented, the Ministry of Telecommunications (MoT) isn't talking about it. There's no progress report on the website. The MoT hasn't publicly announced tenders for the various projects needed for an upgrade. And the ministry's reply to repeated interview requests on the subject? Silence.

After launching the plan, the MoT did try to tender new management contracts for the two state-owned mobile phone networks. The first try flopped. Bids for the three-year contract were due at the end of July 2015 with the announcement expected in October. Egypt's Orascom Telecom Media and Technology Holding – which currently manages the network branded as Alfa – allegedly submitted its bid one hour late. Telecom Minister Boutros Harb disqualified the company. With that action, there were only two remaining bidders, and the tender was postponed. New bids were due in September, but the MoT has made no announcement about participation. A declaration of winners of the new management contracts is slated for December 2015.

The five-year plan, of course, included much more than new management contracts for the mobile phone networks. Indeed, the presentation delivered in an ornate hall in the Grand Serail was full of promises that – by 2020 – Lebanon's notoriously slow internet speeds would be a thing of the past. The centerpiece of the plan focuses on replacing Lebanon's current internet infrastructure – which today consists mostly of copper wires – with fiber optic cables. Fiber can handle more data traffic than copper and can

deliver faster up- and download speeds, especially over long distances. At a short distance, copper wires can be used for fast downloading. In an interview several years ago, Toufic Chebaro – the chief ICT officer with Ogero, the state-owned telecom company that has a monopoly on internet access – told *EXECUTIVE* that in Solidere, where buildings are connected to the national backbone by fiber and internet speeds are the fastest in the nation, internal building

THE PLAN FOCUSES ON REPLACING LEBANON'S CURRENT INTERNET INFRASTRUCTURE

wiring is still done with copper. While *EXECUTIVE* does not have exact figures, chief executive officers of local internet service providers have explained that in many locations, users are connected to the national backbone by several kilometers of copper wire, meaning download speeds are reminiscent of the 1990s, not the digital age.

THE BEST-LAID PLANS...

During the five-year plan presentation, the ministry confirmed that Lebanon has a fiber optic backbone that is not being fully utilized (some heavy users are connected but it was still not carrying traffic between the hundreds of "centrale" offices around the country that link users to the backbone, which is the cable's primary purpose). Minister Harb promised the backbone would soon be fully put to use and that by 2020 fiber would replace copper in connecting users to the backbone. Such an undertaking – known as fiber to the home – is both expensive and

labor intensive. The plan is to unfold in stages by using what are known as active cabinets during an interim stage. For users several kilometers from a centrale, cabinets would be connected to the centrale by fiber and placed closer to end users who would connect to the cabinet by copper but enjoy faster speeds because of the reduction in distance. To date, no new infrastructure works have been announced.

Early in his term as minister – which began in February 2014 – Harb said in an interview with *EXECUTIVE* that he also planned to fully implement a 2002 telecom law that called for privatizing the mobile phone networks and Ogero. The company controls access to the international internet gateways (in the form of subsea cables) that connect Lebanon to the rest of the world. Private internet service providers lease bandwidth from Ogero and then resell that bandwidth to consumers. They've long complained that Ogero does not provide enough bandwidth. The 2002 telecom law calls for ending Ogero's monopoly on access and privatizing the enterprise. Again, however, Harb made no public announcements in the first 11 months of 2015 to reach this goal.

Upgrading Lebanon's internet infrastructure is key for the country to become the technology hub several policy makers insist they want it to be. The first thing tech-savvy entrepreneurs complain about is the poor state of internet infrastructure. And they are not the only ones who stand to benefit. In 2009, the World Bank found that for every 10 percent increase in high-speed internet penetration, a country's economy gets a recurring 1.3 percent growth boost. Harb's plan looked great, but Lebanon has a tradition of writing up excellent roadmaps and then never leaving the couch.





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BDL plays government

Lebanon's central bank steps in where lawmakers and ministers have failed *By Matt Nash*

Banque du Liban (BDL), Lebanon's central bank, makes a curious claim on its website. Under "Monetary Overview" in the "About Us" section, the bank says that, beginning in 2013, it "resorted to unconventional monetary policy tools to stimulate internal demand and sustain the country's growth and job creation potential." Here the bank is referring to stimulus packages that have pumped millions of dollars into the economy over the past three years. What's curious is the bank's definition of its actions as "monetary policy" – which the stimulus packages are decidedly not. In the absence of real governance and policy making in recent years (the only two laws Parliament passed in 2013 postponed parliamentary elections and extended lawmakers' terms), the bank has stepped in to help spur economic growth. A stimulus package is economic policy, not monetary. Alain Bifani, director general of the Ministry of Finance who sits on the board of the central bank, admits that "in absolute terms, [one] is right" to say lawmakers should have directed the bank to offer a stimulus instead of BDL acting on its own. However, he claims that "as long as [the bank] is doing something that is good for the stability of the economy and the system, this is part of its mandate. It is not the usual tool, but it is something that is being welcomed by all players." While the legal argument may be open to interpretation, no one is complaining about the stimulus money. Indeed, for the past few years, real estate developers have credited it with helping keep the sector afloat.

Available data suggest that the stimulus packages have contributed to consumer demand for housing loans, but the exact amount of that

contribution is impossible to identify. Real estate is only one sector the stimulus targeted. On its website, the bank says its goal is supporting "housing, education, renewable energy projects, innovative projects, research & development ventures, entrepreneurship and other productive sectors of the economy." Data to assess how other sectors have benefited from the stimulus is nonexistent. That said, BDL claims "the stimulus packages of 2013 and 2014 proved to

BDL WILL RELEASE A \$1.5 BILLION STIMULUS PACKAGE IN 2016

be successful, contributing around 50 percent of real gross domestic product growth." The bank did not respond to an interview request seeking validation of that claim. During a November presentation to launch the fall 2015 Lebanon Economic Monitor – a World Bank publication – Wissam Harake, an economist with the bank, noted the stimulus packages have had a positive economic impact, which he did not quantify. When EXECUTIVE pressed him after the presentation on whether the World Bank shared BDL's view on the packages' growth contribution, he chose a diplomatic answer. "We haven't made an exact estimation. We've heard what you heard from the central bank, but we certainly think the stimulus packages [are] one of the few drivers of economic growth."

While it may have helped growth, in both 2013 and 2014 the stimulus money was not fully deployed. EXECUTIVE reported in January 2014 that, of the \$1.47 billion in stimulus money for 2013, some \$468 million went untapped. Speaking of the stimulus money for 2015,

BDL's website says the total amount is "\$1 billion, coupled with the funds revolved from 2014." And the stimulus is not the only central bank initiative with deployment issues. In August 2013, the bank approved Circular 331, which guaranteed 75 percent of commercial bank investments into startup companies and venture capital funds. While the decision theoretically freed up \$400 million for investment, only around \$20 million had been tapped by November 2015. Again, however, the private sector is happy with 331 and hopes it will significantly expand Lebanon's entrepreneurship ecosystem.

A NUDGE IN THE RIGHT DIRECTION

In addition to pumping cash into the economy, in October 2015 the central bank also threw a lifeline to leveraged companies struggling to repay their loans in the form of basic Circular 135. The Ministry of Finance's Bifani explains that the circular "doesn't impose anything. It is just putting the framework for arrangements that can happen between the lender and the borrower." He adds, "if you have an account that is not performing properly, you have here a framework for banks and borrowers under which they can agree on giving more space for the borrower to be able to reorganize its activities." While the circular does not target a specific sector, real estate developers welcomed the news.

In late 2015, BDL governor Riad Salameh announced the bank will launch a \$1.5 billion stimulus package in 2016. How much longer the bank will be alone in pushing pro-growth economic policies, however, is anyone's guess.



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Time to act

Lebanon must begin to implement credible fiscal management



Lebanon has been severely affected by the Syrian crisis that erupted in early 2011. The signs are evident everywhere, starting from a massive refugee presence, which is now more than one quarter of the population and outstrips the ratio of refugees-to-population in any other country inside and outside the region. But while refugees are fleeing to many countries, the spillover from the regional conflict runs far more deeply in Lebanon, further weakening the economic foundations of the country. Growth has sharply decelerated, from an average of 8 percent during 2008-

**OVER THE LAST
DECADE, THE OVERALL
FISCAL DEFICIT HAS
HOVERED BETWEEN
7 TO 10 PERCENT OF
GROSS DOMESTIC
PRODUCT (GDP)**

2010, to less than 2 percent since, well short of potential. Prospects for a rapid recovery are not promising, as traditional growth drivers – real estate, construction and tourism – have been negatively impacted by overall security conditions and political uncertainty.

All of this has taken a toll on, among others, an already vulnerable fiscal position. Lebanon has been running large budget deficits and high debt ratios for many years; over the last decade, the overall fiscal deficit has hovered between 7 to 10 percent of gross domestic product (GDP).

A welcome exception came in

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2014, when the budget deficit fell to 6 percent of GDP, though only on account of one-off extraordinary factors – such as exceptionally large revenue transfers from the Ministry of Telecommunications – that will not be easily repeated in the future. Despite these large fiscal deficits, there was a remarkable decline in the public debt ratio from a peak of 185 percent of GDP in 2006 to some 131 percent of GDP by 2012, largely driven by high growth and low real interest rates. However, with these factors removed, the public debt ratio has started to slowly rise again, remaining above levels that would not be advisable for other emerging markets.

Given the regional crisis and its impact on macroeconomic and political conditions, Lebanon's fiscal deterioration since 2011 should not be too surprising. In fact, it is difficult to maintain good fiscal performance when the economy is not doing well; lower growth directly transmits into lower revenue, while spending tends to be more inelastic, almost automatically resulting in a worse budget position. And fiscal pressures are even more understandable given the significant shocks. The massive refugee presence, and its additional costs in terms of public service provision and security, need to be borne by the budget.

WHAT CAN BE DONE?

But while Lebanon's tough predicaments can be understood, they should not become an excuse for political inaction. Parliament has passed a package of laws in a show of unity and determination – largely triggered by the urgency to approve pending financial laws and expiring project loans. That same unity and determination should be marshaled into taking selected steps to stem adverse fiscal dynamics – with positive effects on confidence and

the economy at large. Here are some suggestions.

1) Strengthen revenue collections. Tax revenues have significantly declined in the last four years, by some 3 percent of GDP. In addition to subdued economic activity and weakening tax compliance, this also reflects the lowering of select taxes (most notably, the decision to exempt gas oil from VAT in 2012). Initial measures by the Ministry of Finance to strengthen collections are welcome, but they should be built upon. And they should be flanked by policy actions, such as reinstating taxation of all fuel products and increasing fuel excises, which remain low by international standards. The current oil price environment provides the right opportunity to do so.

2) Contain spending. Spending

FISCAL MEASURES SHOULD BE HIGH ON THE LEGISLATIVE AGENDA

composition is very rigid (about 80 percent is accounted for by interest payments, salaries and transfers to Electricité du Liban, EDL) and room to contain spending is limited without reform. EDL subsidies, which have recently declined on account of lower oil prices, would be a good place to start, also to create room for more productive and much needed infrastructure projects (Lebanon's capital spending is one of the lowest in the region, at only 1.5 percent of GDP).

3) Promote more transparency in funding the government, especially in foreign currency. Public debt management is closely coordinated between the Ministry of Finance and Banque du Liban (BDL), Lebanon's central bank, and the recent publication of auction calendars for government paper is welcome progress. At the same

time, however, the government has been increasingly relying on BDL for its funding needs in foreign currency, given the cap on its FX borrowing. More market-driven funding mechanisms would enhance the transparency of fiscal operations and their costs.

4) Pass a long-overdue credible budget. Recent attempts to normalize spending and payments of salaries are positive, especially to avoid undue (and unwarranted) payment disruptions. However, these practices should not be a substitute for passing a comprehensive budget. Reliance on an official budget would also promote transparency by eliminating the need to execute spending through treasury advances – a problematic method of conducting fiscal operations in the absence of clear legislative spending limits.

The above steps can help promote credibility of fiscal management and put the debt back on a sustainable path, thus anchoring confidence. Targeted fiscal adjustment efforts and reform are needed now, as protracted low growth and increasing global interest rates – much expected over the coming months – will only contribute to worsen Lebanon's weak fiscal position. Recent legislative successes suggest that progress can still be made, despite the many political constraints, when the consequences of parliamentary inaction are understood and shared. In the same vein – and in the same order of priority – fiscal measures should be high on the legislative agenda and be swiftly approved and implemented. Lebanon's current vulnerabilities are not only fiscal, but fiscal is a good place to start addressing them. 

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Troubled financial waters

Overcoming the country's problems requires cash injection and smart financing *By Jeremy Arbid*



The complications posed by the refugee crisis and stagnant legislature found Lebanon's public finances in troubled waters. There have, however, been some positive developments. The Ministry of Finance has again issued Eurobonds – the purchasing of which has demonstrated a local appetite to continue financing public expenditures; it moved closer to reconciling public accounts and Lebanon's bid to join the European Bank for Reconstruction and Development may soon be approved. EXECUTIVE sits down with the director general of the Ministry of Finance, Alain Bifani, to discuss the impact of these developments on state finances.

E In April 2015, you met with the United States Under Secretary of State for Economic Growth, Energy and the Environment. Can you tell us about your talking points for the meeting and if there were any practical results from that meeting?

We were at the spring meetings of the [International Monetary Fund] (IMF) and the World Bank and Lebanon had already bid to join

the [European Bank for Reconstruction and Development] EBRD. We had some countries that immediately provided support and others that needed to discuss the issue and reasons why we wanted to join and how Lebanon intends to use the financing of the institution. The purpose of the meeting on the American side was to talk precisely about the reasons Lebanon was bidding to join EBRD and whether they could be supportive of our bid or not.

E What are the potential benefits of joining the EBRD?

There are many. Firstly, Lebanon is a country that needs money for development – we are always looking for new money to be injected into the system. The second reason is that when you have an institution [like EBRD] it's always better to be inside, to be on the board, and to know what the topics of interest are and what is happening at the institution. The third reason is that when the Deauville Partnership [with Arab Countries in Transition – launched by the G8 in 2011 to support democratic reforms] started, Lebanon was left [out]. For a very long time, Lebanon was one of the few, if not the only, democracies in the region and it paid a very high price for that. Last but not least, EBRD is not an institution that only finances public projects; its expertise is related to the structure of the corporate, the ownership, access to financing [and] access to market.

E The Ministry of Finance has been working on the closure of public accounts - an exact accounting of public spending - for years. Do you have an update?

Eight out of 10 financial accounts are completely finished which means

we have been able to reconstitute accounts where possible from 1993 and from 1997 to the penny until 2011 because the stock was before 2011 and [now] the flow is being dealt with normally. For the first time ever Lebanon has accounts with absolutely no question marks against them from January 1, 1997, to date.

E When you listen to the political rhetoric, everyone seems to be accusing the other of stealing public funds – but you're saying this information is actually largely available now?

This information is becoming available but technically speaking before we finish the two remaining accounts – which are well advanced – it is not possible to reproduce all of the series from any given date. So what will happen now is we'll finish the two remaining accounts and then we will produce the accounts. The reason I say 1993 to 1996 is that more than 50 percent of the documents [from that period] were lost or had disappeared.

Since January 1, 1997, we had hundreds of thousands of mistakes in each account – things that were not appropriately accounted for [or missing entirely]. The magnitude of that was extremely great. We no longer have any reconciliation accounts – we used to throw figures [out] because we had no clue what they were. This has all been [reconciled] to the penny. Then in 2014 we found the opening balance for January 1, 1993, while in 1995 people would have thought it impossible to find the opening balance [from] two years ago.

E Were there any anomalies?

Enormous ones. The number of anomalies, the number of mistakes,

FOR THE FIRST TIME EVER LEBANON HAS ACCOUNTS WITH ABSOLUTELY NO QUESTION MARKS AGAINST THEM FROM JANUARY 1, 1997, TO DATE

of misreporting was huge. Now it is not my duty to say why this happened. My duty is to provide the country with what is needed and to build on that and continue to produce regularly. It is not the duty of the Ministry [of Finance] to make it accessible. First, this is a draft law by nature so it has to be finalized by the ministry, approved by cabinet and sent to Parliament. Normally this closure happens when it goes to

Parliament because the Council of Ministers, as long as it is a draft law, is always going to say [it] does not want this to be presented and it must be changed. But of course it requires [action at the] political level to decide how to [disclose].

E Ziad Hayek of the Higher Council for Privatization recently advised that Lebanon needed \$6.2 billion for infrastructure investment. Are there any tools that the government can use to get past not having Public-Private Partnership (PPP) legislation but still investing in this much needed infrastructure?

PPP is one way of doing things and having a law that organizes and gives a framework to that kind of financing is always reassuring to investors. This does not mean that things cannot happen in the meantime

– sometimes there is direct involvement by private corporates. It is not necessarily a PPP per se but this idea of mobilizing funds now even before legislation goes through is absolutely possible.

E And are we seeing that type of mobilization of funds in the electricity sector?

The debate is biased by the fact that there is a lot of frustration. The country feels that nothing can be done – it's been [that way] since the end of the [civil] war, a very long time, that we are not seeing significant improvement. The electricity issue is not about bringing resources in one way rather than another – the issue is that first we need to mobilize a big chunk of money that needs to be invested in production. Second, we have a major issue with distribu-



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tion and the plan that was approved unanimously in 2010 takes into consideration those steps. Third, the issue of governance at the level of the company is important because it is very unfair to say that the public sector has failed in its duties here and at the same time has not provided the company with what it needs in terms of human resources, governance and capacity to act [accordingly].

E Steering clear of the allegations of corruption in the electricity sector coming from the minister of finance – with the decline in oil prices, do you see that deficits for Electricité du Liban (EDL) will be sustained?

There is definitely an effort to be done on the pricing of utilities. The subsidies that we are providing are massive and we are losing money. The state decides on the expenditure – whether it is the operating expenditure or the buying of fuel or new investments – and the state decides on the pricing. This decision has to be changed; we are simply unable to continue to subsidize the sector in the same way. The fact that oil prices have dropped provides some breathing space. If we look at our non-existing budget we have salaries, transfers to EDL and debt servicing. This is by far the largest part of the budget – roughly more than 80 percent of the expenditure. We do not know when oil prices, or commodity prices in general, will go up again. So we have various sources of uncertainty that should be pushing us for immediate action whilst we have this breathing space.

E In layman's terms can you elaborate on why you consider loans to be a negative source of financing the refugee crisis?

It's not a negative source of financing – it is a totally inappropriate way of financing. There is an issue that is short term and a lot of it is long term. A displaced person re-

mains a refugee for an average of 17 years. So when you talk about an issue like that it cannot be only humanitarian. Of course the immediate relief is important – it is short term. [There] is also a security issue which is short and long term, and economic issues that are long term. So you have an answer that needs to be timely [and that is fitting to the] massive crisis. We are rendering a service to the world – this is called a global public service. Instead of being a reasonable cost in Lebanon, it will be much more costly outside [of Lebanon]. To put it bluntly we are presenting a bill [and] this is how much it costs. If you want us to be able to continue to do that, then you have to pay and contribute; otherwise we will reach a point where it is going to become impossible for us.

E With the recent issuance of Eurobonds, can you elaborate how those are structured and what the impact is for state finances?

We had from the beginning a legal cap so we knew how much we wanted and we got the amount. We were able to keep very low yields given Lebanon's rating and situation. Because of the legal situation now (early November 2015), we have a parliamentary session but at that time we didn't know if we were going to have one. We have also started an exchange on the 2016 amounts. We [also] have issued three [bonds]: one for nine years at 6.25 percent, one for 13 years at 6.65 percent and one for 20 years – the first long maturity Eurobond for Lebanon ever, and that is very interesting knowing that it is always good to lock in as much money as you can in the long run.

E The purchasing of the Eurobonds has been driven more by local banks rather than foreign institutions – is that because of Lebanon's credit rating?

This time we didn't have a lot of external appetite for many reasons.

Looking at the region as a whole is not very reassuring – it is not only Lebanon [but also] everywhere else – [and because of the] magnitude of the Syrian displacement issue in Lebanon. The perception [is] that nowadays Lebanon is offering interest rates that are below what it could have and therefore to go to the same level of risks investors could go somewhere that is providing [higher returns]. This is good for us because it means we succeeded in bringing in a lot of money at a very low cost. The final point is one of the most

WE ARE SIMPLY UNABLE TO CONTINUE TO SUBSIDIZE THE [ELECTRICITY] SECTOR IN THE SAME WAY

important points – we are in the midst of a situation where capital is flying toward big economies and fleeing the emerging world. We have issued [bonds] at a time when most of the big emerging economies were dying for capital to stay in the system – Latin America and Brazil in particular, but also Asia, Africa, the Gulf and here [in Lebanon].

E EXECUTIVE recently published an interview with Paul Donovan from UBS Investment Bank – he argued that there will be a global war for capital in the future. Do you agree, and how will Lebanon fare?

There are two threats that are now very significant to Lebanon; this is one of them. The reason is that we rely on a lot of our own resources. Those are large enough whether talking locally or worldwide to protect Lebanon from that kind of development in the world. Where it is going to hurt most is in countries where they have been relying on foreign financing for their immediate needs. This is not our case and never has been.



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An unquantifiable tragedy

UNHCR discusses the ongoing Syrian refugee crisis in Lebanon *By Matt Nash*

In January 2015, Lebanon put new visa rules in place for Syrians entering the country with an aim of stemming the flow of refugees crossing the border. In May, the government ordered the Office of the United Nations High Commissioner for Refugees (UNHCR) to stop registering new refugees. As a result, the total number of refugees has been declining in 2015. As of October 31, 2015, there were 1,075,637 Syrian refugees. The number of registered refugees from Syria in Lebanon was 1,166,760 on September 26, 2014, according to UNHCR's website. **EXECUTIVE** speaks with UNHCR Lebanon Representative Mireille Girard, who arrived in the country in July, about the new policies and the increasingly difficult life for Syrian refugees in Lebanon.



are five people over that age in a family, it costs \$1,000.

E In May, the government announced a new policy saying that UNHCR could not register any new refugees. What impact is this having; are Lebanon's borders closed to Syrians?

No. People can come under the allowed visa categories – students, for example, or if you are here on business or for medical treatment – this is allowed. However, to enter as a humanitarian exception, you really have to have a very compelling situation – like a child alone whose parents are here or a person with disabilities whose caretaker is here.

E Do you have a number for how many humanitarian cases have been allowed in since the new policy went into effect?

Very few.

E What communication do you have with General Security to make sure the most vulnerable are not turned away at the border?

We have very good communications with them. We also work closely with the Ministry of Social Affairs, which has the mandate to handle the Syrian refugee crisis. We have a framework and you're not seeing students deported or migrants deported.

E Has Lebanon been deporting refugees?

No. The government of Lebanon is upholding its international law obligation not to push people back to a war situation. But many refugees are not able to renew their residency permits because of both the cost and the documents they have to provide – such as a lease agreement. You don't have a formal lease agreement for a tent. Over 60 percent of refugees are incapable of extending their residency permits. They live with fear that they will get in

E What are refugees doing to cope with this shortfall in assistance?

They are reducing the number of meals they have per day, and we see that increasingly. In addition to this, [the World Food Program] had to reduce the amount of food aid per refugee they were giving by half in the middle of the year, which was extremely traumatic. Fortunately, thanks to a recent contribution, the amount went up again, but is still below earlier levels. And the WFP only has funding to continue until January. After that, what happens? We don't know. So with the unpredictability of humanitarian assistance and the fact that the size of it only covers the most vulnerable, a larger and larger segment of this refugee community cannot make it any more. They're falling into the most vulnerable categories. For example, last year 40 percent of the refugees told us they had to borrow money to cope and were reducing food intake or buying less nutritious food because it's cheaper.

E Reading through various UNHCR reports throughout the year, it sounds like life for Syrian refugees in Lebanon got much harder in 2015. For example, in the first nine months of the year, you report that 15 percent more refugees are living in substandard conditions compared to the same period in 2014. Why is that?

It's the impact of four to five years in exile. People who came with savings have no savings anymore. People are paying a number of bills every day which is difficult to afford over a long period. They pay rent. And the international community does not have the capacity to cover all of refugees' needs. We cover as much as we can for the most vulnerable, and that amounts to over \$800 million per year, but it is still largely insufficient if you look at what is needed. They're chipping in themselves a lot. Average rent is \$200 per month. They pay electricity and water. People need to renew their residency permit every year and it costs \$200 for each person over the age of 15. If there

legal trouble or deported, but deportations are not actually happening, to our knowledge.

E Is General Security detaining Syrian refugees for not having residency papers?*

The General Security Office detains non-Lebanese persons including Syrian refugees for their irregular status. Most are released within a day or two.

E How many are currently in detention?*

Please refer to the Lebanese authorities for an accurate figure.

E What's the general trend in detention you've seen since the crisis started and has there been a spike in 2015?*

The percentage of Syrians in prison has slightly increased from 2010 to 2015, a reflection of the increased size of the Syrian population in Lebanon.

E Was there any spike after the May decision on no new registrations?*

No.

E During the summer of 2015, hundreds of thousands of Syrian refugees began entering Europe. Do you have any sense of whether refugees in Lebanon left the country for Europe given the worsening conditions here?

There are two categories of movements that are arriving in Europe. Departing from the region, you have legal movements and illegal movements. The large, large majority from Syria are legal. People cross the border [into Lebanon, for example], get a transit visa, show their travel documents which they've paid for legally – whether travelling by air or sea – and go to a country where they don't need a visa: Turkey. And at the moment, we are seeing the middle class in Syria leaving. We'll have a better idea once more interviews are conducted with the refugees arriving in Europe, but the snapshot so far is that many were people who had things to hold on to and were reluctant to leave but have decided

they cannot live another year in Syria. Once they arrive in Turkey, this is when they get into contact with smugglers and all of the movement from there is illegal.

E Where does Lebanon fit into this equation? We've heard that there are many Syrians transiting through the country but there are also reports of smugglers illegally taking refugees out of the country. Do you have an idea about the scale of smuggling?

Here, there are some people who do not have up-to-date residency permits, so they would have to regularize themselves to be able to leave legally. That can be expensive because you have to pay for each year you were here without papers. So, refugees either choose to do that or pay a smuggler.

E How do you get this information about refugee smuggling out of Lebanon?

We get information from different sources to try and triangulate the information. We do random surveys among the refugee population and speak to people when they come to ask for assistance. Here we try to gauge intentions, whether they plan to leave for a third country. We also measure the number of people who are not showing up [for meetings with UNHCR], and try to find out where they are.

E When UNHCR cannot reach a refugee for a period of time, that person is deregistered. There were 149,000 deregistrations in the first nine months of 2015. Is this a significant increase from last year?

It's more than last year, but not a significant increase. Last year we deregistered 125,000 for the whole year. This year, by September there were 149,000.

E Do you attribute that increase to smuggling or legal movement with the aim of getting to Europe illegally?

It includes everything: formal resettlement, death or return to Syria. We do try to find out if there are any indications

of people who tried to go to Europe. We did a random survey recently and found around 40 percent of people said they either knew someone or heard of someone who has left. Then we asked where. There was a big proportion that stayed in the region. It depends on connections people have, relatives who can help them. It depends on where they can get a visa.

E It seems Lebanon is trying to disincentivize Syrians from coming here. Are there still large numbers of people unfamiliar with the process here who are trying to enter as refugees?

In general, people know. The number of people that come to the border under the humanitarian category is very low. This means that people know there are not many being let in. By now the word has spread. People who are coming here know what they need and bring the right documents. In the past two years, we've seen a lot of people that came to Lebanon with savings and didn't feel the need to register as refugees with UNHCR. As their savings diminished, or if they lost jobs they had, they would come and register even though they'd already been here for one or two years. These are the people we've had to stop registering since May when the new government policy went into effect. Now, we don't see as many of these people coming, so I think the word has spread.

E If they do come, can you refer them to partners? Are these people able to get any aid?

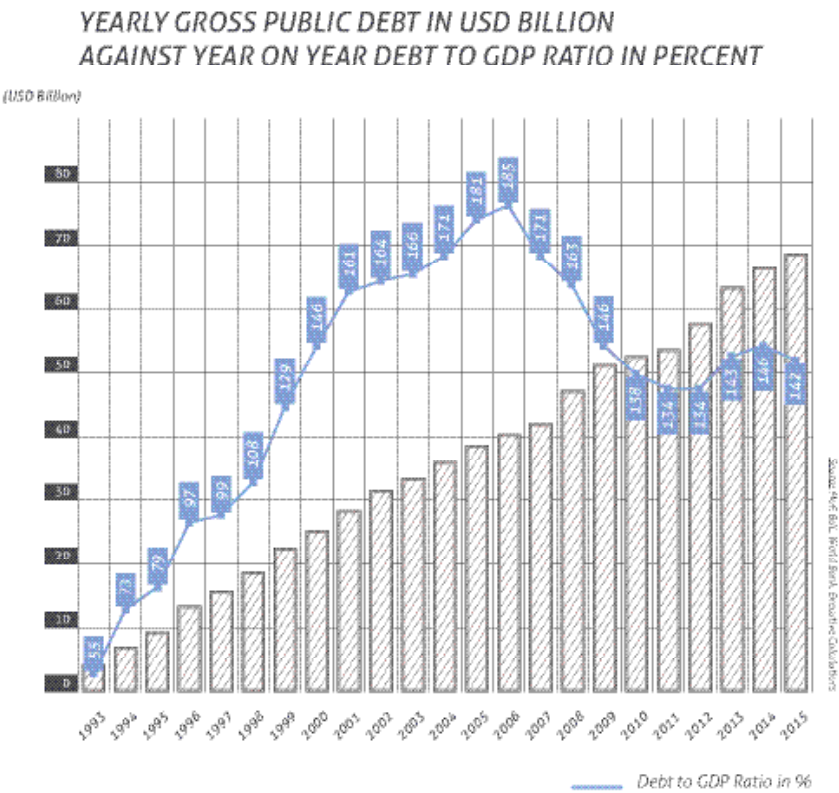
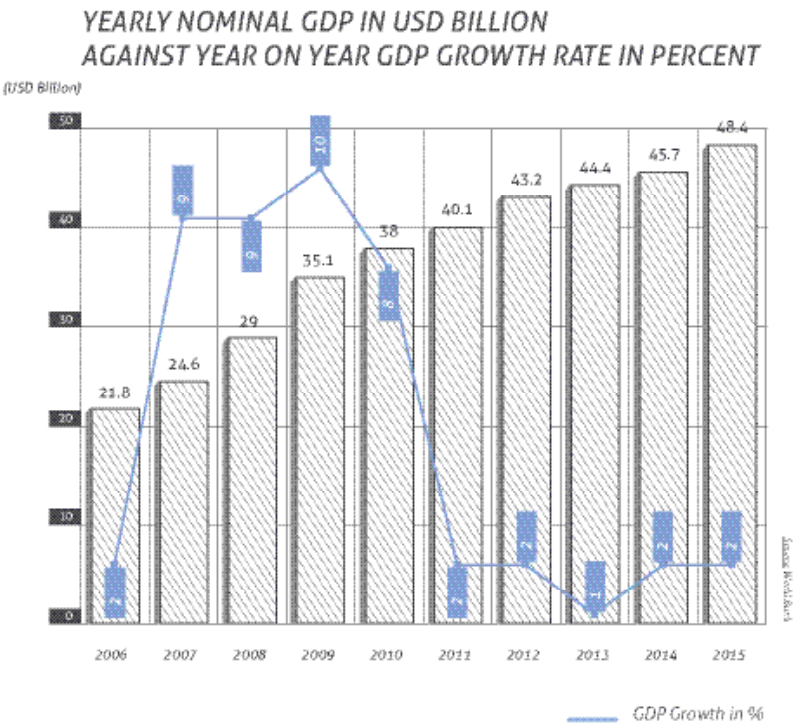
In education, the government doubled the amount of space available for Syrian refugees, so now the target is 200,000 – which is still half the number of those who need education, but it is double the number from last year. We've so far registered 160,000 but 200,000 spots are available. Kids don't have to be registered or have proper residency papers to go to school.

**This portion of the conversation was conducted via email after the face-to-face interview.*



Facts and figures

Lebanon's GDP and gross public debt



A professional business meeting scene with three people in business attire. A man in the center is looking down and smiling, holding a pen. A woman on the left is also looking down, holding a pen. An older man on the right is looking towards the center. They are seated at a table with papers and a glass of water.

LET'S GET THINGS MOVING

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



> **Renewables**

Cleaning up and going green

The sustainable energy market in Lebanon: an unexpected uptick

Between 2011 and 2015, the overall direct investments in renewable energy, energy efficiency and green buildings in Lebanon exceeded \$450 million. According to Riad Salameh, governor of Banque du Liban (BDL), Lebanon's central bank, more than 10,000 direct and indirect jobs were created in this sector during that same period. The records of the Lebanese Center for Energy Conservation (LCEC) at the Ministry of Energy and Water echo the statement of Governor Salameh: the number of companies working in the very specific field of solar water heaters rose from 25 in 2010 to more than 170 today. The number of companies working in the green or energy audit business, meanwhile, rose from four to more than 30 in 2015. Finally, the number of companies working in the solar photovoltaic sector increased from around five in 2010 to more than 70 today. Most of these companies are expanding their activities, thus offering new job opportunities to engineers, technicians and administrative staff. There is no doubt that the sustainable energy market in Lebanon is booming.

There is no magic recipe making this sector evolve, but rather a set of well-orchestrated national steps and initiatives that have paved the way toward its development. For once – or at least rarely for an economic sector in Lebanon – there is a vision, a strategy and an action plan for the sustainable energy sector.

Back in 2009, the Lebanese government had committed itself to reaching 12 percent renewable energy by 2020 and to curbing the demand on energy by introducing energy efficiency measures. This political

commitment announced by former Prime Minister Saad Hariri during the Conference of the Parties climate change meeting in Copenhagen set a clear vision to develop the sector. One year later, the Ministry of Energy and Water developed a national strategy for the electricity sector in the country, setting renewable energy and energy efficiency as key milestones in the implementation of the strategy's initiatives. Based on these two cornerstones, LCEC built the National Energy Efficiency Action Plan (NEEAP) for the years 2011 to 2015. The NEEAP was approved by the Council of Ministers in 2011, making Lebanon the first Arab country to develop an NEEAP.

This public framework opened the door for a vibrant private

[BETWEEN 2011 AND 2015] MORE THAN 10,000 DIRECT AND INDIRECT JOBS WERE CREATED IN THIS SECTOR

business sector in the country. A new kind of public-private partnership was on the rise. While the energy ministry, through the work of LCEC, strived to develop policy support actions, capacity building activities and awareness raising campaigns, the private sector was developing capacities, establishing companies and looking for investments. It soon became clear that the real development of the sustainable energy sector needed financing.

While BDL issued Circular 197 in June 2009 to help finance environmental projects, a more dedicated approach was needed. The real breakthrough came in 2010,

when BDL issued Circular 236, and then in January 2013 with Circular 313, laying down concrete plans for the application of the National Energy Efficiency and Renewable Energy Action (NEEREA) – the government's approach to finance energy efficiency and renewable energy projects to reach objectives set out on the NEEAP plan.

Between October 2012 and October 2015, NEEREA alone has financed more than \$350 million worth of investments in sustainable energy projects. More than 321 projects used the subsidized loans of NEEREA. On the request of BDL, LCEC has worked to set high quality measures to monitor and control the market.

A SPARK OF RENEWABLE ENERGY

In 2015 alone, around 20 megawatts (MW) of solar photovoltaic systems were installed, mainly thanks to NEEREA. Large and small systems are being installed all over the country, and LCEC expects that more than 50 MW of new projects will be installed in 2016. In that specific sector, the government is leading by example. The first phase, comprising 1 MW from the Beirut River Solar Snake (BRSS), is now connected to the national grid, setting it as the landmark project for solar development in the country. Since the launching of the BRSS project in 2013, the market has witnessed big momentum. The 1 MW BRSS has stimulated more than 20 MW of solar photovoltaic installations within the private sector.

Meanwhile, green buildings are also expanding. While in the past many real estate developers would avoid adding environmental and energy-saving measures to their projects, the new subsidies by BDL have created a huge shift in that regard. More and more investors are now implementing the American

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LEED or the British BREEAM certification systems, environmental and sustainable assessment methods, in the construction sector. Currently, the annual green building investments in Lebanon exceed the \$60 million ceiling.

On the other hand, the solar water heater market continued to evolve throughout 2015, with the involvement of more than 170 companies. The annual market size is currently estimated at around \$20 million.

In 2009, Lebanon launched a national initiative aiming to install 190,000 square meters of solar water heaters over a period of five years. The initiative was launched by the United Nations Development Programme (UNDP) and the Ministry of Energy and Water, with funding by the Global Environment Facility. The initiative received the full support of the ministry, and by 2011, then Minister of Energy and Water Gebran Bassil launched the much-publicized slogan “a solar water heater for every house”. By 2014, the installations of solar water heaters exceeded the 190,000 square meter target.

The European Union has also contributed a great deal to the development of sustainable energy in Lebanon over the past few years. Whether through regional projects and initiatives, or through the projects managed by the EU delegation to Beirut, the impact of the EU has clearly been highly positive. Among the EU initiatives and projects implemented were MED-ENEC, SISSAF, MED-DESIRE, SHAAMS, SOLAR MED, Foster-in-Med, CES-MED and SUDEP. All these acronyms may seem a little incomprehensible, but needless to say the efforts and activities of these projects have resulted in a positive environment toward the development of the sustainable energy market in Lebanon.

For instance, the MED-DESIRE project has supported LCEC in the development of solar ordinances to be adopted by local authorities and

municipalities. Another activity by MED-DESIRE has echoed the work of BDL to develop a special financing vehicle dedicated to municipalities.

According to LCEC, 2016 will witness concerted efforts to target municipalities and their unions. In fact, the EU recently launched a new regional initiative called SUDEP, offering financial support to municipalities around the Mediterranean area. Out of the 12 projects awarded under the SUDEP initiative for all cities in the Mediterranean, Lebanon was awarded four projects (in the regions of Akkar, Koura, Chouf and Zgharta). This is quite an achievement for one country alone, and is an indicator that sustainable energy is indeed becoming a priority for Lebanon.

WIND FARMS WOULD ADD BETWEEN 150 AND 180 MW OF WIND ENERGY CAPACITY TO THE NATIONAL GRID


While the current year witnessed an unprecedented growth of decentralized renewable energy systems (in hospitals, industries, residential houses and commercial buildings), the potential for major renewable energy power plants has not yet been explored. The energy ministry is striving to encourage private entities to invest in independent renewable energy power plants. For instance, three years ago, former Minister Bassil launched an invitation to bid for wind energy development investments. Following a thorough analysis by an inter-ministerial committee of the different offers received, the current minister of energy and water, Arthur Nazarian, forwarded the report of the technical committee on wind to the Council of Ministers for its consideration. Ideally, the government would sign three agreements with three different private sector entities to build wind farms in

the country. It is expected that these wind farms would add between 150 and 180 MW of wind energy capacity to the national grid.

HELPING HANDS SUPPORTING THE CHANGE

Similar efforts are also being invested to promote privately-owned large solar photovoltaic farms. While little progress has been achieved so far, there is certainly great potential in the field.

With 2015 coming to an end, the sustainable energy market has proven to be growing rapidly, gaining a good reputation and positive feedback. While LCEC is now in the brainstorming phase of its 2016 activities, the outlook seems promising, especially considering that the main players are on board, including the energy ministry, BDL and the EU. During a session in November 2015, the Lebanese Parliament ratified two agreements with the European Investment Bank and the French Development Agency (Agence Française de Développement), to receive a new credit line of 80 million euros to be added to the NEEREA financing mechanism.

In 2016, more international agencies and institutions are expected to join the national momentum of sustainable energy in Lebanon. In his statement in late November 2015, Governor Salameh committed to offer a ceiling of \$1 billion in 2016 to support the productive sectors of the economy, including sustainable energy. Realistically speaking, the sustainable energy market will not reach this mark by the end of 2016. LCEC believes the market size will be around \$300 to \$400 million in 2016 alone, which should still be considered a very healthy target. 

PIERRE EL KHOURY is general director and president of the Board of the Lebanese Center for Energy Conservation (LCEC) – Ministry of Energy and Water

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Jbeil's power pursuits

A mighty plan is on the agenda, but will it be approved? *By Jeremy Arbid*

In 2010, everything was looking up for Lebanon's electricity sector. Gebran Bassil, then minister of energy and water, had put forth a master plan that by 2015 would have delivered 24 hours of uninterrupted electricity generated cheaply by clean burning natural gas. The plan, needless to say, did not fully materialize, leaving individual areas to come up with their own plans to produce electricity – starting in Zahle in 2014, with plans announced for Jbeil (Byblos) and Tripoli in 2015.

There is uncertainty in the legal framework governing the electricity sector; Law 462 from 2002 remains unimplemented, but a parliament resolution from April 2014 allows cabinet a two-year window to grant production licenses. Time may be running short but that has not stopped Byblos Bank subsidiary, Byblos Invest Bank, from investing in the capital of the newly formed company Byblos Advanced Energy (BAE), which plans to build a 64 megawatt (MW) power plant in Jbeil. The project is shovel ready, pending the results of an environmental impact assessment and license approval by cabinet.

STATE INADEQUACY

Lebanon's state-owned provider, Electricité du Liban (EDL), is not capable of generating enough electricity to meet the country's demand. Lebanon currently has 1,500 MW of installed capacity, with that number set to rise as new reciprocating generators are scheduled to come online at the Zouk and Jiyeh power plants by spring 2016. Demand, however, exceeds production capacity by an average of some 800 MW, causing daily



blackouts throughout the country.

At the same time, EDL is a huge drain on the state's coffers because of the significant subsidy at which electricity is generated. Since 1996, the government has helped cover the cost of generation, capping the purchase of fuel by EDL at \$25 per barrel, with the treasury covering the difference. This partly explains why the treasury transfers some \$2 billion per year that Alain Bifani, director general of the Ministry of Finance, says has been mitigated in the short term because of the decrease in the cost of oil. But EDL also sells electricity at the fixed rate of LBP 75 (\$0.05) per kilowatt hour to distributors, while subscribers are charged on average only LBP 133 (\$0.09). "This decision has to be changed – we are simply unable to continue to subsidize the sector in the same way," Bifani tells *EXECUTIVE* (see Q&A page 52).

Because EDL is not able to reliably supply electricity, customers must resort to costly private generators. Every month the ministry of energy circulates a list suggesting a price

at which to offer 5 and 10 amps to subscribers – and the ministry of economy has a hotline for consumers to report price violations – but it is not clear how well the policy is enforced. The business of private generation is a lucrative one which, according to a 2011 ministry of energy study, was worth \$1.7 billion per year.

With large amounts of money on the line, however, comes trouble. In 2015, Zahle implemented a local plan to bring some 53,000 subscribers 24 hours of electricity by generating 48 MW of power. Assaad Nakad, chairman of Electricité de Zahle, did not respond to *EXECUTIVE*'s requests to fully understand the plan. Generator owners' demonstrations on the streets of Zahle escalated in February 2015, shutting down four transformers operated by Electricité de Zahle. Since then, however, there have been no more security incidents and the company has delivered on its promise to provide 24-hour electricity.

THE JBEIL PLAN

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of Zahle, BAE announced plans to install generation capacity for the area of greater Jbeil. Mario Chelala, board member of BAE, insists that the days of paying twice for electricity are over. “Today if you are living in Jbeil you are receiving two [bills] – one from Electricité de Jbeil (EDJ) and one from a separate company that has multiple generators all over the region. We have maybe 80 percent of the generators under our control,” says Chelala. Jbeil has some 350 generators – local institutions like the universities and some factories having their own, with the rest for the public. Chelala says that a sister company of EDJ began consolidating ownership of the public generators over the course of the past 10 years so taking those generators offline will not be an issue.

BAE’s plan is to build a 64 MW power plant in the industrial area of Blat, outside of Jbeil, on land leased from the Maronite church for \$500,000 per year, according to a plan prepared for potential investors; Chelala says that amount may end up being lower and that the terms of the lease would be valid for at least 40 years. In the study, Chelala calculates that customers of EDJ – the concession distributing EDL-generated electricity in the Jbeil region – receive 30 amps and, with a generator subscription for 10 amps, pay on average \$150 per month. “We are aiming to have [customers] pay less than \$95, [a] 37 percent decrease in the bill.” The investment study also calculates the current kilowatt per hour at \$0.09 for electricity from EDL and \$0.49 for electricity provided by private generators with a total average cost calculation at between \$0.20 and \$0.30, depending on variations in fuel price.

In 1964 a decree created EDL, establishing it as the sole producer of electricity in the country since. EDJ was producing electricity prior to 1964, as were a few other concessions. EDJ has the exclusive

right to distribute electricity through a concession that expires at the end of 2020. The distribution area covers nine municipalities in the Jbeil area with 27,890 customers as of September 2014. Chelala says that since EDL is breaching its contract, EDJ has the right to produce. “Our engagement with EDL is that it provides us with enough capacity for 24-hour electricity, which has not happened, so there is a breach of contract. That’s why we think we are entitled to produce,” Chelala says. His legal argument is bolstered by Parliament passing Law 288 in 2014, amending article 7 of Law 462 allowing the cabinet – at the recommendation of the ministers of energy and finance – to grant production licenses within a two-year window. Chelala says their proposal has been sent to cabinet for approval, and that it responded with a request to conduct an environmental impact assessment which Chelala says will

THE IDEA IS TO BUILD A 64 MW POWER PLANT IN THE INDUSTRIAL AREA OF BLAT, OUTSIDE JBEIL


be completed before the end of 2015. “We hope [cabinet will approve] but if it doesn’t we are continuing with our project,” Chelala says, adding that “legally, either way, we think we are entitled to [build] our power plant.” Once it moves forward he says Jbeil can expect a maximum of two years before full delivery of the power plant.

Uncertainty over the legal framework has not deterred investors. In October, Byblos Invest Bank announced it would buy approximately 35 percent of shares in BAE – the company owning the project – alongside Vectra Holding sal, whose primary shareholder is Elie Bassil, chairman of EDJ. Chelala says Byblos Bank will provide loans to

finance the initial investment.

The investment study for potential investors forecasts an estimated funding requirement of \$68.4 million. The funding source follows an equity-to-financing mix with 30 percent, \$20.5 million, to be raised, with an additional \$38 million in long term loans and another \$10 million in working capital loans. “We aim – once [the power plant is completed] – to go public with this company and to sell up to 60 percent of the shares to the public. We want each subscriber to have the option to have one share, be present in the company and [be represented by] the board of directors,” Chelala says. He also says that they have not yet decided whether BAE would list on the Beirut Stock Exchange, though he indicated it as a likelihood. Chelala also says IFU – a state-owned Danish investment fund for developing countries – has expressed interest and has greenlit the project for investment once it receives a license.

BAE’s client, EDJ, as the bill collector, secures the source of revenue. “What we’re forecasting is a net profit [margin] after amortization, loan repayment, interest and maintenance between 10 and 15 percent – that’s what the shareholders [can expect],” Chelala points out.

But when cabinet might meet again, and whether Jbeil’s plan will surface on the agenda, is anyone’s guess. Chelala’s confidence in the plan moving forward is underlined by the broad consensus that has been built among the various local stakeholders – religious institutions in the area have extended their support. At the government level, the political forces that approved Law 288 in 2014 are the same ones that reside in cabinet at the end of 2015. The minister of energy, Arthur Nazarian, is a board member of Byblos Bank, which, leaving conflict of interest issues aside, suggests some prospect that the license will be approved. 

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> **Health care**

Irrational drug prescription in Lebanon

The role of the pharmaceutical industry and its impact on health

Irrational use of drugs is a major problem worldwide. The World Health Organization (WHO) estimates that over half of all drugs are prescribed, dispensed or sold inappropriately. Inappropriate drug prescriptions have a negative impact on quality and safety of treatment, promote drug resistance, diminish patient trust in the healthcare system and increase the economic burden on the patient and the healthcare system at large.

A LUCRATIVE BUSINESS

Inappropriate prescribing practices for certain prescription drugs is a common problem in Lebanon. A recent study by the Ministry of Public Health (MoPH) and the WHO shed light on the serious issue of antimicrobial resistance which was attributed to the inappropriate use of antimicrobials, overuse of injections and failure to prescribe in compliance with clinical guidelines and inappropriate self-medication of prescription-only medicines (WHO, 2015). Another study found that 40

percent of all prescriptions in seven hospitals in Lebanon contained an error, of which 9 percent were unnecessary medication prescription, 7 percent were non-indicated medication, 6 percent had a deficiency in the prescribed medication dosage, 3.5 percent had an inadequate duration and 2.8 percent had an inadequate rate. All rates have been found to be high compared to other countries such as Germany (Al-Hajje, 2012).

These inappropriate prescribing practices have contributed to the high costs of pharmaceuticals in Lebanon. For instance, the National Health Accounts published by the MoPH in

2012 shows that almost 33 percent of the total health expenditures in Lebanon is spent on pharmaceutical goods. The per capita spending on pharmaceuticals is considered one of the highest in the Middle East and the seventh highest globally at 3.1 percent (International Federation of Pharmaceuticals Manufacturers, 2012; Sobeh and Sobroneva, n.d.; The Lebanon Brief, 2012). In addition, the pharmaceutical sector is dominated by imported medicines and patented brand names, which constitute more than 80 percent of the total market (WHO, 2010).

DRUG PROMOTION GONE WRONG

One of the main factors contributing to poor prescribing quality and pattern of drugs in Lebanon is unrestricted drug promotion and advertising to health professionals. Currently, there are no laws or legislation regulating drug promotion and advertising to health professionals, qualification and training of medical representatives, conferences and scientific meetings, post-marketing scientific studies, speakers' fees and consultancies, and restrictions and limits on gifts and promotions. This gives physicians a "quasi-absolute" freedom in prescribing medications which in turn increases their power over the demand side. In addition, it gives pharmaceutical organizations a vast influence over post-university medical education and sponsorship of seminars and medical conferences, which may create a conflict of interests. The situation is aggravated by the negative attitudes of health professionals, patients and the public towards generic drugs.

Although it can be claimed that

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physicians may benefit from their relationship with the pharmaceutical industry through access to information and evidence on new medicines and products, there is a growing body of evidence which suggests that even gifts of minimal values can hold powerful influence on physician behavior in the spirit of reciprocity. Indeed, the evidence from several systematic reviews suggests all forms of physician-pharmaceutical industry interactions have an impact on increased prescribing frequency for newer and more expensive drugs, “irrational” prescribing and lower prescribing quality. Similarly, there is concern that industry-sponsored continuing education will influence physicians’ behaviors for the financial benefit of the industry.

REGULATING THE PHARMACEUTICAL INDUSTRY: A GLOBAL PERSPECTIVE

As a result of these concerns, countries worldwide have tried to regulate and improve the transparency of relationships between healthcare professionals and the pharmaceutical industry. These include measures at the governmental, organizational and individual level.

At the governmental level regulations include outright or selective bans on gifts to healthcare professionals, disclosure of interactions between healthcare professionals and the industry on publicly accessible websites, limits on the sale of prescribing data for marketing purposes and public funding of academic detailing programs (Grande, 2010). The Sunshine Act, enacted in the US in 2010, marked the first Congressional involvement in regulating the disclosure of payments made by pharmaceutical and device companies to physicians and teaching hospitals. The law requires manufacturers to annually report on payments or transfers of values exceeding \$10 per

instance or \$100 per year along with the receiver’s identity and the payment purpose on a publicly accessible website. Although government regulation may not be a perfect solution, the pharmaceutical industry and medical profession have fallen short in decreasing the influences of industry gifts through self-regulation (Grande, 2010).

At the organizational level, the Institute of Medicine (in 2009) and the Association of American Medical Colleges (in 2008) both recommended eliminating industry gifts, meals and speakers’ bureaus as well as urged strict control of industry payments for consulting, honoraria and educational

IN LEBANON, REGULATORY MEASURES TO ... IMPROVE THE TRANSPARENCY OF RELATIONSHIPS BETWEEN HEALTHCARE PROFESSIONALS AND THE PHARMACEUTICAL INDUSTRY HAVE NOT BEEN IMPLEMENTED

purposes. Restrictive institutional policies governing the interactions of healthcare professionals with the industry have been shown to positively affect the prescription behavior of healthcare professionals and increase their support for banning contacts with pharmaceutical representatives.


At the individual level, interventions to educate healthcare professionals and raise their awareness on how industry interactions could influence their behavior have been recommended. Specifically, well-designed seminars, role-playing, focused curricula and evaluations of pharmaceutical representatives’ presentations have been shown to enhance the awareness of health professionals of such influences, increase their skepticism toward information presented by the industry

and influence their behaviors to some extent. Equally important are empowering and raising awareness of patients and the general public on how such interactions can affect health providers’ prescription behaviors with subsequent negative implications on the quality and cost of care.

IMPLICATIONS FOR LEBANON

In Lebanon, regulatory measures to restrict, control and improve the transparency of relationships between healthcare professionals and the pharmaceutical industry have neither been implemented nor enforced. However, a proposed code of ethical standards for drug promotion has been posted on the MoPH website in 2011 and updated by the general director of the ministry in 2014. The code will allow for surveillance of promotional and prescribing patterns and for appeal mechanisms as well as provide for disclosure of complaints and non-compliance files to the MoPH and health professional associations in case corrective measures are not taken.

Approval and subsequent implementation of the proposed code of ethics is crucial as it could provide an opportunity to address some of the challenges pertaining to drug promotion and advertisement targeted at healthcare professionals in Lebanon.

Another regulatory measure worth highlighting in Lebanon is the recently implemented unified prescription form law, which allows pharmacists under certain conditions to give patients the choice between a patented medicine and a matching generic, as it has implications for rational prescribing. Specifically, it is critical to monitor such an initiative to ensure it does not act as a “game changer” by shifting the focus of pharmaceutical promotional activities from physicians to pharmacists. 

FADI EL-JARDALI is the director of Knowledge to Policy (K2P), a public health think tank at the American University of Beirut. RACHA FADLALLAH is a researcher at K2P Center – AUB

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> **Refugee crisis**

Time to wake up

Lebanon and the international community must not abandon Syria's refugees

Following terror attacks such as the ones that struck Beirut and Paris in November 2015, western leaders and the media largely focus on increasing security measures and closing borders in order to keep 'terror' - which to some is synonymous with refugees - at bay. This policy of closing borders is not new, however, and is often used to scapegoat refugees for the very crimes they themselves are victims of.

Since the huge influx of refugees to Europe during the summer of 2015, several high level European Union summits have been held in order to discuss how to respond to the 'migration crisis'. Responses have centered largely on how to tighten

borders, build more fences and keep refugees in the host countries. Many western leaders responded to the huge flows of refugees trying to reach Europe's shores by throwing money at the problem. Several high profile visits by European leaders have been made to Lebanon, Turkey and Jordan with the objective of negotiating increased humanitarian assistance to the region in exchange for tighter controls on irregular migration routes.

TURNING A BLIND EYE

The international community's inadequate humanitarian response to alleviate the suffering that Syria's refugees have endured due to the brutal and protracted war in their

home country and the precarious conditions which they have been living in for the last four years is shocking. While Lebanon has increased restrictions on Syria's refugees entering the country, and on those already in Lebanon regularizing their stay or renewing their residency permits, western governments have chosen to remain silent. This is likely because of their own inadequate response to the refugee crisis in addition to ensuring that the majority of refugees continue to be hosted in the region.

Lebanon, which has the highest number of refugees per capita in the world, has struggled to cope with the over 1 million refugees, including Palestinian refugees, from Syria.



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Among the country's legitimate concerns are fears of security incidents, critically underfunded humanitarian appeals year after year, tensions between refugees and host communities and worsening socio-economic conditions.

However, the restrictions imposed have made life for Syria's refugees in Lebanon untenable. In May 2014, the Lebanese government imposed new entry requirements for Palestinian refugees from Syria, including the need for a pre-approved valid visa from a Lebanese guarantor, effectively closing the border to them. Following this, in June 2014, the government announced that only Syrians from areas bordering Lebanon where fighting was taking place, would be allowed to enter. In January 2015, guidelines issued by the government came into effect, imposing new entry requirements on Syrians seeking safety in Lebanon. Categories for entry into the country include tourism, education, medical treatment and business. A category for 'displaced' was included but remains very narrowly defined and does not include those fleeing persecution. And finally in May, the UN Refugee Agency, UNHCR,

THE RESTRICTIONS IMPOSED HAVE MADE LIFE FOR REFUGEES IN LEBANON UNTENABLE

was ordered to suspend all Syrian refugee registration and ordered to de-register those who had entered in 2015.

To their credit, until October 2015, the Lebanese authorities stood by their word not to forcibly return refugees to Syria, which is in contravention of international law, known as the principle of non-refoulement. In October, this promise was almost broken when four Syrian refugees who had flown from Syria to Turkey were sent back to Lebanon, held by General Security and escorted to the Lebanon-Syria border. The intention of the General Security officers in charge was to deport them to Syria. Once the information reached the Minister of Interior, the deportation was halted.

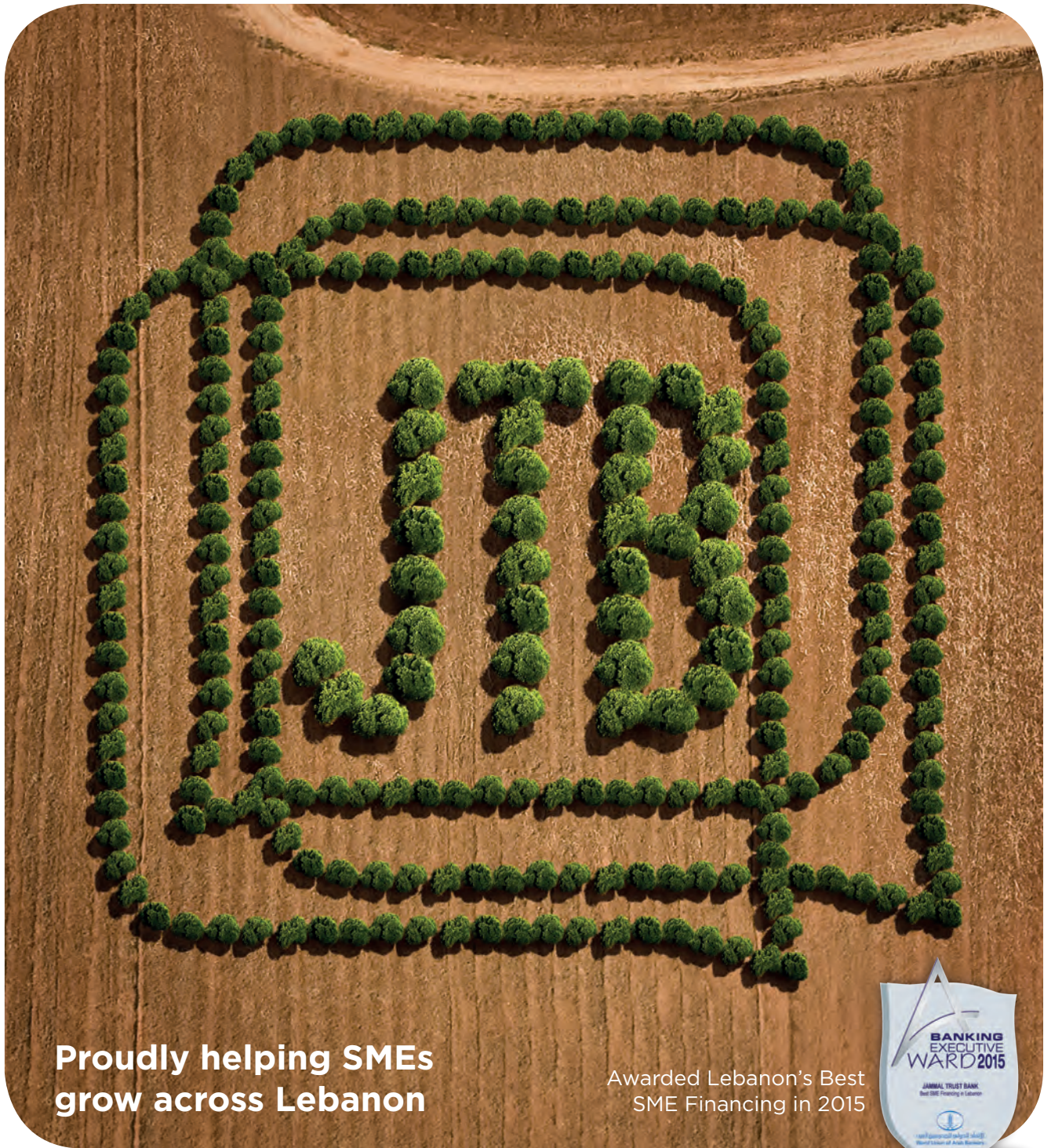
Two Palestinian refugees from Syria were less fortunate. In November the brothers attempted to leave for Malaysia via Turkey. When they landed in Turkey, rather than letting them continue their onward

journey, Turkish authorities put them on a plane back to Lebanon. In Lebanon they were detained by General Security officers before being escorted to the Lebanon-Syria Masnaa border crossing and forcibly returned to Syria. The brothers feared returning to Syria where they were due to serve their obligatory military service. Instead they remained in no-man's land and appealed to the international community to protect them. A few days later, the Lebanese authorities allowed them to re-enter Lebanon for a limited period of time.

THE PERILS OF BUREAUCRACY

In addition to border closures, new criteria for renewing residency permits for Syrian refugees were introduced in January 2015. The highly complex and costly criteria for renewing residency permits has resulted in it being almost impossible for most refugees from Syria to regularise their status. The inability to legalize their stay has drastic consequences for refugees from Syria. Refugees with irregular legal status are exposed to a range of increased vulnerabilities, including the risk of harassment, arrest and detention by Lebanese authorities and exploitation. Freedom of movement is also curtailed due to the fear of crossing checkpoints without a valid residency permit. This in turn impedes refugees' access to services including health care and education.

In order to renew residency permits, each Syrian over 15 years of age must pay an annual fee of \$200. Additional costs such as transportation to relevant offices, public notary services and photocopying costs add to the amount of the renewal fee. Furthermore, those registered with UNHCR must sign a 'pledge not to work'. Those who are not registered



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with UNHCR must provide a 'pledge of responsibility' from a Lebanese national – this acts as a sponsorship for a work permit and requires the sponsor to take full responsibility for the Syrian person's employment, housing, health care, food and other costs. All Syrian refugees must produce a 'housing pledge' which is confirmation from a Lebanese national that the property is being leased or – for those living in informal settlements – a residency statement from the municipality. Anyone who entered the country through irregular borders is denied the chance to regularize their stay. Instead they must pay a fee of \$633 and leave the country within five days. They can re-enter only if they meet the new entry requirements. If they are unable to pay the fine, they are permanently banned from re-entering Lebanon.

For most refugees, who rely on humanitarian assistance and, if lucky, a low-income job in the informal labor market, the likelihood of affording to renew their residency permit is very low. UNHCR provides cash assistance to 29 percent of Syrian refugees who are considered the most vulnerable though the number of those considered vulnerable and in need of cash is around 50 percent.

For those who receive World Food Programme (WFP) food vouchers in the form of e-cards, over half cited them as their main source of livelihoods. Due to funding cuts, the WFP stopped providing food vouchers to one third of Syria's refugees in Lebanon and Jordan over the summer and reduced the amount of assistance received by Syria's refugees in Lebanon to \$13.50 per person. In September they capped the number of people per family receiving a voucher at five people per household. An injection of funding

in October 2015 has allowed WFP to increase the amount provided to \$20 per person, per month. This source of humanitarian assistance has proved to be unreliable for most and even with the increase in the value of the food voucher, those receiving them are living on around \$0.60 a day. Furthermore, in summer 2015, UNRWA – the UN Agency providing assistance for Palestinian refugees from Syria, cut assistance for shelter due to funding shortfalls. Faced with even more restrictions than Syrian refugees, including the need to renew residency permits every three months, the majority of Palestinians were wholly reliant on that funding as a source of livelihood.


UNLESS CONDITIONS IMPROVE AND REFUGEES ARE PERMITTED TO REMAIN LEGALLY, STAYING IN LEBANON FOR THE LONGER TERM IS NOT A VIABLE OPTION FOR REFUGEES FROM SYRIA

SHARING THE RESPONSIBILITY

Between January and September 2015, UNHCR has de-registered 149,000 Syrian refugees. Some were de-registered upon the request of the Lebanese authorities for having entered the country in 2015 while others were deregistered for other reasons. The other four most likely possibilities are: they gave up hope of a better life and returned to Syria; they chose to stay in Lebanon and are no longer motivated to be registered with UNHCR due to lack of assistance; they have found a Lebanese sponsor; they moved to a third country. UNHCR has reported an increase in onward movements of refugees from Lebanon in the

second half of 2015 – though most of those leaving have come directly from Syria and transited in Lebanon. What is clear is that unless conditions improve and refugees are permitted to remain legally, staying in Lebanon for the longer term is not a viable option for refugees from Syria.

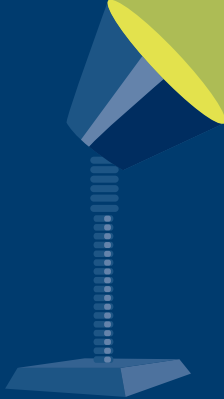
In order for refugees from Syria to be able to survive in Lebanon and to live in a dignified and sustainable way, the Lebanese government needs to ensure that no refugees who have fled Syria are forcibly returned by any manner whatsoever, including deportation or rejection at the border. It must ensure that refugees from Syria are able to renew their residency in Lebanon until there is a fundamental change in circumstances in Syria – meaning that it is safe to return. To this end, it should remove obstacles to residency renewal including removing the onerous criteria required and waiving the \$200 fee.

The international community has to seriously step up and substantially increase financial contributions to the UN and other humanitarian and human rights organizations responding to the crisis. It also needs to support the government of Lebanon in increasing the capacity of public services to meet the needs of refugees and the host communities that are impacted. Finally, it needs to share responsibility with Lebanon and its neighbours and increase the number of resettlement places provided to the most vulnerable refugees from Syria, including Palestinians who have fled Syria, over and above existing quotas. Refugees who are fleeing war and persecution must not be punished – they are fleeing the same threats and terror that fatally struck Beirut and Paris in November 2015. 

KHAIRUNISSA DHALA is refugee researcher at Amnesty International

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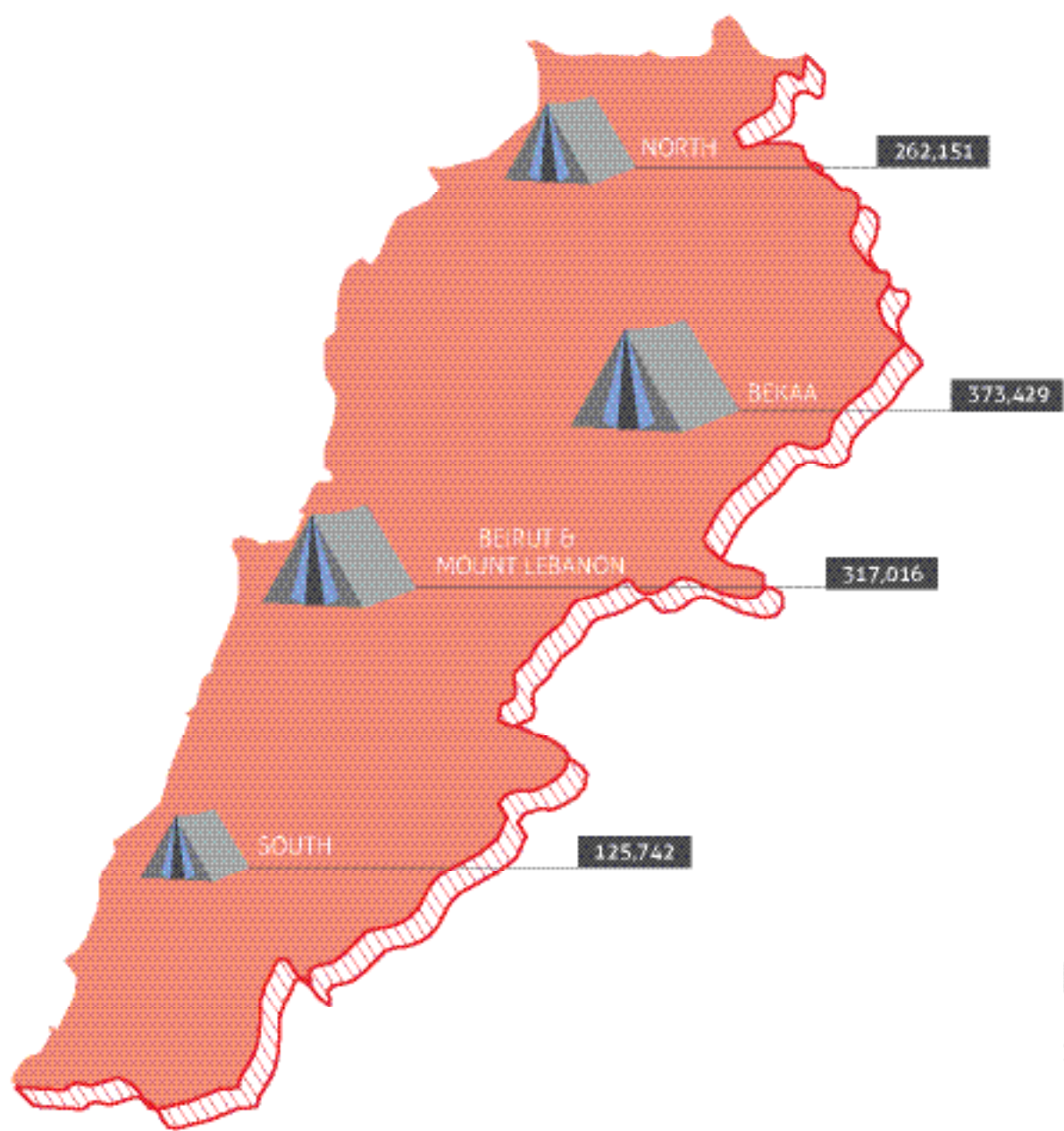
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Refugee crisis in numbers

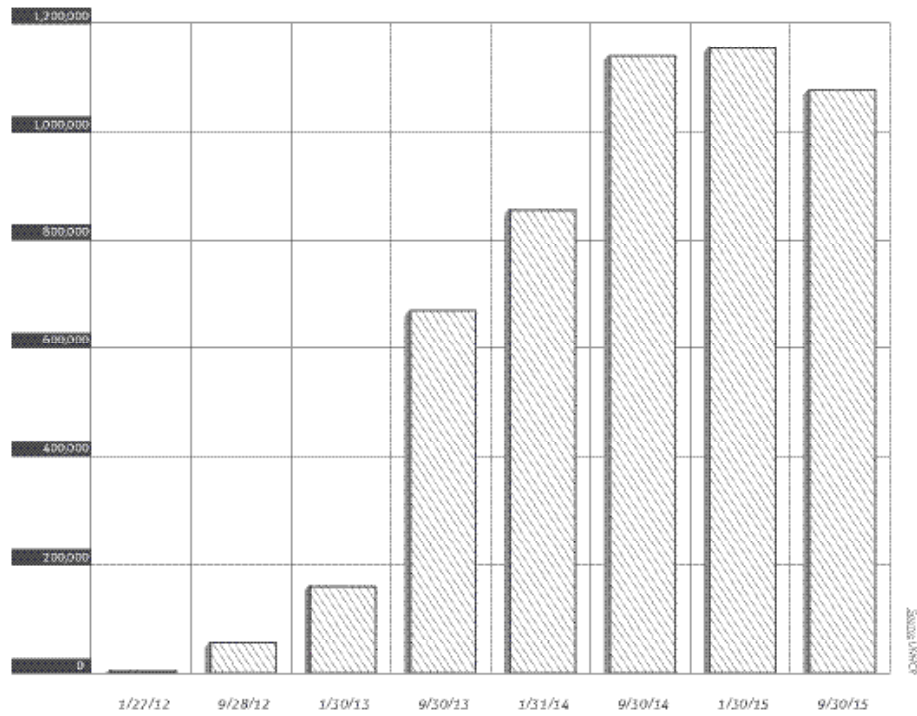
Distribution, registration and funding

REFUGEE COUNT GEOGRAPHIC DISTRIBUTION

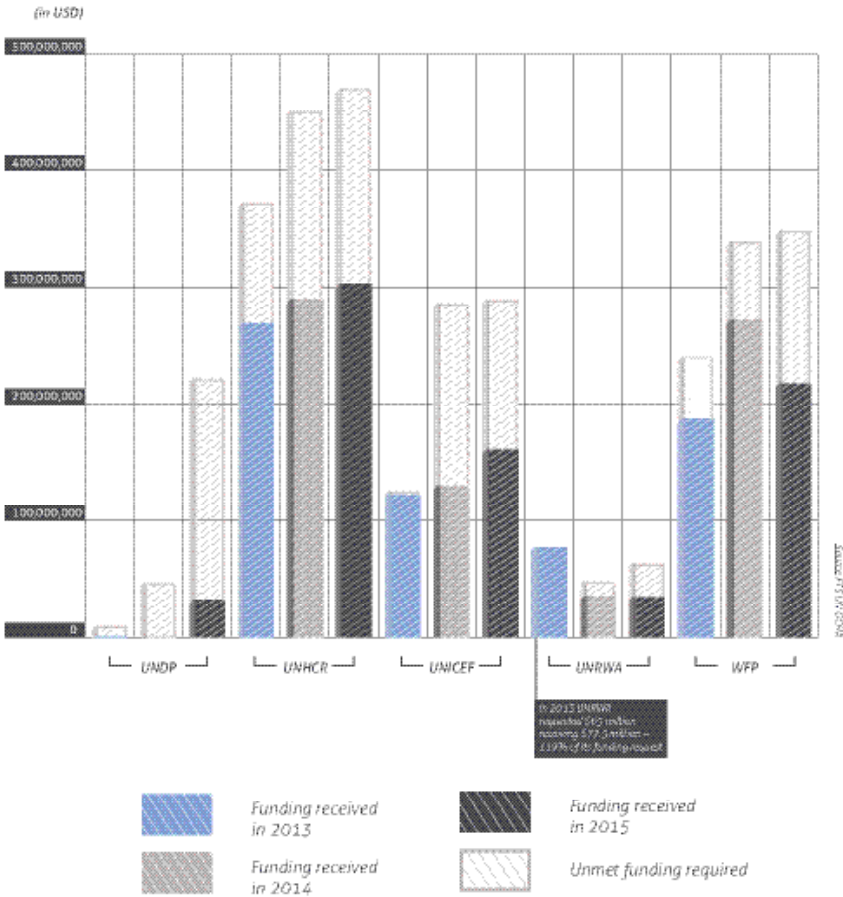


SOURCE: UNHCR as of September 30, 2012

UNHCR REGISTERED REFUGEES



AID AGENCIES' FUNDING





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BANKING & INSURANCE

The invisible calming hand

‘S oothing’ might best describe the impact of banking and insurance at the juncture of 2015 and 2016 and this would be the only positive side effect of the adverse politico-economic conditions that Lebanon has allowed itself to be steeped in throughout 2015 (and before in most of 2014). The headline figures for assets, deposits and loans all indicate that the banking sector has remained in the same good health in 2015 as it displayed in many previous years. At \$181 billion in assets, \$150 billion in deposits and \$52 billion in loans, the respective ratios to gross domestic product speak of ruddy strength in the first two categories and are all as sound as ever.

Lending to the private sector and inflow in deposits from abroad do flash signals of concern – for the economy. Weaker loan demand and the drop in growth of deposits should be taken as serious indications to do something about the health of the Lebanese market, restore political sanity and finally initiate measures to close the output gap. But from a banking perspective, the effects of lower deposits growth are fully compensated by the lower private sector loan demand and the sector’s liquidity is more than sufficient to be confident about the crucial ability of financing the public and private economy in 2016 and for several years to come.

While smaller in size than the banking sector, insurers are a guarantor of the economy and coincidentally a top partner of the commercial banks. Insurance performance in 2015 was steady according to the preliminary and partly extrapolated data for the first nine months of the year. Written premiums, before taking into account the premiums ceded to reinsurers, reached \$1.15 billion at the end of September, well on the way to a modest full year increase. Claims reached \$606.4 million, a 7 percent increase year on year, according to the data compiled by the industry association. In all major insurance categories – life, motor, medical and fire account for 90 percent of the market – the available performance indicators fluctuated within comfortable ranges when compared with 2014. Steady but not spectacular growth in the uptake of life insurance products with savings and investment components was reflected in nicely growing payouts by life insurance providers to a new quarterly record of nearly \$100 million in the third quarter of 2015.

For the moment, it is highly advisable to read the balance sheets of the two main financial sector constituents, banking and insurance, for anyone suffering from an acute economic anxiety attack or any politically induced business fatigue. An immediate calming effect will ensue and one can easily postpone calling an emergency economic rescue operator until at least the next reporting season. However, curing the fundamental ailments of our economy requires deep therapy. Painkillers will not suffice.

The mechanics that keep the boat afloat

Banking sector maintains its performance in 2015 *By Thomas Schellen*

Fear, adoration and envy are emotions with great relevance to human and business relations. If we don't look at a leader in fear or adoration, we often look at her or him in envy - but usually we keep one eye on the leader. Sometimes the only reason why we don't look to the leader is because we are too busy trying to become the boss and often it is our biggest loss if we don't learn from, copy or emulate a relevant leader.

Banks are arguably the businesses that are best positioned for being viewed as leaders in the Lebanese economic context, given their much-larger-than-GDP shares in financial assets and their lifeline function in financing the private and public sectors. In order to gain leader-level perspectives on quantitative and qualitative factors that mattered most in Lebanese banking in 2015, Executive talked to influencers at four banks that between their institutions represent some 53 percent of assets in the Lebanese banking sector, employ nearly 16,000 people in Lebanon and abroad and have networks entailing 300 domestic and 270 foreign branches, demonstrating their strong diversifications and mix of local and global approaches.

Sector leader Bank Audi ranked first in consolidated net profits but while it increased its assets by 6.2 percent year on year to \$42.3 billion, its year-to-date growth in assets, at 0.95 percent, was deceptively low when viewed only in consolidated dollar terms. The background of this dichotomous looking picture resides in the bank's operations in foreign markets and exchange rate developments between the US dollar and currencies of markets where Audi Group has significant presence,

which include the eurozone, Turkey and Egypt, according to Freddie Baz, group strategy director and board member of Bank Audi. He tells Executive: "Our consolidated balance sheet shows growth of \$398 million in assets for the first nine months in 2015. Growth of assets is reported for the year to date, according to the International Financial Reporting Standards. If I consider the constant exchange rate at the beginning of the period, which is end of December [2014] for the year to date, my assets would have grown by \$2.4 billion to September. You have to produce consolidated statements but it is a very conceptual exercise that is done

"OUR CONSOLIDATED BALANCE SHEET SHOWS GROWTH OF \$398 MILLION IN ASSETS"

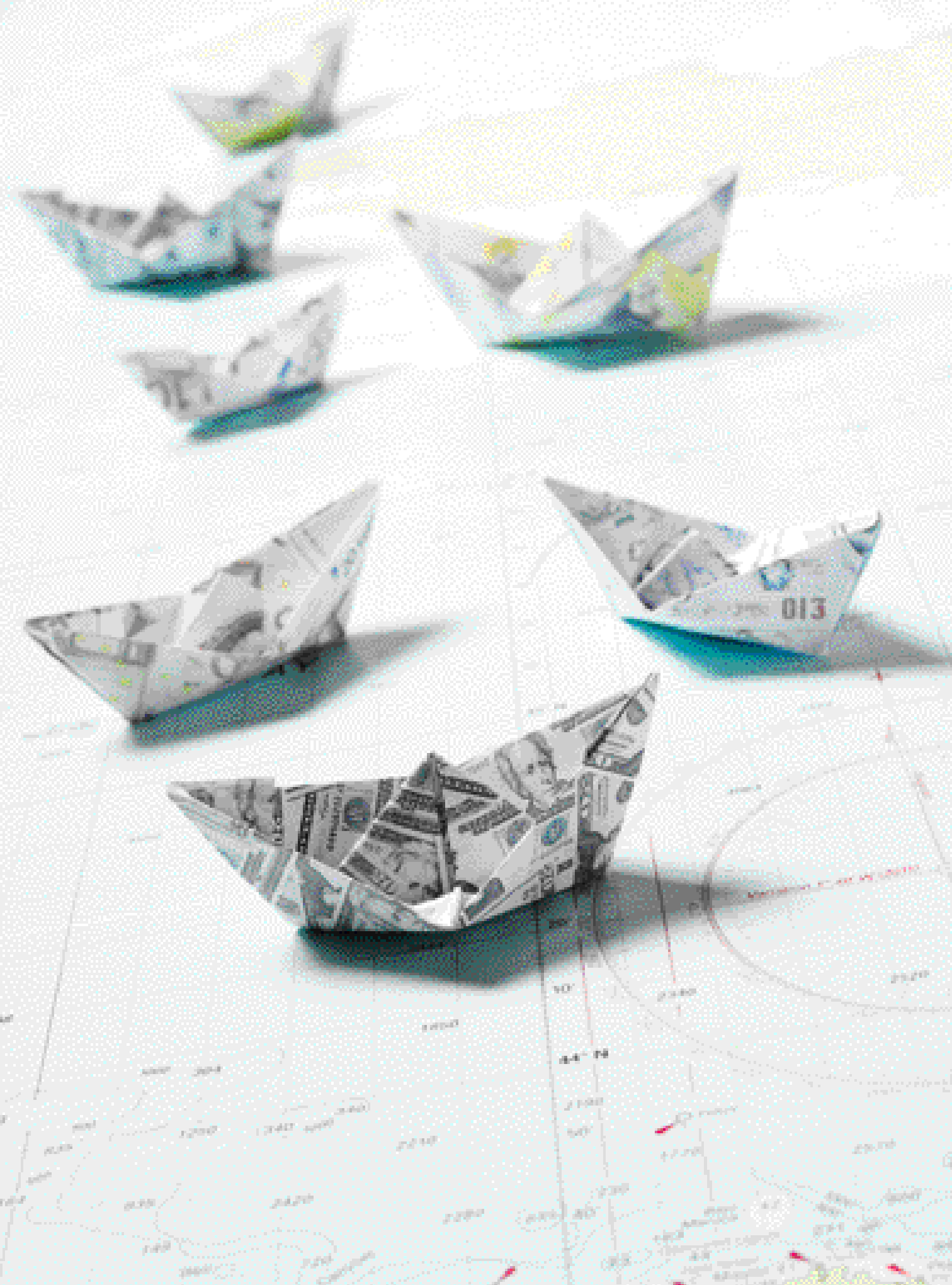
just to give a view how things look if it was one single currency and single entity and single geography. If we apply constant exchange rates, we would have seen a balance sheet not of \$42.3 billion but \$44.7 billion at end of September."

TURKISH DELIGHTS

Currency volatility in economies where Audi Group operates was most pronounced in Turkey during the first nine months of 2015, with the Turkish lira weakening by some 30 percent against the dollar, giving up much more of its value when compared with the dollar exchange rate developments of the euro and Egyptian pound in the same period. Given that Turkey is the most important market after Lebanon for Bank Audi, the reflection of the coun-

try's exchange rate drop in Audi's consolidated balance sheet would be irksome for presenting results to superficial observers. However, Baz maintains that serious analysts look at results of individual entities and claims that the stability outlook for Turkey has improved due to clear pro-Erdogan election results in early November, and also due to the fact that the lira's weakening in 2015 was driven by international investors' anticipations of things that did not come to pass, mainly the increases in benchmark rates in the United States. "Turkey has been affected so far in anticipation of those potential changes in the benchmark rates. If those changes occur [in the near future], Turkey already paid the price in anticipation. [The drop in the lira] was obviously amplified by domestic political tensions but in terms of relative weight, I still believe that two thirds of the currency slip in Turkey was due to international money market considerations, with massive exits among portfolio investors generating this volatility in foreign exchange and in interest rates because the tool [that was available] to the central bank to face the situation was to raise interest rates," Baz says, with a hidden nod to the positive implications that new growth in the Turkish market has for the performance of Audi Group going forward.

At BLOM Bank Group, international considerations are no less central but with a focus on foreign subsidiaries that were less or not exposed to the currency turmoils of 2015. Profits for the first nine months in 2015 amounted to \$290 million on total assets of \$30.7 billion. "We have seen 7 percent increase in profits so far this year and expect to see what happened in the first nine months

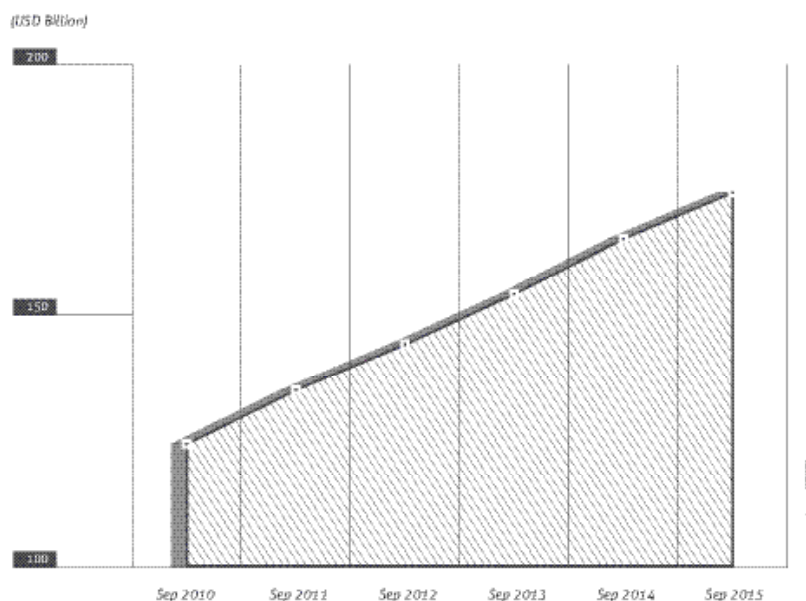


to continue through the rest of the year. All the growth in our profit was coming from outside, I would say. We had a big improvement especially in the results of our Egyptian subsidiary and also saw good improvements in our Jordanian [unit] and from our presence in the Gulf,” BLOM Group Chairman Saad Azhari tells Executive.

Maintaining the paradigm that conservatism is no contradiction to innovation, Azhari attributes the development of BLOM’s size and performance to a portfolio of conventional sounding initiatives. “BLOM has always been conservative and innovative at the same time. Our expansion in terms of presence in Lebanon is continuing as we are opening new branches in the north and also in the south and in Beirut. We have new products in retail and asset management, [such as] funds, and always try to provide the best service to our customers. We always continue to evolve because without evolving you cannot be a leader in the banking market,” he muses.

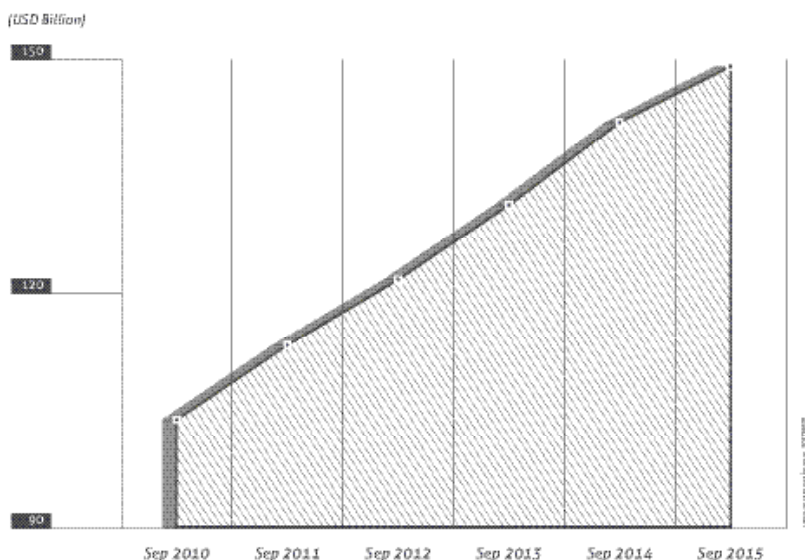
Bank of Beirut, the sector’s number three in terms of total profits achieved during the first nine months of 2015, Chairman Salim Sfeir says that his bank reached several milestones and was able to present good growth in the main financial indicators for the first three quarters. Numbers pointed to year-on-year growth above 10 percent in both assets and deposits by the end of September; loan growth was subdued, at 1.6 percent, and the loans to deposits ratio saw a downward variation of 3.17 percentage points, the largest drop by any bank in the alpha group, the tier of Lebanese banks with deposits above \$2 billion. Bank of Beirut reported 12 percent growth in net profits when compared with September 2014, ahead of the 9.7 percent increase identified by analyst firm Bankdata as the average for the alpha group. The bank was in a me-

BANKING SECTOR ASSETS

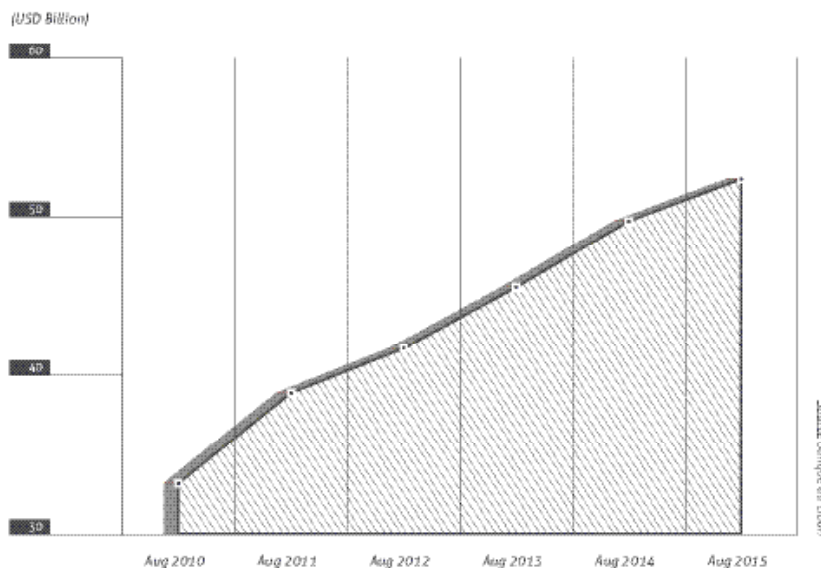


**“WITHOUT EVOLVING
YOU CANNOT BE
A LEADER IN THE
BANKING MARKET”**

PRIVATE SECTOR DEPOSITS IN LEBANESE BANKING SECTOR



BANK LOANS TO THE PRIVATE SECTOR



dian position for profit growth rates of alpha banks as six lenders showed higher rates of increase, beginning with CreditBank that nearly doubled its net profit year on year.

Highlighting the bank's activities in asset management - where Bank of Beirut had the alpha group's second best year-to-date growth in assets under management in the first nine months of 2015 - and trade finance as two areas of special strength, Sfeir explains the importance and scope of trade finance in the context of Bank of Beirut as an activity where the "Lebanese scenario is not really Lebanese" but a regional one. "Trade finance is an international much more than a regional market and we, as Bank of Beirut, are very active in trade finance not only in Lebanon but in the region and in Africa," Sfeir explains. However, he then goes on to say that trade finance activities have recently been impacted by the weakness of the oil price and related disadvantageous developments in important countries such as Nigeria where the election of the current

president was followed by decisions to limit certain trade activities. "The overall situation [for trade finance], be it in the Middle East or in Africa, is regrettably not promising for the near future. So we continue to be very active and continue to look for new opportunities," Sfeir says.

In addressing the bank's strategy mix for working in Lebanon versus its expansion steps in other markets, Bank of Beirut's chairman elaborates: "We are all dependent on Lebanon because Lebanon is our natural market and we have greater room for mobility within our own marketplace. We, meaning the Lebanese entrepreneurs, are not looking to be strong players on the international market because we are fully aware of our dimension. However, we are

**"WE ARE ALL
DEPENDENT ON
LEBANON BECAUSE
LEBANON IS OUR
NATURAL MARKET"**

very active on the international scene insofar as our potential permits. Our role, whether as bankers or traders, is internationally driven by the marginal risk-adjusted returns over and above the returns from our own market. We are, and will remain, heavily invested in Lebanon. Yet within the next 24 months, around 50 percent of our income will be produced outside of Lebanon; mainly in stable A Grade countries."

SURVIVOR INSTINCT

The long-standing second runner up by assets and deposits in the Lebanese banking sector, Byblos Bank, saw its assets increase to LBP 29.1 trillion, or \$19.3 billion, at the end of September 2015 and reported nine-month profits of \$113.2 million, almost unchanged from the same period in 2014. Growth in assets was below 2 percent in both year to date and year on year comparisons and the bank slipped one notch in asset rankings, behind relatively stronger gainer Fransabank. Byblos Bank remained in third place for total customer deposits and maintained powerful positions in the domestic market, including leading roles in deposits in Lebanese pounds and in domestic loans, as well as by openings of letters of credit and assets under management.

According to Alain Wanna, head of group financial markets and financial institutions and member in the core senior management team at Byblos Bank, 2015 was a year to prove the survivor qualities of Lebanon and Lebanese banks. "Even with all this uncertainty in Lebanon and the surrounding region and with the drop in oil prices, all of the Lebanese banks are making profits and they might report a slight increase in their profits. Deposits in Lebanon are expected to grow between 5 and 6 percent in 2015 and the assumption for the next year is that it will be the same rate of growth, so I think Lebanese banks

know how to manage in difficult and tough times,” he tells Executive.

While Byblos Bank has pioneered expansions into regional and international markets ahead of many of its peers, 2015 continued to be challenging for many of these economies. “The most material subsidiaries that we have are in Syria, Iraq, Sudan [and] Europe, plus different presences on a smaller scale. So these markets are still witnessing tough times, all of them,” Wanna admits and affirms that the bank has no plans to abandon any of them. “When we enter a market, we enter for the long term. It was unfortunate there were unexpected events in several foreign markets that we have entered. But there is no decision at the board level to exit any of these markets. We are downsizing, limiting our exposure. But it is not on the agenda to exit fully from any market,” he says.

He furthermore emphasizes that Byblos is persistent in strategizing for new expansions which could easily boost the bank’s position in the banking sector’s pecking order. In an example cited by Wanna, Byblos Bank had its eyes set on the Egyptian market for a while and placed a bid for Piraeus Bank Egypt early in 2015. However, this did not result in a win; the subsidiary of the Greek Piraeus Bank was acquired by Kuwait’s Al Ahli Bank group. The Gulf lender, which reported assets of 3.82 billion Kuwaiti dinars (\$12.55 billion) at end September 2015, paid \$149.7 million, representing 1.5 times the book value, for the Egyptian unit, Piraeus Bank said in a November 2015 statement confirming the transaction’s closure.

INTERESTING NARRATIVES

A look across the banking sector’s developments in 2015 beyond the overall numbers and the performances of banks in the top size bracket shows numerous interesting narratives confirming which concerns are

current and which have faded or are not yet getting attention. Quite a few of these stories relate to the banking sector’s inner workings and some specifically corroborate that the troubles of the Lebanese economy and state governance from the recent past have not impaired the sector’s appetite for growth and have not deterred aspirations of banks that believe they can mobilize enough competitive energy to push beyond the \$2 billion deposits threshold that currently defines the alpha group.

In one such indication on the sector’s confidence and ruddy health, newcomer Cedrus Bank said in early spring 2015 that it wants to grow into the sector’s top size stratum. The new bank was formed in a collaborative effort between the local Cedrus Invest Bank and emerging markets

“THE STABILITY AND NOTABLE RESILIENCE OF THE LEBANESE MARKET PRESENT AN OPPORTUNITY”

specialist Standard Chartered which sold its Lebanese operation to Cedrus after trying for about 15 years to make its model succeed in the small market here. Standard Chartered officials did not want to disclose how they priced the sale to Cedrus or how much money they injected into their local adventure over their years of direct presence; both banks emphasized that they would collaborate in future.

Another bank that voiced its high ambitions in 2015 was Middle East Africa Bank (MEAB). Having just emerged from a succession transfer of ownership and corporate leadership, MEAB’s new chairman, Ali Hejeij, told Executive that it is his declared aim to reach alpha bank status. In response to an interview request for Executive’s year end issue, the bank confirms in a written statement

that its goals for 2016 and beyond include “working towards becoming an Alpha bank in Lebanon”.

“We believe that the stability and notable resilience of the Lebanese market present an opportunity for MEAB to continue to grow in the coming years, both in Lebanon and in foreign markets,” MEAB General Manager Nabih Haddad adds, conceding, however, that it may be “too soon to develop a firm assessment of the bank’s performance” in the short time since the change in leadership in midyear. The transformation at the time had been related to a June 2015 action by the United States’ Office of Foreign Assets Control, which had placed Kassem Hejeij, the father of Ali and the bank’s chairman at the time, on a blacklist of alleged backers of Hezbollah.

BIG BROTHERISM AND OTHER FOREIGN IDEAS

Troubles with US politically-motivated interference in Arab banking have been impacting the operations of regional banks in varied ways since the 9/11 terror attacks against America. More important in 2015 than sanctions against individual businessmen and bankers have been the indirect effects of US policies where international banks tended to cut correspondent banking relationships with Arab banks. This problem had been highlighted by the Union of Arab Banks in several statements and contributions to the international conference in 2015. However, de-risking is a concern for all banks and could even lead to a new banking crisis, comments Bank Audi’s Baz. “By definition, a bank cannot survive if it’s not being provided correspondent banking services. All the global banks have been reducing their number of relationships, leaving medium to small banks without any correspondent relationships; [this] is no prospect for the future. We are talking about thousands of those

BANK PROFITS

BANK	PROFITS (in usd million)	RANK	PROFIT GROWTH*
AUDI	304.4	1	8.68
BLOM	299.0	2	7.59
BANK OF BEIRUT	138.1	3	12.95
FRANKABANK	121.3	4	15.34
SGRI	120.9	5	9.29
BYBLOS BANK	112.9	6	0.26
BANK MED	113.2	7	6.08
BLF	81.1	8	9.75
CREDITLIBANAIS	53.8	9	19.95
BL	52.9	10	26.9

* in percent, year on year

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banks globally,” he explains.

According to Bank of Beirut’s Sfeir, foreign pressure continues to weigh down banks that are based in the Arab world and a different international leadership paradigm would be more productive. “We are being severely affected by the politically oriented actions of our big brother, the US government, which is being very unfair toward their followers in the region. Our American brothers have to be fair to our markets as much as they are fair to their own market if they are looking for [and maintaining a role of] international leadership. Leadership should be balanced,” he says.

An existential concern for banking (at least in theory) is the commitment and measurable contribution to society as function of their sound economic performance. More than the charitable engagements and social responsibility undertakings that can be presented in annual CSR reports - but are done so by too few Lebanese banks until now - the core issues in this regard are the governance performances, macroeconomic contributions and model functions vis-a-vis the state and society that banks must have an interest in carrying out, for the sake of their sustainability and long-term profitability.

With respect to governance,

banking leaders are rather confident that they have not only come a long way in applying corporate governance standards but also are doing more than complying with the legal minimums that are being raised every now and then by the central bank via new circulars imposing stricter standards. BLOM’s Azhari says that both the Lebanese banking sector and the bank “are definitely improving in terms of governance, [such as] how you manage the bank and how you manage the relations with all stakeholders, in terms of employees, of shareholders and of customers.”

Baz says that for Audi it was a confirmation of extreme validity in the bank’s corporate governance approach when its corporate secretary and “godfather of corporate governance at Bank Audi”, Farid Lahoud, was invited in 2013 and 2014 to first become a member and then the chairperson of the World Health Organization’s audit committee.

Regarding the cost of corporate governance and increasing compliance regulations, he cites the issuance of a circular by Banque du Liban that required banks to employ a compliance officer in each branch. “We have 82 or 83 branches in Lebanon, [so] we have to have 83 compliance officers, one for each branch, in addition to which a lot of [information

technology] systems are required. There is a cost, obviously, and all banks are incurring an additional cost for compliance,” he points out and argues that compliance needs to produce a good balance between certain compliance-induced reductions in the volume of business and improvements in business quality.

From the cost-benefit perspective, corporate governance is productive in relating to business clients which have stronger sensitivities regarding a bank’s policies that protect clients against information abuses and conflicts of interest but also in interacting with the average retail customer, claims Azhari. According to him the requirement for branch-based compliance officers meant that processes have become “perhaps more regularized” but BLOM could implement the change without direct extra cost to the bank. “But I can tell you that having good governance was always something [that] we felt gave us extra business,” he enthuses.

FOREIGN PRESSURE CONTINUES TO WEIGH DOWN BANKS THAT ARE BASED IN THE ARAB WORLD

In the view of Bank of Beirut’s Sfeir, corporate governance in Lebanese banking is indeed on course to a “very positive evolution”. “We are improving yearly and are on the right track,” he says.

ABOUT GOING THE MACROECONOMIC MILE

Whereas banks have a solid track record of highlighting their vital macroeconomic role of financing the private and public sector needs in Lebanon, 2015 saw some renewed accusations that banks were part of the country’s economic malaise by being in cahoots with political elites in a state of crony capitalism. All bankers



in communication with Executive dismissed these accusations outright. Banking and politics don't mix at Bank of Beirut, argues Sfeir, as each side's interests conflict fundamentally with the other's, and "a banker has no advantage to be a politician because he will lose his bank and a politician cannot afford to be a banker because he will lose his market."

Byblos' Wanna would not comment on the issue but Azhari says that allegations of mistrust between the Lebanese and their banks are generally unfounded. Pointing to studies on the reputation of different institutions and sectors in Lebanon, he concedes that banks are generally not liked in countries around the world. It may be a universal sentiment that banks are more trusted than liked, "but in Lebanon banks have a good image compared to other industries," he assures.

In Baz's view the tendency to accuse banks of profiteering is in

ALLEGATIONS OF MISTRUST BETWEEN LEBANESE AND THEIR BANKS ARE GENERALLY UNFOUNDED

one way still related to times when interest rates on government debt instruments - such as treasury bills and certificates of deposit - were in double digits and ranged during some periods as high as 35 percent. However, this perception is flawed, he reasons, because banks operated with lower interest rate spreads than commonly thought. According to him spreads, which are presently around 2 percent, reached 4 or 4.25 percent "but not 10 or 15 percent" in those days. "I don't have any respect for those populist messages [accusing banks of crony capitalism] which are not documented and unjustified. If one is professional and techni-

cal, one would say that the main suffering of this country entails no implicit or explicit or whatever alliance between banks and any third party, ever," he exclaims and goes on to say that such accusations fail to address the real problems behind the Lebanese underperformance of many years.

The problem, he maintains, lies in what he calls the 'Dutch disease' of the country's reliance on recurrent yearly inflows that boosted domestic incomes and triggered household consumption far beyond the domestic output ever since Lebanon's independence. "This generated very high dependence on imports in order to cover household consumption. At the end of the day [these dependencies] translate into lower potential growth rates in GDP but, more dramatically, it creates not only lower growth rates [in the economy] but also a much lower job component in those lower growth rates," he reasons.

What is needed for Lebanon in light of this entrenched problem is something that banks cannot produce. "What we need to do - and here our politicians have failed and banks are accused of not helping through inclusion - is initiate a process through a new social contract in Lebanon between politicians, working people and economic associations," the board member of Lebanon's top bank advocates with verve. Baz is on a roll and continues "The solution that we need is to shift from a domestic-demand-triggered growth in Lebanon to a foreign-demand-triggered growth, by lowering consumption, [and] by increasing real savings. In order to promote productive investments, to bring back Lebanese labor, to have competitive exports and to lower the dependence toward inflows and inputs, we need a new social contract. Banks can probably speed up the process but we cannot initiate it." 

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Skating on

Bankers project many-colored shades of optimism and realism on 2016 *By Thomas Schellen*



It has been documented beyond any question that when it comes to discussions of the outlook for the future, bankers are no more endowed with privileged knowledge or exclusive insights than the next best economist or fortune teller. The caveat against clairvoyance has been enforced in 2015, in no insignificant form, by the frantic performances of analysts and investors in their behavioral reactions to the yearlong grotesque search for the right moment to raise interest rates in the world's - still - largest economy.

As the fallouts of the global uncertainty over America's interest rate normalization are tapering out in the year's waning weeks, Lebanese banks look to the regional future with sanguine humors interspersed with calculated expectations of more-of-the-same-as-2015 for the domestic economy.

Salim Sfeir, chairman of Bank of Beirut, expects import-boosting

impacts on Lebanon to arise from the European setting, which will be tentatively positive for the bank. "The ECB's quantitative easing will put some downside pressure on the euro. This depreciation in the single currency will lead to increased imports from Europe as Lebanon is essentially an importing country whose economy is dollarized. This is not only true for us, but also for the region whose economies are also dollar-oriented. Thus the decrease in the value of the euro will give Bank of Beirut an advantage for trade finance activities. How much this will act to the benefit of Bank of Beirut's trade business, we

**"MORE IMPORTANT
THAN THE DOLLAR
INTEREST RATES
IS THE OIL CRISIS"**

cannot assess for the time being as this will depend [on] if the marginal increase in trade volumes offsets the marginal decrease in the USD value of the transactions," he says.

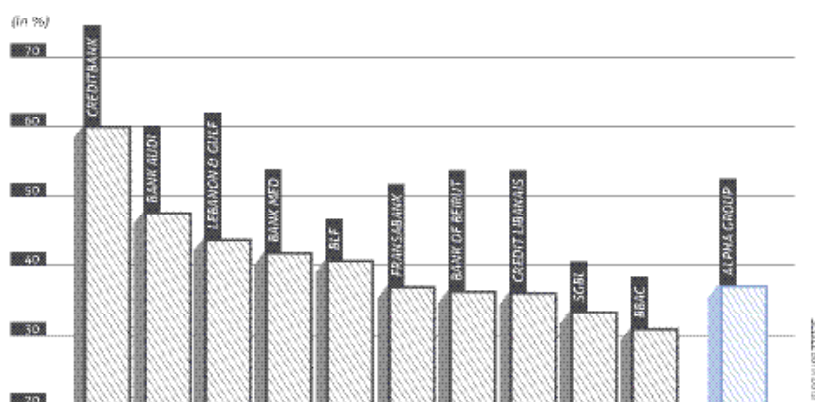
In Sfeir's view, monetary policy in the European Union will have a mixed influence on Bank of Beirut's business. "The decrease in the value of the currency will certainly affect the trade finance aspect positively; on the other hand, new investment opportunities in Western Europe, as far as banking is concerned, are not on the positive side. This is why we are now exploring avenues in Eastern Europe and continue to be optimistic for the near future."

OIL MARKETS EFFECT

Impacts from regional and international developments will be determined not just by interest rate evolutions in global financial markets, but by oil prices that have a cost-mitigating effect on the Lebanese economy when they first unfolded between late 2014 and early 2015, says Alain Wanna, head of international financial markets and institutions at Byblos Bank. The first worry that he sees for Lebanon is, however, political and domestic.

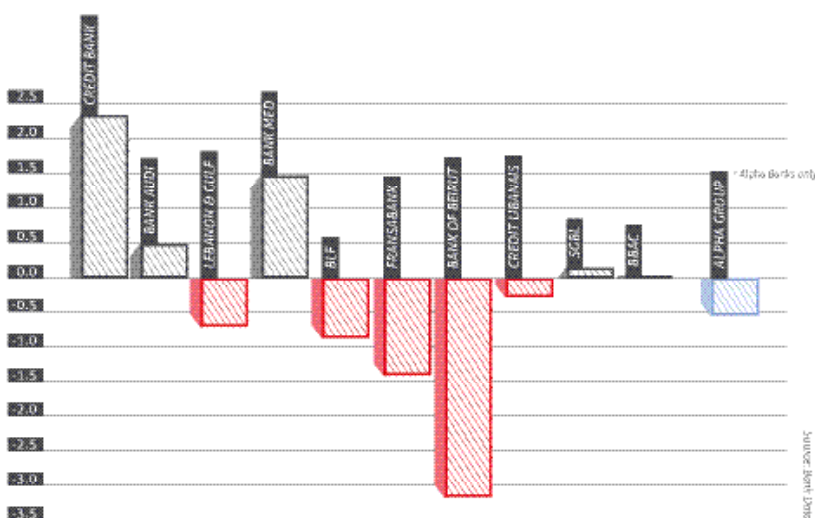
"What will happen in US dollar interest rates is not the main issue for Byblos Bank and for the Lebanese banking sector. It is a factor, but the most important factor is the political uncertainty in Lebanon. Also more important than the dollar interest rates is the oil crisis, because what is the main source of the deposit growth in Lebanon? It's Lebanese living abroad remitting to Lebanon, and the bulk of these Lebanese who remit to Lebanon live and work in the Gulf. Oil is the main driver for Gulf economies. It provides liquidity, the liquidity is

BANK LENDING TO DEPOSITS RATIOS



VARIATION IN LOAN TO DEPOSIT RATIOS YEAR ON YEAR CHANGES AT END SEPTEMBER 2015 FOR THE TEN BANKS WITH THE HIGHEST LDR RATIOS

(in %, for the ten Alpha Group Banks with the highest LDR ratios)



placed with the banks, and the banks lend it to the private sector. Thus if governments [of oil exporting countries in the GCC] start withdrawing money from the banking sector, that means that the banking sector will no longer be lending,” he says.

Reduced spending on infrastructure and restrained lending practices are likely to impact the incomes of Lebanese expatriates across the GCC and not just those working in the energy sector, Wanna adds when

explaining why he sees the global oil price environment as a potential critical factor for monetary inflows to Lebanon in 2016.

From the perspective of the banking sector’s earnings, the short-term effect of interest rate normalization in the United States will actually be quite positive, according to views that have prevailed among bank economists for some time. This optimistic expectation from the banks’ perspective is based on a combination of factors, ex-

plains Freddie Baz, Bank Audi’s group strategy director. “The deposits in the Lebanese banking sector represent 3.5 times the gross domestic product in Lebanon. This means that we have ample liquidity levels and since we are dollarized; two thirds of this liquidity is in US dollars,” he says.

According to Baz, the placements of this liquidity are normally split between the Lebanese central bank and international correspondent banks. As deposits with either institutions generate interest at rates influenced by the Federal Reserve Bank’s decisions, Lebanese commercial banks stand to reap interest income benefits on both levels. Due to the mechanisms of international financial markets,

“DEPOSITS IN THE LEBANESE BANKING SECTOR REPRESENT 3.5 TIMES THE GROSS DOMESTIC PRODUCT IN LEBANON”

banks can expect to receive additional basis points in interest “at least for the current year and the next year” when normalization is implemented, says Baz. The impact of normalization will, at some point, reach the Lebanese banking market and clients here will require upward adjustments of their interest receipts on deposits, but Baz does not expect this to occur until US prime rates climb to near the 2 percent mark.

INTEREST RATES

Based on Fed statements that the interest rate normalization will most likely proceed not in regular steps but carefully reviewed small increments, expectations of federal funds rate levels to reach percentages of 1.5, 2, or more have, from November 2015 onwards, been pointing closer to 2017 than any date in 2016. For average banking customers holding dollar

assets, this does not offer great interest income prospects (although better ones than euro assets holders can hope to see in the EU). For Lebanese banks, the picture is better. "It's easier for banks to manage their spreads in a high interest rate environment than in a low interest rate environment so we always manage to get benefits with time. But [in the near term] we will probably get 100 percent of the improvement in spreads because the interest already paid on our funding is much higher than the benchmark," Baz suggests. He continues, explaining that "up until rates would reach, in my opinion, close to 2 percent, it won't trigger in principle any pressure to increase cost of our deposits, so it will be a 100 percent impact. When we get closer to our cost of deposits in US dollars, then our customers will start to require more interest, so [the banks' advantage from the interest rate developments] will probably be 80 percent [of the total] benefit for us, and then 70 percent, then 60 and 50; but there will always still be a positive carry on our deposits, after all those

accumulated negative carries."

Looking at strategic opportunities in the settings of 2016, if all regional and national political and security factors were to remain the same, it would be a different form of challenge. Mergers do not necessarily warrant the strongest expectations for 2016, according to Sfeir. Whereas Bank of Beirut advanced by successfully implementing several inorganic acquisitions in the past, he tells Executive that the political environment in Lebanon is not ready and that, in the current environment, it is much better for banks with acquiring potential to use their energies to defend their market positions. He argues that the considerable energy required for combining two banking cultures into one can be used for greater rewards in pursuit of organic growth.

ABROAD AND AT HOME

As for international expansions, one would err in expecting opportunities to be compelling and the Iranian option is not self-evident for the short term at all, Executive is told. "It is too

early for us to speak about Iran. We have yet to see when the sanctions are removed and what sanctions are removed," explains Saad Azhari, the chairman of Blom Bank. Rather than Iran or any distant country where Blom has no foothold yet, he says that Blom will focus on more familiar territories: "We are looking generally to expand our presence in the countries where we have networks and we are looking at additional countries

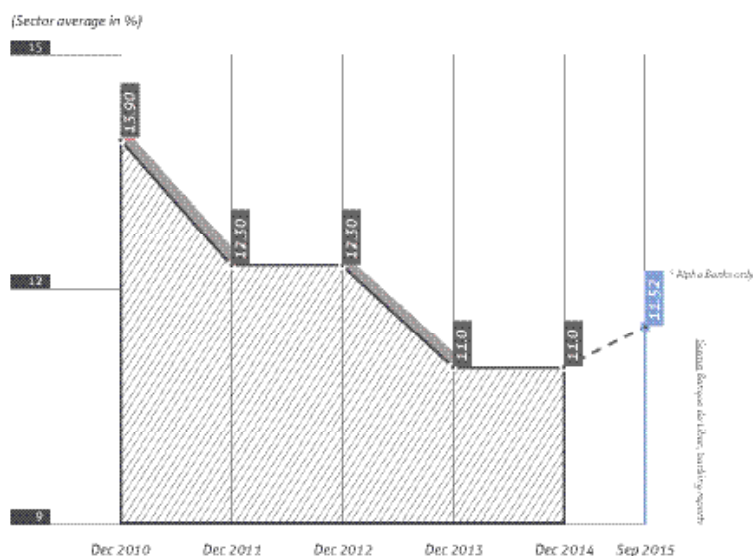
"DO YOU THINK IT IS [IN] THE INTEREST OF BANKS TO HAVE POOR POLITICAL AND ECONOMIC GOVERNANCE?"

especially in the Arab world, but there are no immediate plans."

A solution to the political problems of Lebanon, then, would be the best platform for giving banks their best opportunities in 2016. Any assumption that banks have a benefit from the status quo of a dysfunctional state would be wrong, says Baz. "Do you think it is [in] the interest of banks to have poor political and economic governance? That this would sustain the good business environment that we need to prosper, to grow? -- The answer is no. Everything which translates into improved political and economic governance is welcomed by the business community at large, not only by banks, but by banks more specifically."

For the Bank of Beirut chairman, human wisdom alone is not what the country should search for in the coming year. In Sfeir's words, "Our plans for 2016 are directed towards God. We are praying to God to give some wisdom to our politicians; we are praying to God to give some wisdom to our fellow bankers; and we are praying to God to give some wisdom to the players in international politics. There is plenty of room to pray and through prayers, we should be a bit more optimistic."

RETURN ON EQUITY OF BANKS



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Stepping into the light

Lebanese insurance companies embark on new initiatives *By Thomas Schellen*



Historically, insurance companies and organizations for mutual protection have originated from taking on roles in the acceptance and coverage of risks that led them in a next step to develop strategies for risk mitigation and, with further passing of time, assume responsibilities to prepare for future risks. With the present era's accumulations of uncertainties and concentration of both known and yet unknown risks of unprecedented dimension, from climate change to new technologies, the role of insurance companies in preparing for global and local risks is of massively increasing importance in every single economy.

In this global context, Lebanese insurance companies in 2015 served the local economy with a portfolio of services focused on traditional needs for coverage. Of the \$1.15 billion in premiums written until the end of September, \$352.4 million were in medical insurance, \$252.4 million in motor, and \$88.8 million in fire.

In the life insurance segment, premiums were reported as \$335.9 million at the end of September; life policies were distributed in 60:40 ratio between savings contracts and protection-only covers in terms of value. By volume, life policies numbered roughly four to one in favor of protection-only contracts over contracts with a savings component.

In terms of distribution of gross written premiums between the main segments, the shares of around 30 percent each for life and medical, 22 to 25 percent for motor, and 7 to 9 percent for fire are consistent with market structures of the past five years.

EMBOLDENED ASPIRATIONS

The Lebanese insurance sector has, after experiencing the 1975-1990 civil war and subsequently redeveloping its capacities in the 1990s, moved along a steady growth trajectory in the last 15 years. In performance terms, the sector has demonstrated its durability by generating growth in

premiums and assets for a third consecutive year in 2015 during a period when the economy at large was faced with external pressures and internal constraints.

As the second-most important constituency of the financial economy after the banking sector, insurance companies have intensified their efforts in 2015 to heighten the standing of insurers vis-a-vis other sectors in the Lebanese economy. An increase in insurance awareness among national policymakers and corporate decision makers has been the pursuit of the Lebanese insurance association for quite a while. The task has proven difficult for all national insurance sectors in the Middle East as a region where insurance density and penetration are among the lowest in the world, even as Lebanon is a regional leader in terms of insurance penetration, or the share of premiums in gross domestic product, with a penetration rate of around 3 percent.

However the domestic slump in

several sectors and industries, such as hospitality, trade, and real estate, and the further deterioration of the stock market, where the Beirut Stock Exchange suffered an almost 16 percent drop in its index and was among the three worst performers among the region's national stock markets, made it easier in 2015 for the insurance sector to present their values and stress their importance to major stakeholders in politics and the business community.

A highlight in this regard was a regional conference on the Lebanese oil and gas sector, co-hosted by the industry association and by the General Arab Insurance Federation (GAIF) in June 2015. Besides discussions on the regulations for oil and gas insurance that would ascertain a participation of Lebanese providers in covering energy exploration and exploitation ventures, the event's biggest topic was an endeavor to develop a pool for oil and gas insurance under management of ACAL.

Other initiatives presented by the association for enhancing coverage capabilities for important risks were projects for an aviation pool and for an earthquake pool. As the projects are new, the willingness of providers to collaborate on creating these asset reservoirs for sharing of large risks has yet to be confirmed. Insurance experts expect that these pools, once implemented, will deliver a strong growth impulse to the sector. However, behavioral change of sector members will be needed in order to develop viable business opportunities in the country's emerging oil and gas business, well-known regional insurance broking specialist George Kabban cautioned during the June 2015 conference. If local companies continue to behave as they did in the past, they will have zero returns from the notably high risk prone energy business, he said.

DANGERS OF INERTIA AND REGRESSIONS

Challenges remain for 2016, and

most likely beyond, in the operational and competitive environment, sector and corporate structures, and the governance of insurance companies. The insurance landscape includes providers that operate as mutual organizations for agricultural producers, or members of the public sector that are monitored by ministries but are not under the supervision of insurance regulators. The leeway that these organizations have over fully regulated private sector players is a major distortive factor to the competitive environment.

In terms of the sector's structure, consolidation is an unsolved challenge that is intertwined with problems of transparency and lack of corporate governance at insurance companies. Among Lebanon's

NO LEBANESE INSURANCE COMPANY IS TRADED ON THE STOCK MARKET

more than 50 operational insurance companies, some are subsidiaries of international or regional financial conglomerates, some are owned by Lebanese banks, and some are joint stock companies in private shareholdership. No Lebanese insurance company is traded on the stock market, however, and only very few insurers produce and publish annual reports according to best practices for financial companies that want to be transparent to shareholders and attract investors.

According to numerous comments from analysts and executives at companies within the sector that have expressed interest in making acquisitions, the lack of proper corporate governance and the slowness of reaching needed consolidation are interrelated. Corroborating this further, a successful exit by private equity fund Euromena and new regional

equity participation in Lebanese reinsurance player Chedid Re was helped greatly by implementation of corporate governance at Chedid Re.

Although insurance performance in 2015 was seen as solid by sector leaders, the sector was exposed to the effects of the state's inertia and administrative limits for making needed decisions that have resulted from the political systems failure in electing a president and legitimizing policy measures. As a change in the leadership of the Insurance Control Commission (ICC), the supervisor of the sector's compliance with regulatory, market conduct and reserving rules, was instigated in the first quarter of the year, appointment of a new ICC head was on the agenda at the Ministry of Economy and Trade. A successor for the departing commissioner was selected with a lag time of several months but only weeks after sending notes of his appointment, an announcement in the government organ, The Official Gazette, informed the market that the appointment had to be withdrawn because of legality issues.

With no certainty about the further length of the political crisis, no commissioner in place and reversal to an interim holder of the position, the potential for a gap in supervisory effectiveness could not be excluded as the insurance sector moved toward the end of 2015. Moreover, as a long overdue new insurance law is unable to progress into parliamentary approval and ministerial implementation, a number of concerns over implementability of needed systemic improvements exist in the outlook for Lebanon's insurance sector. In the short term, however, the expectations for 2016 are reasonably positive in terms of performance and insurance leaders are optimistic about hosting the region's top sector event, the GAIF general conference, in May of 2016.



Insuring Lebanon

Talking the country's stats and figures with Max Zaccar *By Thomas Schellen*



E XECUTIVE sits down to talk shop with Max Zaccar, who was elected in May 2015 to be the president of the *Association des Compagnies d'Assurances au Liban (ACAL)*, the association of the Lebanese insurance industry.

E How do you assess the situation in the insurance sector in the year to date?

The figures show that we had a 6 percent increase in our premium income in the first quarter. It was less in the second quarter and growth dropped back to 1 percent but I believe we will end the year with an increase of at least 3 or 4 percent, as we did in 2014.

E Did you see any areas where demand or market responsiveness to insurance fluctuated in the economic environment of 2015?

As insurance companies we follow the development of the economy and the economy has been developing in

2015, so in fact we had an increase in all lines of insurance. The only problem is the intensity of competition. Competition has brought rates down and that is why the increase in total premiums is not as much as it should be. If we take for instance the marine business, the results of Port of Beirut were good but the premiums were going down. We also saw a lot of competition on fire insurance and other lines of business. Thus, having a 4 to 5 percent increase in premiums for 2015 will be a very good result.

E There were signs from the real estate market that transactions and issuance of construction permits were going down again. Did that affect engineering insurance?

I personally have not seen analytics of the figures in the engineering business but when you see all the construction cranes around the city [it's evident that] there is no crisis. It is possible that many of these are small buildings that do not buy contractors'

all risk (CAR) insurance but building activity is going on and large projects insure for CAR.

E In 2015, there were a few high-profile fire incidents that were covered by the media, such as the blaze that gutted Skybar. Were there any signs that moral hazard in the fire insurance has been higher than usual in 2015, because of economic difficulties?

First of all, the insured loss at Skybar was not catastrophic according to what I know. There was probably a severe impact [to the company] due to the loss of profit, because it was at the beginning of the summer, but the actual damages were not that large. I don't think we have any increased moral hazards in the claims that we experience in Lebanon.

E One of the highlights of the year for the insurance association was the conference you held about oil and gas insurance. Did the event fulfill your expectations?

Definitely, because we showed the authorities that we are serious in thinking about insuring the oil and gas industry. We want to make an insurance pool by the ACAL member companies that will be managed by ACAL. The conference was a good presentation to the Lebanese Petroleum Administration (LPA) and the Ministry of Energy [and Water] that we are serious in doing this.

E Has progress been made in regard to the legal question of mandating oil companies to rely on local insurers?

We have asked for a change in the [oil exploration] law and this has to be signed by the Council of Ministers. This is not yet finalized but we have the support of the energy ministry and of the LPA.

E You are preparing to host the General Arab Insurance Federation (GAIF) conference in May 2016. Is that project on course?

Yes. We have a very good team looking after the preparations and wherever we go to conferences abroad, the response is excellent. There is real good interest from international insurance companies to come to Lebanon for the GAIF.

E What are your expectations as far as overall business development or regulatory developments in 2016?

The problem with all legal statutes is that everything is frozen and so we don't see any real change. We have a very good minister of economy who comes from the banking sector and understands the need of the insurance market.

COMPETITION HAS BROUGHT RATES DOWN AND THAT IS WHY THE INCREASE IN TOTAL PREMIUMS IS NOT AS MUCH AS IT SHOULD BE

E Any comment on the situation at the Insurance Control Commission (ICC) and the changes in leadership there?


We have an interim head of the ICC. We were expecting a new head but this didn't happen because the Council of Ministers did not meet [on this appointment] or wasn't in a position to approve.

E What are your plans as far as the relationship with the insurance intermediaries goes, especially as the Lebanese Insurance Brokers Syndicate

(LIBS) also elected a new president in 2015?

LIBS also changed many of their board members and we welcomed the new board in early November. We have created a joint agenda that we will be working on together, so we hope to develop the relationship with them.

E The insurance industry has often not been very visible when it comes to corporate social responsibility. Does the association pursue any new initiatives in this regard?

We might be a little bit behind in this regard but I believe that each insurance company has its own CSR policies. We at the association are trying to do our part, especially in environmental issues. We are recycling as much as we can and we are making many changes to our building, to save energy and so forth. 

In recognition of its achievements as a leading HP Partner in Lebanon, CCI the HP Enterprise Business Unit of ICC Group earned **Emerging Partner Award** for 2015 during the regional event held by HP in Dubai on October 21st, 2015.

Below is the introduction that was made before announcing ICC's prize:

"Operating in this market is by no doubt highly competitive and challenging, and to overcome daily challenges requires a high level of determination, accountability and reliability. In this category we will award an outstanding partner who has been instrumental in representing and growing HP shares in the Government sector. This partner was capable of moving up in the big league by delivering hyper growth and business development by doubling their Year over Year figures across all enterprise business units, and tonight this must be recognized and celebrated. The Emerging partner of the year award goes out to ICC from Lebanon."



TRIAL VERSION



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ENTREPRENEURSHIP

Lebanon's most innovative thinkers

If there was a financial model that could quantify enthusiasm, Lebanon's entrepreneurship ecosystem in 2015 would break the scale. Now that venture capital is starting to discern potential, entrepreneurs in the country are being given more opportunities to pitch to investors. The second central bank (BDL) entrepreneurship conference, BDL Accelerate, had to extend its capacity by 66 percent of the original 3,000 attendees target due to this increased belief that ambitions and value creation are attainable. Although the money from Circular 331 is coming in slowly, mainly due to deal flow stagnation and VC's low risk appetite, some effects of the BDL stimulus are at least being felt in different corners of the ecosystem. Accelerators re-emerged because of this funding, from which several of the Top 20 Entrepreneurs in this report have profited. Members of the Lebanese diaspora, such as the CEO of Speed@BDD Sami Abou Saab, who was formerly based in the United States, have come back to the country to head up these programs and offer guidance to the country's newest entrepreneurs. Seedstars World, the yearly global startup competition which targets emerging markets, held its first Lebanese event in Beirut at the end of November 2015, and the winner – Merchandiser, a startup which uses analytics to reduce sales loss – will go on to compete for up to \$500,000 in equity at the final event held in Geneva in March 2016.

The sector is gaining traction, which is good news for Riad Salameh who, as governor of the central bank, spoke of his hope that the entrepreneurship ecosystem would form a central pillar of the Lebanese economy, especially if companies which benefited from Circular 331 achieve successful exits and feed both their wealth and experience back into the sector. It is too early to tell, however, whether the hype is sustainable in the long run. This requires more than just enthusiasm – it requires interest from the private sector as a whole, and continuous investment from venture capital firms. If recent surveys are anything to go by, Lebanon for Entrepreneurs and the Investment Development Authority of Lebanon's joint analysis of the potential of the ICT industry means that tech startups in subsectors such as gaming, e-health, social networks and apps are the ones to watch in 2016 and beyond. Funds, such as the Middle East Venture Fund II, which closed in November 2015 with \$30 million, must continue to invest in the ecosystem to give it the best shot in terms of self-sustainability and overall achievement.

The sector still has a long way to go, especially if it wishes to enter as a strong player onto the global stage, but 2015 was a good start and hopefully an indicator of more positive things to come.

The science behind the Top 20

How EXECUTIVE chose Lebanon's top entrepreneurs

Innovators, it seems, are about as common as the cars which occupy Lebanese roads, but are far more conscious about the time required to reach their destination. Hot on the heels of our November 2015 entrepreneurship special report, EXECUTIVE was keen to interview and scrutinise a number of both new and familiar faces in the ecosystem and compile our list of the top 20 entrepreneurs in Lebanon. With 2015 seeing more investment in terms of expertise, time and money, suddenly our cities have become awash with opportunities that favour the entrepreneurial brave – those who overcome the fear of failure and are motivated to join a fiery ecosystem. As Amelia Earhart, the first female aviator to fly solo across the Atlantic, put it: “there are two kinds of stones, as everyone knows, one of which rolls.”

Dysfunctional government institutions have seen some new lows this year. This failure to provide for even the most basic needs seems to have inspired entrepreneurs to kick-start ideas that are more human centered. In light of this, EXECUTIVE has decided to focus this year on companies that are either directly or indirectly trying to pull Lebanon back from the man-made abyss it seems to be staring into. Although financial revenues and economic performance are never far from mind, many of Lebanon's most intriguing and innovative startups are still in idea or early stages. These often feature in one of the accelerators that have shot up over the last year. Consequently, yearly turnover and revenue were still in the theoretical and estimation stage for some, while others could disclose full figures and put financial pen to paper. Therefore, EXECUTIVE

– while valuing economic performance – was keen to offer a spotlight to the companies that were offering strong solutions to Lebanese problems, even if their financials were, at time of writing, virtual.

Aside from considering all types of companies, from idea-stage to the fully flourishing, EXECUTIVE took note of the scalability and business models of the ventures under scrutiny. While innovation is exciting, an idea is unlikely to take form unless it can persuade investors – and consequently EXECUTIVE – of its stringent commercial viability. Therefore, within this context, growth capabilities and business proposition were also never far from mind when compiling the list of Lebanon's top 20 entrepreneurs, even though some ventures we examined seemed to answer all Lebanese problems. As Richard Feynman, the Nobel prize winning physicist, once said, “For a successful technology, reality must take precedence over public relations, for nature cannot be fooled.”

With the above in mind, EXECUTIVE took into consideration three main criteria when compiling the list of Lebanon's top 20 entrepreneurs:

1) *Environmental Impact:*

Inspired by the growing trash piles that decorate our country, the environmental impact of a startup's venture was awarded strong weight in our methodology. If the company addresses a particular issue which has significant environmental impact, beyond collecting garbage, we examined what and how the venture is tackling it, and whether the idea would gain traction in wider markets. Companies were scored on whether the products they've developed, or are developing, – technological or otherwise – could

make a measurable difference to the surrounding environment. These differences were examined in light of what improvements startups could make with environmental challenges that have otherwise been neglected.

2) *Social entrepreneurship:*

Safe to say, 2015 wasn't the world's greatest display of humanitarian empathy. Therefore, within our methodology, strong weight was also given to startups and ventures which have developed, or are developing, products which would have a dramatic improvement on people's lives and take into account strong social and cultural goals. Companies which outline solutions that tackle some of the most pressing social issues in Lebanon, validated by market research, were scored highly. They were also scrutinized for the viability of their solution or product so as not to fall into a public relations honey trap. The performance and profit was examined in light of how positive a return these ventures would give to society.

3) *Job creation:* Startups have been analyzed in terms of what positive benefit they could have for the Lebanese labor market. Companies which have the potential to create, whether directly or indirectly, employment for local talent scored highly in our methodology. This was prioritized in light of one of the key goals of the entire ecosystem, which is to retain high level talent and mitigate the brain drain which Lebanon has suffered from over the last few decades. Within the category also featured the ability to create a job skill set for a user of the product, which could then be implemented when seeking employment. 



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THE TOP 20 LEBANESE ENTREPRENEURS 2015

Lebanon's ecosystem continues to go from strength to strength. The country's entrepreneurs are bold and resilient, and they are unafraid of trying. They are tackling many of the country's mounting issues, despite large obstacles, potential opposition and the entangled state of our current government. When EXECUTIVE chose its list of the top 20 entrepreneurs for 2015, it focused on environmental impact, social entrepreneurship and both current and future job creation. This year's top 20 have different strengths across the three categories, but they all reflect the growing success of the ecosystem as a whole.



CARDIODIAGNOSTICS



Ziad Sankari

Industry: Health care and ICT

Product: Heart monitoring devices and analysis

Established: 2011

Employees: 10 fixed employees

Founder: Ziad Sankari

When Ziad Sankari lost his father to a heart attack at the age of 17, the tragic circumstances motivated him to develop tools to monitor cardiac signals from the heart in a bid to catch and prevent life threatening conditions. By 2010, at age 24, he was a biomedical engineer, and in 2012 he founded CardioDiagnostics, a startup which offers wearable hardware and a service package to analyze the data received from the cardiac devices. After two rounds of capital injection, the first in the form of prizes and grants totalling \$250,000 and the second an equity investment from Berytech Fund I totalling \$540,000, the startup has seen revenues increase and the team size increase every six months since its inception.

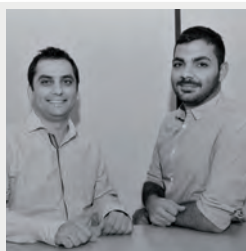
CardioDiagnostics offers a complete package of services to their main target market, which is based in the US because they saw it as a more sophisticated and technologically developed market, and also because they manufacture their products in the US. Their product, LifeSense, is a package composed of hardware connecting to the body (which monitors electrical signals from the heart), and feeds data to a device that analyzes it and sends it to a 'cloud', an internet-type space where data is stored and collected. Both the analytics and the hardware are an integral part of the product and further, more sophisticated analysis is conducted in the cloud. This affords patients the ability to move while remaining under virtual observation, which can be lifesaving in the event of an emergency when local medical personnel are alerted through notifications.

Their main target market in the US has seen CardioDiagnostics reach an undisclosed seven figure number in terms of sales. Sankari has outlined their expansion, eyeing the UK, Germany and the Netherlands as future places of interest, as competitors are thin on the ground outside of the US market. Their offerings within their market are unique, as they outsource manufacturing, which allows them time to focus only on key elements of the supply chain and licence out their hardware. Their products are also sold in Lebanon, Saudi Arabia and Kuwait, but currently 90 percent of their income comes from US clients. Their devices are purchased high in the supply chain, by

Independent Diagnostic Testing Facilities (IDTFs) and are then relayed down to hospitals and cardiology clinics. The scalability of the technology is apparent, as wearable sensors become more and more integrated into daily lifestyles – prominent examples of which can be found as apps on every smartphone that monitor daily steps taken.

While production and manufacturing is done outside of Lebanon, their fixed employees are still based here, with a core team of ten, comprised of engineers, clinical staff and business developers. Sankari hopes that, as CardioDiagnostics moves into new markets, the team in Lebanon expands further to create more job opportunities for local talent, since he retains all his salaried staff in the country. Their previous track record has seen staff numbers nearly double every few months in Lebanon, a trend Sankari wishes to keep over the coming years.

CARPOLO



*Ralph Khairallah
and Mohamad Nabaa*

Industry: Technology and transport

Product: Ridesharing app

Product launch: 2016

Established: 2015

Employees: 2

Founders: Mohamad Nabaa and Ralph Khairallah

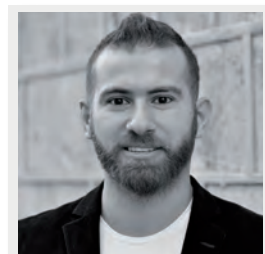
Carpolo was started by Ralph Khairallah, a business planning instructor with previous startup experience, and Mohamad Nabaa, a recent graduate in computer science from the Beirut Arab University, in mid 2015. It's an app dedicated to carpooling and lift sharing for university students in Lebanon. Similar to the European website BlaBlaCar, which offers shared rides to passengers from drivers between cities, Carpolo aims to reduce carbon emissions and congestion through car-sharing in the metropolitan area, and is due to be piloted at AUB. "Commuting is a huge problem; Beirut is a cemetery as there is no parking and the traffic is deafening," says Nabaa. He explains that while their starting market focuses on students, an ideal expansion would be to encourage commuters from wide metropolitan areas to use car-sharing facilities. The startup is currently enrolled in the Speed@BDD accelerator and has benefited from the \$25,000 cash injection.

Since parking and commuting to campus is problematic, and there is no reliable public transportation in Beirut, Khairallah and Nabaa feel that traffic issues can only be solved by optimising the use of unoccupied car seats. This, they argue, is an obvious solution, as many students

and commuters follow the same routes on similar schedules. Their app has three main marketed features aside from carpooling: live streaming (in real time) of voyages to and from campus, institutionally verified profiles (hence the start with universities) and a point exchange system to overcome the social awkwardness of exchanging money with peers and friends, which Nabaa and Khairallah say is culturally difficult in Lebanon. The point exchange works by deducting five points from the passenger and giving three points to the driver per ride, where Carpolo absorbs the extra two points so a 40 percent deficit is maintained in the system. The users then have the option to purchase extra points through their mobile provider. Carpolo has been granted access to Touch's directory of billing to facilitate payment, with a future estimate price of \$1 for 10 points, although monetization of the product will come later as the app will be rolled with free points initially to encourage and expand their user base. Carpolo currently has an agreement with Touch, and expansion plans include extending to other operators and universities across Lebanon. Greater usage of the app is rewarded with benefits through a loyalty scheme, where students who carpool frequently ascend through levels and have the option to redeem points with their operator for mobile perks.

The environmental and social impact is relatively clear, reducing emissions through the promotion of shared rides. Since they estimate that only 33 percent of AUB students own cars (which totals to nearly 3,000 people) they have been conservative about future revenue projections. The worst-case scenario estimate is \$4,000 per month from 300 carpools in total from AUB. This includes the 70:30 future revenue split agreement they have with Touch, although plans have not yet been finalized. The product was scheduled to undergo beta testing at the end of November 2015, with the app due to be launched in Spring 2016.

DREAM MATCHER



Ali Chehade

Industry: Event management

Product: Networking conference

Product launch: 2012

Established: 2012

Employees: No fixed employees; freelancers

Founders: Ali Chehade

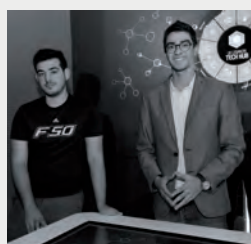
Ali Chehade's Dream Matcher networking event began as an online startup, inspired by an idea for a television show which subsequently pivoted into an offline company. The Dream Matcher 'experience' is a networking event that lasts for a couple of hours and hosts 50 to 70 people. During the event, participants write their dreams on post-it notes, stick them to a large wall and have them viewed by others. In a bid to help one another achieve their ambitions, participants with relevant skill sets approach the post-it writer during the event to offer their assistance with their 'dreams'. This can be scaled up to corporate or entrepreneurial oriented spin offs. The former is marketed to small-to-medium enterprises and the latter offers a variety of entrepreneurship prizes (such as co-working spots and advertising space). Since 2012 more than 50 events have been organized inside and outside Lebanon, in places such as the US and Spain. Their pilot corporate event was tested on PricewaterhouseCoopers in Dubai in February 2015, who approached Chehade after hearing about the Dream Matcher. According to Chehade, the experience was well received by the roughly 80 employees who participated, and was followed by discussions with private companies in Lebanon to build up their corporate segment.

While there are no fixed employees, the capacity to create jobs indirectly through its networking event renders it worthy of EXECUTIVE's attention. The concept is marketed to young professionals but participants are often drawn from a wider market. With regards to social impact, there have been successful pairings of employee with employers, and the creation of startups through individuals who met through their networking experience at Chehade's events. Nour Atrissi, for example, secured the entrepreneurship prize of the "How to start your business" course from AMIDEAST Entrepreneur Institute through the 2013 Dream Matcher Entrepreneur edition, which enabled her to co-found another EXECUTIVE top 20 startup, Teens Who Code.

The scalability factor results from their business model, which identifies licensing of the program as a source of income; the package will be outsourced and licensed worldwide, without the need for physical on-the-ground presence. Ticket sales to individuals for the non-specialized events, which are held every month in Beirut and in various cities across Lebanon over the last year, are also a source of income. With revenues in 2015 standing at \$20,000 at time of writing, Chehade has earmarked the corporate events as the main breadwinner in terms of revenue for future financial projections.

As a tool for exposure, Chehade also describes the recent media and corporate partnership with the television show Bala Toul Sireh on the Future TV channel, which will air success stories from the event, in a bid to gain momentum. Chehade's future growth plan in the long term sees licenses being rolled out worldwide, and wishes to restart the online platform.

FALLOUND



*Emad Yehya
and Stefano Fallaha*

Industry: Technology and social networking
Product: Mobile app
Product launch: Late 2015
Established: 2015
Employees: 4
Founders: Stefano Fallaha and Emad Yehya
Adviser: Habib Haddad

Fallound is a startup founded by Stefano Fallaha and Emad Yehya, a high school student and a computer science undergraduate at AUB respectively, who identified a gap in the social networking and messaging market. Habib Haddad, the chief executive officer of Wamda, serves as their advisor. Their product is a 'hands-free voice-based' app which uses 27 second voice notes to create and deliver a stream of online content that forms the base for a social network. Fallaha conducted extensive research into how podcasts, an episodic series of digital media files, could gain greater traction and success, and from this developed the idea of having a short voice clips platform, hot on the heels of the way many users in Lebanon and the wider region send voice notes through the mobile messaging giant WhatsApp, which still predominantly caters for text chat facilities.

The app works by allowing the user to create a profile and upload voice clips which can be adjusted with 'audio filters' such as backing music or voice alteration. These clips are tagged for their content, for example 'science in Lebanon', and contribute to a news stream of consecutive clips which can be searched for, selected and played by the listener, akin to a playlist on iTunes with skip and other features included. Yehya is the brain behind the construction of an algorithm which automates and selects which clips from which profiles are fed to the user, and in which order. Fallaha also notes that user popularity metrics will be built into the algorithm's programming. The content is people generated, and can be controlled using voice commands. Their main marketing feature is that Fallound caters for individuals who are occupied by a task, like driving, and can only operate in a hands-free capacity. The 'voice' is a traditional method of communication, and Fallound wishes to re-modernise the usage which they believe has the power to outstrip texting on the basis of its simplicity and speed.

Fallound's main source of revenue will be through radio advertising, an industry which is worth \$34 billion per year worldwide according to PricewaterhouseCoopers' global and media outlook for 2014-2018, as the app itself will be free to download. The project has thus far been self-funded, with estimates around \$15,000 to date. Fallound has scheduled to launch the Android version of their product at BDL Acceler-

ate on December 10, and their iOS version in January 2016. For seed funding, Fallound will seek investment of \$100,000 to \$150,000 from angel investors. Their future projections are estimates, but they anticipate heavy usage of the app in the first year, as they have entered discussions with Touch, a mobile operator in Lebanon, for future collaboration projects. They have planned for their marketing campaign to include celebrity endorsement, which Fallaha has also approached, and preliminary testing from 200 beta testers of their most viable product has yielded very positive results according to Fallaha. Fallound's target market is global, as everyone who uses app-based services is considered a part of it, and their current focus is to create a large user base. Their expansion ideas would also bring more developers onto the team, which would provide many needed job opportunities to encourage Lebanon's programmers to stay in the country with employment.

FIGURIT



Haramoun Hamieh

Industry: Media and information extraction
Product: Figurit dashboard
Product launch: 2016
Established: 2015
Employees: None
Founders: Haramoun Hamieh and Ahmad Sharif

Haramoun Hamieh, a digital content manager with five years experience at *Al-Hayat* newspaper, and Ahmad Sharif, a senior information management consultant at Layout International, came together to form Figurit after their apparent frustrations with the workflow process within the journalism sector. They have developed an "intelligent data-driven dashboard", as described by Hamieh, to provide journalists with information and analytics in trending stories.

Founded in 2015, the content discovery concept offers more than just an alert to current trends. Figurit's unique selling point is their ability to offer in-depth analysis of the news, rather than simple traffic analytics, and present information which is grouped into one electronic resource. Their dashboard is key in reducing the time spent in content discovery, often by wire services that are ultimately outsourced, and to improve results through accurate visualization with a dashboard of visualized scientific analysis of big data. For example, a google search on the 'Greek crisis' will yield a list of links that are identified through inclusion of those keywords. Figurit, however, aims to go one step further by collating a large amount of information into a digestible and selectable package which includes historical

analysis of trends, competitor coverage and a key to the main actors within a story, with other metrics like sentiment analysis, coverage scope and geo-mapping of events. The technology behind the dashboard extracts data from news sources, and algorithms analyse the content. The algorithms can harness the power of natural language processing (NLP) – a field of artificial intelligence – that has real-world applications in discourse analysis and automatic summarization. They can also be programmed to identify parody or erroneous news sources and will be included in the Figurit dashboard to, for example, notify the user when an actor is first mentioned in relevance to a trending story (e.g. Nicolas Sarkozy in the Greek crisis). Figurit has direct appeal to any individual involved in investigative journalism, with a wider appeal to all news and content production companies. For scalability and applicability, the technology also has the ability to forecast trends and notify individuals of breaks to patterns within content analysis.

The intention is to start with English websites and later expand the dashboard to incorporate other languages. The initial target market is digital news startups, for which the co-founders have developed their minimal viable product (MVP), and have used a cash injection of \$25,000 from AltCity's bootcamp, which they are currently enrolled in. Their current business model will generate revenue from direct sales of subscriptions to freelancers, at an estimate of \$150 per month for two users, and a larger publisher package to newsrooms, which extends to five users and includes historical data for \$300. Their expectations of total revenue are built on a target set for the 36 month mark. At this time they would hope to see 300 paying subscriptions per month that they calculate will bring in recurring monthly revenue of \$60,000, with estimated operating costs at 30 percent of revenue, minimized due to the cloud-based nature of the dashboard. Hamieh cites future investments as a key boost to their development, and will appeal for a maximum of \$200,000 from external investors at a pitching event sponsored by Banque du Liban, Lebanon's central bank, scheduled for December 18, 2015.

KRIMSTON SAL



Fouad Fattal

Industry: Telecommunications and technology

Product: Dual SIM appliance

Product Launch: 2016

Established: 2014

Employees: 13 contracted employees worldwide

Founders: Fouad Fattal and Nabil Nasr

Shareholders: Nicolas Sehnaoui, Ghassan Hasbani, Walid Rizk, Bassem Boustany, Walid Hanna, Raja Gedeon

Krimston labels itself as inventing the solution for all Apple lovers who are recurring travellers and tired of having to switch phones when abroad. Co-founders Fouad Fattal and Nabil Nasr have developed a product, due to go live early 2016, that is a new SIM card solution to enable users to operate a cell phone with two SIM cards. The product, which looks like a phone cover, can be understood as a 'phone without a screen'. A SIM card slots into the cover, and a downloaded app enables the user to interchange between the two SIM cards and use them both, for example, by allowing them to choose between a domestic and foreign line for placing calls and sending messages. The 'cover' also offers charging capabilities and is a hotspot that enables 3G usage of the inserted SIM's data. The IP for the device has been registered in the UK.

Having raised \$400,000 by the end of 2014 from angel investors and loans, the co-founders travelled to Silicon Valley to produce a prototype that could be taken to production and specifically appeal to iPhone users. Krimston will be piloting the product in February through a Kickstarter campaign, and will use feedback to improve their product. The target market is the global iPhone usage of 400 million devices worldwide, though their initial production batch will be 10,000 units, which Fattal hopes will be followed by exponential growth upon successful sales, and an injection of at least 150,000 units by the end of 2016 into the market across the globe, with manufacturing done in India and operations conducted in Lebanon. Their target market are dual SIM card users for travelling, and also individuals who wish to cherry-pick the best features of two different line operators.

While Krimston are still finalising the final retail price, current estimates are at \$199 per device but subject to the feedback from focus groups. The device is a hybrid that operates as a phone but appears as an accessory, and marketing ploys will need to be implemented carefully so users understand the true value of the device. Fattal and Nasr have secured another loan from Lebanese financial company Kafalat of \$400,000, which ensures production will happen, and Fattal estimates that by mid 2016 total expenditure will hover at \$800,000, the bulk of which will be on research and development and tooling. Their six-member strategy consultant heavy board also features the familiar faces of Nicolas Sehnaoui, former minister of telecommunications, and Walid Hanna, managing partner at Middle East Venture Partners.

Fattal emphasises that Krimston wishes to operate from Lebanon but has the world as the target market. Since this type of operation requires a lot of different talents, Krimston's future vision is to create a professional entity where individuals can deploy their knowledge, rather than travelling abroad, and the end goal would be to seek partnership with Apple, pending a Made For iPhone (MFi) certification and licence. To feed back into the ecosystem, Krimston will look to hire developers (specifically iOS),

electrical and technological engineers, a sales and in-house marketing team and a logistics and customer service department, and wishes to keep all operations within the country. Fattal has great enthusiasm for employing Lebanese talent, and estimates that their multicultural society and ease of adaptation to environments will allow them to become a strong sales team, which he envisions being online, through distributors (and therefore retailers) and business-to-business.

LE WAGON



Malik El-Khoury

Industry: Education
Product: Coding bootcamp
Product launch: 2015
Established: 2015
Employees: Recruitment on a project basis

When Malik El-Khoury returned to Lebanon in 2014, he was surprised at the lack of appropriate developers he could recruit for the tech startup he wished to establish. After spying a gap in the market, he decided in 2015 to licence the 'Le Wagon' program from the French coding school of the same name, which was formed in 2013 by Boris Paillard. Though the program itself is not an original startup, the idea of licensing and hosting such an event displays an entrepreneurial tour de force from El-Khoury, and is worthy of one of EXECUTIVE's top 20 places in this year's startups in Lebanon.

The first coding session, which entailed a 9-week intensive coding bootcamp, offered participants a chance to become a fully fledged junior developer in a comparatively short period of time. The course is conducted in English, is limited to 25 participants per cycle (to ensure a strong coverage by tutors) and costs a subscriber \$4,500 for the entire venture, but subsidies of up to \$1,000 under certain conditions have been offered. There are no prerequisites to learning to code and thus the bootcamp appeals to anyone who wishes to become a developer even if they have no previous professional or higher educational experience. Participants must, however, complete the Ruby track on the open online educational resource, Code Academy, which gives them the basic building blocks and allows the students from 'Le Wagon' to hit the ground running from day one. In terms of speed of education, the students in the bootcamp learn at a much faster rate compared to similar university courses, as the volume of material covered in one day is enormous. El-Khoury invested his own capital to start and maintain the

first session, but expects it to become profitable after several cycles, and insists that the focus should be on retaining talent in Lebanon.

While a debate exists over the quality of computer science education in Lebanon, there is no doubt that every startup and company which focuses on tech is in need of developers, and ones which have skills that do not create back end development confusion, or 'spaghetti' code. Bootcamps which target this niche in the education sector will surely increase in demand, and the licensed program offers employment as bootcamp teachers to local strong programmers, as four of the tutors of El-Khoury's first cycle were Lebanese. After the successful completion of the first cycle, 'Le Wagon' plans to launch its next session on April 4, 2016.

LEBTIVITY



Lebtivity Founders

Industry: Event management and ICT
Product: Website and web app
Product launch: 2012
Established: 2012
Employees: 3 part-time; 2 interns
Founders: Randa Farah, George Zeenny, Teddy Zeenny, Rana Abou Rjeily, Charbel Jamous

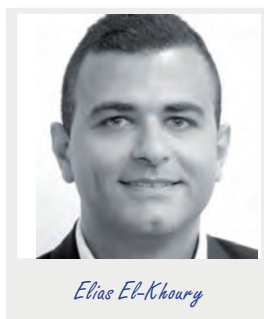
Lebtivity was started in May 2012, after one of the five co-founders realized there was no central page in Lebanon that contained information about future hiking events. After brainstorming, they decided to expand beyond a page dedicated to hiking to include all types of events in Lebanon. Since their inception, the website has grown and people are allowed to add their event to the page for free. Randa Farah, one of the co-founders, has spoken of the positive feedback that Lebtivity has received, with many users remarking how surprised they were at the sheer quantity of events taking place in the country. Sharing events on such a platform is a "win-win" situation for everyone; the event planners, the attendees and ultimately the entertainment industry in Lebanon.

Lebtivity encourages participation in their online social calendar by not charging to upload events to their website. Their business model, however, is based on advertising packages, where individuals can pay for social media exposure with different Lebtivity partners, and advertises publicized on the website. Events are sorted by popularity, granting those with more 'likes' or views greater visibility. Lebtivity boosts the events on various platforms. Aside from advertising, Lebtivity also generates revenue

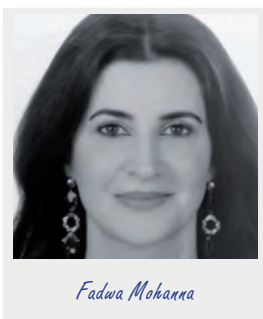
by acting as intermediaries for providers selling different services to event organizers at preferential rates. Examples include catering, hostessing, live streaming and photo booth machines.

Thus far, Lebtivity is self-funded, and the five founders have invested their time and money into the platform. While their motivation was borne out of a desire to promote the country and encourage social support to local events, they are now looking for angel investors in order to secure greater funding to the platform. The value Lebtivity adds to the Lebanese economy is on all levels; from small restaurants to large events, adding their details to Lebtivity will boost their visibility through a central page and increase the likelihood of having customers. This is supported by their website traffic, which at time of publishing counted over 1 million unique visitors to the website since its creation. The variety of events also encourages users to attend different events to the ones they originally search for on the platform. While for now Lebtivity is in Lebanon, they wish to expand to other countries regionally and globally, and have conducted small test trials in Canada. Current projects in the pipeline also include improvements to the online platform, and ultimately expanding upon Lebtivity's own software development team by recruiting local talent. Their philosophy is to promote the positive side of the country – “you have your Lebanon and I have mine” says Farah, quoting Gibran Khalil Gibran and explaining that to her, Lebtivity shows that it is a country of culture and art.

MARKELLIGENT



Elias El-Khoury



Fadwa Mohanna

Industry: Technology and analytics

Product: Solutions using IoT sensors and analytics

Product launch: 2015

Established: 2014

Employees: 9

Founders: Elias El-Khoury and Fadwa Mohanna

The Internet of Things (IoT) is a network of connected objects - to the internet and to each other - which

through embedded sensors share information across a network and allow for the collection of data, and the ability for those selfsame objects to be controlled remotely. For example, a smart fridge that knows when a door is left ajar, can subsequently be closed through an app after alerting a user.

Markelligent, a startup founded at the end of 2014 by Fadwa Mohanna and Elias el-Khoury, aims to harness the IoT through collecting data from the sensors and providing companies with services relating to data analytics. Their intention is to offer IoT solution packages to citizens' pre-existing problems, generating revenue for Markelligent and improving the quality of collective lives. Once a challenge has been identified, Markelligent develops the needed sensors to measure the readings related to that challenge and start collecting all kinds of data generated by those sensors on their cloud. Then, they start analyzing the data which can be displayed in a dashboard format, enabling the management of the client to track the progress and take the relevant actions accordingly. Their target markets are corporations, municipalities and large entities, and their expansion plans eye the Gulf and Europe as regional areas for future operations. At the end of its first year, Markelligent is cash positive, has organic growth fuelled by customers, has projects on the back of initial self funding, and has seven employees in Lebanon and three outside.

Examples include one of their current projects 'Smart Parking', which enables people to find the nearest empty parking location within Riyadh, Saudi Arabia. This IoT implementation is one example of using such innovation in a 'smart city' context, which has a wide applicability that extends beyond traffic congestion. These cities have electronic hardware embedded throughout multiple objects, which work to improve city efficiency by connecting the infrastructure to the behaviour of people, and translating it into data analytics, such as notifying councils when garbage bins are overflowing which is currently done in Milton Keynes in the UK. Though the trash analogy will doubtless take time to be rolled out across Lebanon, the wider scalability and applicability is large, especially as cities become more energy aware and environmentally conscious across the globe. Markelligent is working both with Bluetooth and low-power wide-area network (LP-WAN) technology for entities with limited connectivity capabilities, thus increasing their market attractiveness.

Markelligent is determined to remain in Lebanon, and ultimately rejected plans to relocate to Dubai. Instead, they have chosen to recruit local talent in Lebanon, with most of their staff located in Beirut. Whilst they cannot release financials, Mohanna stresses that they expect to double in size by mid 2016, and aim to employ individuals in research and development, software and quality control.

MODEO



*Emile Arayes
and Aline Gemayel*

Industry: Furniture and design
Product: Modular assembly furniture
Product launch: 2016
Established: 2015
Employees: 2
Founders: Emile Arayes and Aline Gemayel

Modeo is a young startup launched in February 2015 which caters to individuals who wish to try their hand at furniture design. Formed by two working architects, Emile Arayes and Aline Gemayel, who were frustrated by the lack of low-budget assembly furniture, Modeo allows users to build custom plastic furniture through a mobile app interface, and uses geometric “interlocking modular parts” to assemble a range of pieces. The design can be viewed in a virtual interface before ordering, with sizing and color options, as either a 2D designed image or a 3D projection. The pieces are then delivered to the user’s door, and assembled in a similar IKEA-style flat-pack method. Having come second in the Bader Startup Challenge in May 2015, the company is now enrolled in the Speed@BDD acceleration program and developing its business plan and strategy, as well as improving the design of its final product.

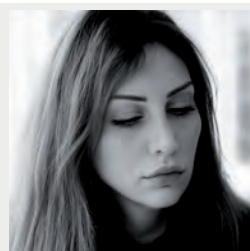
Arayes and Gemayel are currently recruiting a business strategy partner who will monitor the manufacturing and distribution of the Modeo system and furniture product. They have guidelines to be environmentally friendly, and are constructing lightweight furniture pieces which can be reused and reassembled post initial construction. Their target is the mid-to-low end range market of furniture users, and they are using low-cost recyclable plastic material through the ‘lean startup model’ – iterating design of the product and improving prototypes through the needs of early customers.

Dealing with mobile apps, storage and distribution means that the company will need to recruit local talent, along with using local 3D printers to demonstrate the concept to investors. Plans for mass manufacturing are not yet finalized, but local 3D printing is helping Modeo to improve their model before they move to plastic injection models formed from aluminium molds.

Though their business plan is still going through stages of development, they stress that main sales will come through their app, and do not intend to host their furniture in showrooms, but only in exhibitions as a marketing ploy. Moneyback guarantees are also in place in their business strategy, should their furniture not satisfy individuals, which overcomes the initial ‘trust’ barrier. Their target client base are those who would use similar assembled furniture lines,

such as IKEA which comes from outside of the region, yet they stress that their advantage over such manufacturers and unique selling point is the ability to both assemble and disassemble pieces easily, enabling users to reuse and repack the furniture when moving. Their projections estimate a sale of 16,000 average-size units in the first year of operations, generating roughly \$1 million in revenue.

MOMADVICE



Rita Deek

Industry: e-Health
Product: Health care app
Product launch: 2016
Established: 2015
Employees: 3
Founders: Rita Deek and Nicholas Chehade

Rita Deek, a trained psychologist, was continuously approached at children’s birthday parties by mothers anxious about the psychological behavior of their children. After several rounds of questions, examples of which included how parents should deal with child bullying, she and her co-founder, child and youth counsellor Nicholas Chehade, decided to put together MomAdvice. The startup, which was formed in September 2015, is a mobile phone app that connects mothers with a team of 10 specialist child psychologists, who are vetted and have their credentials thoroughly checked by the two co-founders.

The investment in e-health related technology has been earmarked by Lebanon for Entrepreneurs (LFE) and the Investment Development Authority of Lebanon (IDAL)’s joint survey on development opportunities for Lebanon’s ICT subsector. Deek has identified mental health as an area which still attracts social stigma, and has developed an application which she feels provides an important source of support for mothers concerned about openly seeking help for their children. The app provides one-to-one chat features with psychologists who receive queries about users’ children, and respond accordingly, in a WhatsApp-style chat facility. There is no age limit to the child that can be discussed, and the app is currently being developed for both Android and iOS operating systems.

Therapy sessions are often expensive, and in Deek’s experience in Lebanon, mothers are often reluctant to seek crucial support due to financial and social pressure. The revenue model is based on subscriptions, and is currently valued at \$15 per week or \$50 per month for each user, with an 80:20 revenue split for the psychologists and MomAd-

vice respectively. While competitors exist in the US, research conducted by Deek identifies that within the region there are no psychological platforms which specifically cater to mothers and children, and she feels this gives MomAdvice an added boost as a startup which solely focuses on a niche market. MomAdvice's ambitions for expansion stretch far beyond the region. They intend to recruit local psychologists who are certified and legal within their country of operations, and ensure they remain country specific. Currently 50 beta testers (who are mothers based in Lebanon) are giving very positive and helpful feedback. The app is due to be launched in 2016, and MomAdvice has recruited both a business and a software developer after a capital injection of \$25,000 from AltCity's Bootcamp program. According to MomAdvice's projections, by the third year of operations the company should reach 60,000 users and generate \$500,000 in income.

Overcoming the stigma surrounding the discussion of mental health is important, a stigma which is often present in any culture, and Deek hopes that the social impact of her startup will provide vulnerable individuals the chance to discuss anxiety-inducing problems. While she stresses that her team of psychologists will advise users to seek face-to-face counseling for serious issues, she concedes that there is no intermediate support network for mothers looking to receive advice on how to deal with lesser problems, such as continual bedwetting. This is a gap MomAdvice is hoping to fill.

MOODFIT



*Ghasan Abi Fadel
and Tarek Jaroudi*

Industry: Interior design and ICT

Product: Interior design website

Product launch: 2015

Established: 2014

Employees: No fixed employees; 14 freelancers

Founders: Tarek Jaroudi, Mohamed Sabouneh and Ghasan Abi Fadel

In 2014 Tarek Jaroudi, Mohamed Sabouneh and Ghasan Abi Fadel, students in the American University of Beirut's (AUB) MBA program, were frustrated with the lack of easy communication between interior designers and potential clients, and came together to form Moodfit. Having conducted extensive research with suppliers, designers and clients, the final product is an online interior design program which enables a user to transform a space with the help of top interior designers, and removes the need for the continuous on-the-ground presence of an interior design-

er; the only physical interaction is done with local home decoration suppliers. Through an interface the customer uploads photos of a to-be-decorated space, as well as the dimensions of the area, and subsequently receives three to five 'mood boards' (suggestions) from competing interior designers, the vast majority of which are Lebanese. There is no obligation to pay if the user dislikes the mood boards from designers, but if the user chooses to proceed they select a mood board and pay \$300 per room to receive the basic package of services from the relevant designer (furniture plan and shopping lists). Target markets for the basic packages can be mid-income range individuals within the Middle East and North Africa (MENA) region, but Moodfit are looking to expand to a more expensive 'premium' service which they would retail.

The website was launched in September 2015, and now the team has seven ongoing and 30 pipeline projects from all over the MENA region, despite only launching social media advertisements in Lebanon. The company has raised much of its funds through grants and competitions, and was the winner of the \$15,000 first prize at the Darwazah Innovation Competition. Now Moodfit is looking for seed funding of around \$300,000 to cover its first year of expenses, and enable them to hire their own developers and remove the need for continuous outsourcing. This is needed for its new platform, a more complete version of its current website, which it hopes will go live early 2016 – very much adhering to the lean startup model. Future expansion plans also include an app, unhindered by low internet speeds as Jaroudi explains the upload/download process is similar to that of the photo app Instagram. Moodfit's revenue model is 20 percent commission of the user fee, and large scale referral fees from local furniture suppliers and manufacturers. Its projection for 2016 is a rate of four projects per month in the first month, growing at a rate of 15 percent, which it is already outgrowing due to positive exposure. This would allow them to break even in their third year and become profitable in their fifth.

Moodfit's model is scalable, because it starts 'lean', and thus can be easily modified to fit all manner of customers, and appeals to the modern day crowd source mentality, which they utilize by connecting people to interior designers rather than placing them on a continuous payroll. The fully functioning automated version of the startup will be tried and tested in Lebanon and can be easily rolled out across the entire region. In terms of local job creation and social impact, Moodfit wishes to use the seed funding to expand and create a local sales and computer development team, and argues that its platform creates value by facilitating interior designers' access to markets, thereby ensuring work, while simultaneously offering users the ability to use designers at affordable prices, without expending unnecessary resources.

NEXT AUTOMATED ROBOTS



NAR Team

Industry: Robotics and drone technology
Product: QuadroFighter drone
Product launch: 2016
Established: 2015
Employees: 2
Founders: Charlie Khoury and Nicolas Zaatar

The drone industry is growing and is fast becoming an indispensable part of a large range of consumer services. Analysts are predicting the sky as the limit for the industry over the next few years, with 2014 seeing drone startups raising \$107 million worldwide, surpassed in June 2015 with \$172 million, according to data from CB Insights, a venture capital and angel investment database centered in New York. With Amazon's 'Prime Air' drone-based delivery system currently in development, and local street festivals such as Car Free day in Mar Mikhael on November 22 filmed by flying drones, drone usage is on the rise.

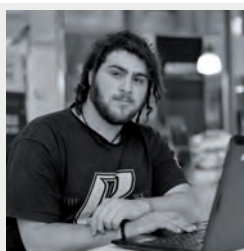
What started as a final year university project at the Lebanese American University in Byblos in August 2014 has evolved into Next Automated Robots (NAR), a startup in Speed's acceleration program that is working to produce a fully-autonomous 24/7 drone called "QuadroFighter". The aim of the drone is to detect wildfires at an early stage, and target markets are governments and private NGOs, or individuals cultivating wide areas of land. The drone alerts the user through desktop or mobile applications, without piloting, and relays the coordinates of the wildfire. The user interface is being developed by NAR and a demo is scheduled for presentation to investors in mid January 2016.

While the company is still very much in the early stages, and is prioritizing the research and development into flight times, the co-founders point to the wide array of practical application of the project. They argue that NAR can evolve beyond detection of wildfires. "As soon as we have the platform we can shift [drone usage] to any other thing that can be beneficial to society," explains co-founder Charlie Khoury, "[for example] industries like oil and gas and agricultural industries," where inspections can be carried out by drones. Revenues and operating costs are still under discussion within the acceleration program, as NAR is currently heavily focussed on research and development.

Their only hesitation is the availability of parts, with no company supplying motors, controllers and batteries within Lebanon, thereby pushing NAR to source these components from outside the country. They are, however, keen to ensure their operating base remains within the country, and have expressed interest in opening a regional office to source parts. Khoury emphasizes that this technology is new to Lebanon, and within the

market in the country there is enormous potential for NAR to grow, both nationally and regionally. Additionally, while their early detection of wildfires can have a positive environmental impact, NAR's social impact can be seen through their potential recruitment – upon expansion – of local engineers and designers. As four respective engineers who graduated in classes that saw many of their peers move outside of Lebanon for employment, NAR is keen to emphasize how a new industry can incentivize young engineers to stay working in Lebanon through offering exciting opportunities in a fresh industry. Their focus, to integrate drones into everyday life, is the main persuasion tactic they will use on demo day to investors when they seek future funding.

REABLE



Emile Sawaya

Industry: Health care and ICT
Product: ReAble wallet mobile app
Product launch: 2015
Established: 2015
Employees: 3
Founders: Paul Saifi and Emile Sawaya

When Emile Sawaya's younger brother was diagnosed with autism seven years ago, he became aware that the market offered very limited technological tools for independence for those with cognitive difficulties. Fast forward to 2015, Sawaya and his blind co-founder, Paul Saifi, felt that the market was worthy of exploration and wanted to develop tools which would give individuals, such as Sawaya's brother, the ability to gain some independence from caregivers. They identified a gap in the market, which offered only expensive technological tools catering for a Western market.

Their main product is the 'ReAble wallet' that focuses on money management and financial transactions for people with autism and eventually for a broader range of people with special needs. Sawaya's main motivation is that many people with autism have difficulties with the concept of understanding value and the premise of value exchange, especially with monetary difference that is owed to them after a transaction. The 'wallet' is an app which can be loaded onto any Android smartphone, and works through optical character recognition (OCR). It allows the user to register the bills they have in their possession, and subsequently scan receipts into the app, which can register the time, date and value of purchases. The app then informs the user of the correct change they should receive and affords them budgeting capabilities throughout a time period. The caregiver has a corresponding app with

push notifications informing them of the user's transactions. This bridges the gap between a concerned caregiver and an individual with autism, while simultaneously offering them a degree of freedom and independence. A prototype of the application, which works on Android, is scheduled to be unveiled at the Banque du Liban Accelerate conference in December 2015.

The application was designed with therapists – here in Lebanon and in Canada, the United Arab Emirates and the United States – so that the application (in terms of color, buttons and interfaces) was appealing without being distracting to those with autism. There are current plans to incorporate an element of artificial intelligence to identify the financial habits of users, and deduce whether they are harmful (e.g. overspending). ReAble is currently working with two institutions in Canada and two in Lebanon, Assafina and CARE, Consultant Advocacy for Remedial Education.

To monetize the product, the business model will be based on a subscription plan and allow the user to buy the application for \$5 per month, an estimate at the end of 2015. This subscription plan can be rolled out to care centers, which would need extra tools to manage the app, from a dashboard package to enterprise, services and maintenance. Their target market is teenagers and adults who have mid-to-high functioning autism, and Sawaya says this is a market of 35 million based on WHO statistics worldwide and not limited to the MENA region.

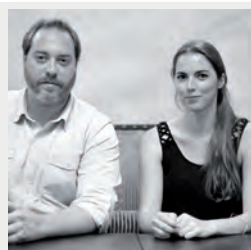
Initial tests would support the enthusiasm Sawaya has for this project. Within 48 hours of launching applications, they received interest from 100 beta testers, who Sawaya explains are individuals with vested interest in the product, and are working to extend the project to remote therapy access through an online platform hub for people with disabilities, and roll the product out to iOS and Windows Mobile platforms. With their intentions to stay headquartered in Lebanon, they are currently looking to recruit a programmer in the country and wish to gather as much technological talent as possible, coupled, eventually, with their own in-house therapists.

Sensio AIR is the creation of Cyrille Najjar and neuroscientist Eve Tamraz, who founded the White Lab in early 2015 and have recently relocated to London with the second phase of the UK Lebanon Tech Hub acceleration program. Their product centers around a piece of hardware which detects “allergens like pollen, acarids and mold as well as harmful gasses” as quoted by the company, and feeds data on the quality of the air back to an app on a mobile device for analysis and notification. The patent for their device is filed in both the UK and Lebanon, which they have identified as key parts to their main sales market. Their idea was borne out of the fact that both cofounders suffered from allergies, but had limited ability to continuously monitor the quality of the air.

The device is similar to a smoke detector in installation and appearance and allows for quantitative and qualitative analysis of the quality of the air, especially that within the home. Sensio AIR has eyed Europe as a first main market in light of continuous reform to EU air quality directives, with the European Commission quoting air pollution as one of their “main environmental policy concerns since 1970”. Sensio AIR has identified 21 million people with respiratory problems in the UK alone, based on a 2010 report from Mintel, a global market research and insight firm, along with 12 million who are allergic to their own homes. The device therefore “detects everything that is in the air,” claims Najjar, who explains that it can observe particles down to a minimum of a micrometer, and often identify what the particle is. The smart allergen monitor has piqued interest among professionals and has already won two competitions: the Harvard Startup Pitch Competition in Boston and the *Instituto de Empreza* International Venture Day in Paris. Beta testing has been launched and electronics production is based in the UK, and Tamraz and Najjar claim that their product is more sensitive due to the accuracy of their hardware than any other detector on the market today. There are two versions, a bespoke and a business-to-business model. Their main unique selling point is that the device detects more than one presence within the air (e.g. both pollen and carbon monoxide), unlike a single feature device like a carbon monoxide detector. It also does not operate purely on ‘threshold technology’; detectors which will only sound an alarm when a certain level of a pathogen or toxic fume is reached. The Sensio AIR monitors the content and levels continuously and sends data to the user.

Najjar and Tamraz, along with their other two colleagues, eye selling 5,000 units in London, 1,000 in Paris and 200 in Beirut as a starter, and the company breaks even after the selling of 2,200 units, with Najjar confident that they will begin making profit after one year of sales. They will offer a variety of packages to accompany the units; an enterprise solution where the device is bought and a

SENSIO AIR



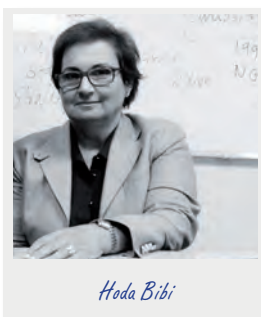
*Cyrille Najjar
and Eve Tamraz*

Industry: Health care and ICT
Product: Allergen and particle tracker
Product launch: January 2016
Established: 2015
Employees: 6
Founders: Cyrille Najjar and Eve Tamraz

monthly fee is paid, a corporate 3G package, and a personal package which includes a one-off payment and installment of a wifi device for \$299. Little boosters can also be installed in a separate room for small additional costs. The data on the units will be analyzed, and allergic homeowners can use the data in a health care perspective. Tamraz estimates that this will corroborate outbreaks with specific detected allergens, thus allowing for a diagnosis based on the principles of deduction rather than, for example, a test which pricks the skin with a needle containing a small amount of the allergen. They will launch the product during allergy season in March 2016, with the back end development based in Lebanon and the main sales market in London, though they hope to eventually have equal sales and demand here and eye the MENA region as a strong expansion plan because of frequent sandstorms. In commenting on the efficacy of their device, Najjar explains the testing they did on the quality of the air in Lebanon in summer 2015; “You don’t want to know, the results were so bad. We need a strainer, not a detector. We need to strain the air with a filter.”

TAAHEEL

(Lebanese Association for Rehabilitation and Development)



Industry: Education
Product: Special educational needs assessment kit
Product launch: 2008
Established: 2008
Employees: 9
Founder: Hoda Bibi

Taaheel was started in 2005, when Hoda Bibi – chair of the educational department at the Lebanese International University who holds a doctorate in educational counselling – became frustrated at the standardized tools of assessment in schools, which she felt were culturally inappropriate for the MENA region. After three years she and a team developed a battery of tests which can be used to assess children to identify special needs, a first crucial step before any assistance can be offered to the child in question, and subsequently develop an educational course of action. This was developed in tandem with training for teachers to administer these tests, which Bibi outlines as a ‘toolkit’ for educational professionals. This operates under the Lebanese Association for Rehabilitation and Development (Taaheel).

The battery enables testing the IQ, mental development, and emotional intelligence of the child, and deducing the

academic achievement. Each domain outlined has tests and quantitative and qualitative tools to assess children, and Bibi’s target group is teachers who are working. As many students have learning difficulties, Taaheel’s tool kit enables teachers to assess a child with tools which are more appropriate to the cultural setting, to analyze the development of the child and with the results determine an individual education plan (IEP) for the child in question. The National Council for Scientific Research sponsored the most recent study in Lebanon in 2011-2012, and Bibi has subsequently been training and selling the kit.

Bibi’s intention is to have this tool in each and every school in the Arab world, so that “students will not be victimized, and will continue their education and succeed,” especially in communities which stigmatise those with special needs. In order to expand, she designed the kit with a flexible IEP output, so it can also devise relevant IEPs for highly gifted and talented children within the region who, she describes, so often are categorized with special needs. Indeed, she eyes all children with learning difficulties within the MENA region as the target group for this product, and the ministries of each relevant country is paying for the use of this kit.

Until now, around 15 schools in Saudi Arabia and 200 schools in Lebanon employ these tests, where country-specific curricula are observed and alterations are made so the tests cater to individuals in that country and are purchased by the schools for \$1,000 per kit. There is a PR section within the Taaheel team, who markets the tool kit to customers, and the Ministry of Social Affairs in Lebanon has approved the tool for use. Taaheel is now moving into a new phase, however, with developer Ziad Mugarby implementing a new technological system to make the entire kit digital and take the battery of tests online, so that licensing and usage of the tool by practitioners is facilitated in the modern day. This new technological phase began at the end of 2013 and is due to be rolled out in 2016.

TEDMOB



Industry: Technology and apps
Product: Various
Product launch: 2015
Established: 2015
Employees: 14
Founder: Mario Hachem

Mario Hachem

TEDMOB – Technology Entertainment Development for Mobile – was formed at the end of August 2015 by Mario Hachem and four silent financial backers. The firm offers clients services from three main business avenues: app development, value added service to mobile operators, and offering consulting services to ‘appreneurs’ – startups which are app-based and need support during development and launch.

The target market varies with each service provided. For large scale apps, all manner of entities often need to outsource app development as they do not have the internal manpower, and clients are willing to pay around \$20,000 per service. For telecom value added content services, TEDMOB is aimed at mobile operators at the mercy of over-the-top (OTT) services, such as Whatsapp, which create no revenue for the operator while pushing them into becoming internet value providers. Their service offers projects to operators which generate them recurring revenues through subscriptions, such as the music streaming app Anghami, that offers content within an app and marketing through a subscription with a mobile operator. Their final business avenue, ‘appreneurship’, offers far more than the construction of app technology but extends to guidance and advice on monetization of products, and TEDMOB already has seven clients seeking this service.

While TEDMOB is a relatively junior startup, revenues reveal a strong start, with expected revenues of \$350,000 in 2015, and projections of over \$1 million for 2016. Hachem’s track record of successful app development with previous companies, such as apps2you – which offers app building services to clients – allows him to guide clients through the monetization of app development. His previous apps include “LAF Shield”, which was named 2015 best M-Government app in the Arab level Safety & Security category at the Dubai/ Deloitte awards. As Lebanon becomes more connected to a global technological infrastructure, the need for strong app developers becomes ever more apparent, as is providing them with opportunities to use their skills in the country.

With regards to social entrepreneurship and impact, TEDMOB’s appeal goes beyond the obvious employment of his 14 team members. Hachem’s aim is to hire 14 more graduates with minimal experience in 2016, as he argues that TEDMOB has the capacity to train fresh recruits and bring them up to scratch. TEDMOB also has plans to launch an educational academy, which targets universities and offers undergraduates internships within the company, experience that is valuable to potential future employers. Future expansion plans include a foray into the gaming industry, which Hachem hopes will generate strong income through the ‘stickiness’ – the technological term for addictiveness – of their products.

TEENS WHO CODE



Nour Atrissi



Ziad Alameh

Industry: Education

Product: Coding classes

Product launch: 2014

Established: 2014

Employees: Recruitment on project basis

Founders: Nour Atrissi and Ziad Alameh

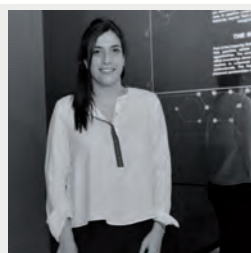
Teens Who Code is the brainchild of co-founders Nour Atrissi and Ziad Alameh, who met in AltCity and decided to form a startup in October 2014 dedicated to teaching young adults how to computer program in different languages in 2014. Aimed at improving computer literacy amongst teenagers, Teens Who Code offers courses and private sessions to individuals in a number of different areas, from web development and Raspberry Pi classes, to android and iOS development. Their reasoning for targeting the youth is that programming skills are, like a language, often absorbed faster by a younger mind and can subsequently shape future career paths. Their board of advisors also boasts familiar faces, such as David Munir Nabti, CEO of AltCity, and Nicolas Sehnaoui, former minister of telecommunications.

Their business model is currently centered around developing curriculum for bootcamps – 10 week programs which Atrissi explains are in direct response to market demand – which will be rolled out in February, and which she feels enable students to improve in the most efficient manner. In addition, next year they will start targeting schools and offering after school classes in addition to separate bootcamps. A pull factor included on their website is the offer of a free hour-long coding session for new sign-ups with Alameh. Several of their graduates go on to receive job offers, and Atrissi explains that the AUB undergraduate who manages the TEDxAUB website graduated from their program. Teens Who Code has been self-financed over the past year, and has collaborated with AltCity to use their office space when offering large classes. Teens Who Code will seek external funding over the course of 2016 in a bid to expand across local and regional markets, while approaching schools to advertise and advocate their project in an educational setting. Having physical teachers on the ground encourages and pressurizes

students to complete their programs, which gives Teens Who Code a competitive edge over massive open online courses (MOOCs) run by educational giants like Coursera, which have a four percent completion rate compared to Teens Who Code's 90 percent completion rate. Aside from online platforms, Atrissi stresses that there are no competitors who specifically teach coding to teenagers in Lebanon.

Atrissi and Alameh are looking to recruit coding teachers for their different courses, which retail at \$250 for a two month bi-weekly iOS development course and set a limit of 10-12 students per class. While there are no limitations on previous experience, Teens Who Code try to filter students into classes according to their coding history. As the model for her startup is scalable to the entire region; offering licences of the curriculum and content to other cities within the Arab world is her current expansion plan, which she claims avoids the costs of having their own physical facilities and tutors. Teens Who Code also identifies quality control as a key element of their expansion plan, with key deliverables for each student within their courses. Although Atrissi does not reveal exact financial details, the project is currently self-funded and equity is equally split between her and Alameh. Immediate future plans will be concentrated in Lebanon before they seek external investment of \$50,000 to roll the model out to the wider region.

TICKLEMYBRAIN



Tara Nehme

Industry: Recruitment
Product: Resume and presentation services
Product launch: 2012
Established: 2012
Employees: 4
Founder: Tara Nehme

Tara Nehme, the Lebanese-Canadian founder of TickleMyBrain (TMB), first noticed that people's resumes needed assistance when a friend asked her to check their CV at the last moment before applying for a job in Dubai. What started as a small career advice blog in 2012 has evolved into an online platform dedicated to improving the presentations of users' credentials. TMB offers services for improving documents (such as resumes and various applications) uploaded to their website for a minimal fee of \$99 for the basic package, and \$5,000 for a business plan.

Nehme identified that many candidates suffered at the application stage of careers due to poor presentation of otherwise good credentials. Akin to coaching for a pitch to an investor, TMB offers guidance to clients wishing to give the best first impression possible, without deceiving potential employers by carefully monitoring the content management of a portfolio. TMB's main business is selling the overhaul of resumes and cover letters, but they offer other services as well to meet premium writing requests of clients. Until now, the business has operated through a freelance writing team.

Their business model matches freelance writers with clients who need editing and language services, at a 30:70 revenue split to TMB and the writers respectively, the latter of whom are heavily vetted by the business. Their future model centers around scaling the business to include a 'tiered system', offering express services with a fast turnaround alongside the current TMB system, as Nehme often has urgent requests. The value proposition of this would be the speed of writing turnaround, which is how they wish to scale globally.

The project is currently self-funded, and Nehme took a \$15,000 loan and offered stakes to other employees within the company, including her chief designer and chief technological officer, with the majority stake resting with Nehme. The operations are based in Beirut, with freelance writers worldwide, and they review the services by incorporating a feedback mechanism from both writers and customers. Most of her employees, bar seven freelance writers, are Lebanese and TMB have recently opened offices in the Beirut Digital District as operations are based in Lebanon.

The company became profitable seven months into its foundation, with 15,000 sign ups to the website, and more than 3,000 paid users. TMB's biggest growth is within the business plan offering, with more than \$100,000 in total sales in the last year. Their target market includes any professional with a need for overhauling the presentation of their credentials. In terms of scalability, Nehme believes that their future lies with an express service, which will be rolled out in February 2016 and marketed globally. TMB's value to the Lebanese economy is their ability to improve the chances of employment for their customers, and the opportunities offered to their own employees at what is essentially a tech-based startup. Nehme explains that their corporate social responsibility services go beyond a resume refurbishment, and regularly holds workshops and lectures on credential presentation. "I care very much about the Lebanese, and I care that they get the same chances as everyone else. What we're offering is the chance to compete in a very tough world," says Nehme, who hopes that TMB's impact will come full cycle and see individuals who benefited from their services feed back into the Lebanese economy.

URBACRAFT



*Sabine De Maussion
and Ayssar Arida*

Industry: Consumer and retail
Product: Construction toy and educational kit
Product launch: 2014
Established: 2014
Employees: 1
Founders: Sabine de Maussion and Ayssar Arida

Sabine de Maussion and Ayssar Arida developed urbacraft in 2014 after identifying a gap in the toy industry for locally appropriate toys. Their main product is a hybrid “customizable building set” which allows individuals of all ages to form buildings out of modular plastic pieces – ‘urbs’ – and other printable materials and elements – ‘kits’ – such as a cardboard façade, which can be added and ‘hacked’ (e.g. ‘colored in’) by the user. Unlike other composite toy creators, urbacraft’s philosophy is rooted in open source construction, and allows the user to add parts they designed themselves. Their product for the recently opened Sursock Museum store includes a card façade with the building’s recognizable windows. Pieces are compatible with other toys, and parts or self-designed elements can be printed using either a normal or 3D printer. The company functions as a hybrid software-production company, since individuals who use the product can upload designs of façades or other parts to the urbacraft community, which in turn can be downloaded by other users and ranked in popularity.

In terms of local business, urbacraft aims to have small regional distribution centers for the plastic parts and encourage local economies by having children from the age of eight upwards print downloaded plans in local printing offices. This vision ties in with their aim to reduce their carbon footprint by not manufacturing in China, and figuring out distribution channels to those without access to a 3D printer, thus enabling localized manufacturing. In terms of expansion, Arida is keen to recruit Lebanese talent and hopes for a team of around 40 to 50 people within the first four years. “Two of our main needs for jobs are designers and product managers. Beirut is a fantastic place for both and the economics of Beirut makes it much easier and cheaper than to hire elsewhere. We will be tapping into the design, architecture and creativity that is already there – an extraordinary resource,” he says. The company also aims to continue running operations from its main offices in Beirut for the foreseeable future, hiring for sales and social media.

urbacraft has identified that the world’s largest consumers of toys over the next few years will come from emerging markets, and in particular the construction toy market has seen 35 percent year-on-year demand growth. While children are the main target market, Arida stresses the importance of such a model for other parties. “We’ve seen so much interest from adults like architects needing to prototype buildings or corporations using them for workshops for building design,” he says. Professionals and corporations are a secondary target market for urbacraft, along with educational institutions where the startup wants to expand sales into open-ended learning systems as educational toys.

Going forward, urbacraft is looking to raise between \$500,000 and \$1 million in seed funding over the next year, and is pitching to investors interested in consumer goods. It is currently the only non-American company enrolled in the XRC Labs accelerator in New York, which is a joint program between the Kurt Salmon global management and strategy consulting firm and the Parsons School of Design, also based in New York. The accelerator has taken a 6 percent equity slice for an undisclosed investment and provided services, and urbacraft has already been through Phase 1 of the UK Lebanon Tech Hub acceleration program.

**“WE WILL BE TAPPING
 INTO THE DESIGN,
 ARCHITECTURE AND
 CREATIVITY THAT IS
 ALREADY HERE”**



REAL ESTATE

A lot of unfinished business

For many, the 11-story concrete shell between Starbucks and Colombiano Coffee House in Sassine Square is the perfect image for Lebanon's real estate market. Expected to be the headquarters of Cheaib Jewellery Collection Group, a local accessories manufacturer, the building was announced in 2013 and scheduled for delivery in early 2014. When construction stopped is not exactly clear, but there has not been a shred of meat put on the building's concrete bones in 2015. It is a symbol of a sector in trouble.

In the first quarter of 2015, Economena Analytics queried 15 economists working in Lebanon. A plurality of them – six – predicted real estate would be the economy's worst performer in 2015. At time of writing, not all of the numbers were in, but it's safe to say they were either right or not far off. While the data available for the real estate sector is deficient (see overview page 120), the available indicators suggest this may be the sector's worst year in at least a decade. In fact, the sector saw year-on-year growth every year from 2000 to 2010. That said, 2015 does not represent a complete market meltdown. There are still sales, and new projects are breaking ground. But gone are the days when million-dollar Beirut penthouses were as in-demand as the last slice of pizza. Indeed, the tallest building in the city, Sama Beirut, still did not have all of its windows installed by November 2015, despite the developer's prediction 18 months prior that the tower would be posing risks to passing birds by June 2014. The sector is in a slump, but it's not regressing too far. The boom years of 2007-2010 are decidedly over, but the numbers are still up compared to 2000-2005.

Three years of stimulus money targeting real estate, among other sectors, from Banque du Liban, Lebanon's central bank, is helping tremendously, developers say. And even if expatriate Lebanese and well-heeled foreigners are not buying in the numbers they used to, young Lebanese couples are. Developers report that the buyer profile is changing, with single people and divorcees making purchases that would have been unheard of 15 years ago. Local demand is keeping the sector afloat as market players wait for the better days they all insist are ahead.

Data deficiency syndrome

The real estate market continues to lack solid price and demand statistics *By Matt Nash*

Incomplete as they are, the numbers look bad for Lebanon's real estate sector in 2015.

Construction permits are down. The number of transactions is down. Cement deliveries are down. Full-year stats were not available at time of writing, but year-on-year comparisons of the most recent data point to a deepening slump after a boom phase that ended in 2010. That said, developers continue to insist that large, unsold apartments in Beirut do not accurately reflect the state of activity in the market as a whole. With help in the form of subsidized loans made possible through central bank stimulus packages since 2013, young Lebanese couples are still buying, and population growth guarantees local demand for both residential and commercial properties, developers say.

HOW BAD? TOUGH TO SAY

Available data on the sector, however, prohibits in-depth analysis. Construction permits are misleading. The recipient of a permit has several years to actually begin construction (which he or she can ultimately decide not to do at all), and permits include a developer's multi-building gated community as well as a private resident's plans to build a new car garage. Cement deliveries are equally all inclusive, meaning when the corner store goes belly up and the next tenants bring in cement to convert the space to a sandwich shop, deliveries tick up. The statistics on real estate transactions, meanwhile, are also too vague to be of much use.

As *EXECUTIVE* highlighted last year in our Facts and Forecasts edition, the sale of a new apartment is only captured in the statistics once the property deed is handed over to



its new owner. The standard marketing strategy for any new development in Lebanon, however, focuses on ginning up a high volume of sales before and during excavation – in part to help finance the project. This means that a sales contract between developer and future owner can be signed years before the sale shows up in the numbers and that delivery of a large-scale project can misleadingly boost the data. On top of that, “real estate transactions” – as delivered by

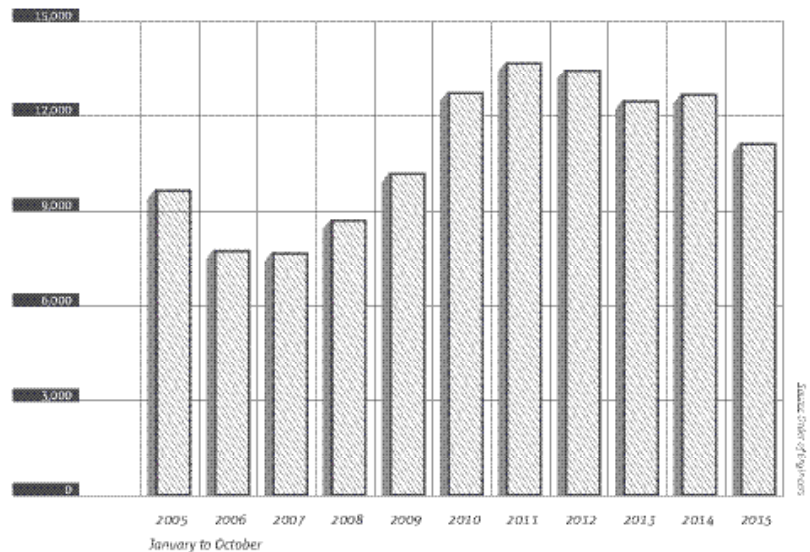
the Central Administration of Statistics (CAS) – include property sales, inheritances and property donations without a subdivision of the numbers by category. Sales breakdowns by new versus existing stock or residential versus commercial, therefore, are out of the question.

The source of transaction data is also mysterious. All real estate transactions in the country go through the Directorate of Land Registration and Cadastre (DLRC), part of the Minis-

try of Finance. The DLRC does send out monthly stats covering some of the more mundane of the sector's goings on (such as how many people asked for new official copies of their property deeds because of damage to the original), but they do not include sales transactions. CAS also produces real estate data, which it says comes from the DLRC office in each district (caza). CAS has real estate data stretching back to 2000; however, data is missing for the years 2006 and 2008. And, as noted above, the CAS transaction numbers lump sales in with inheritances and donations.

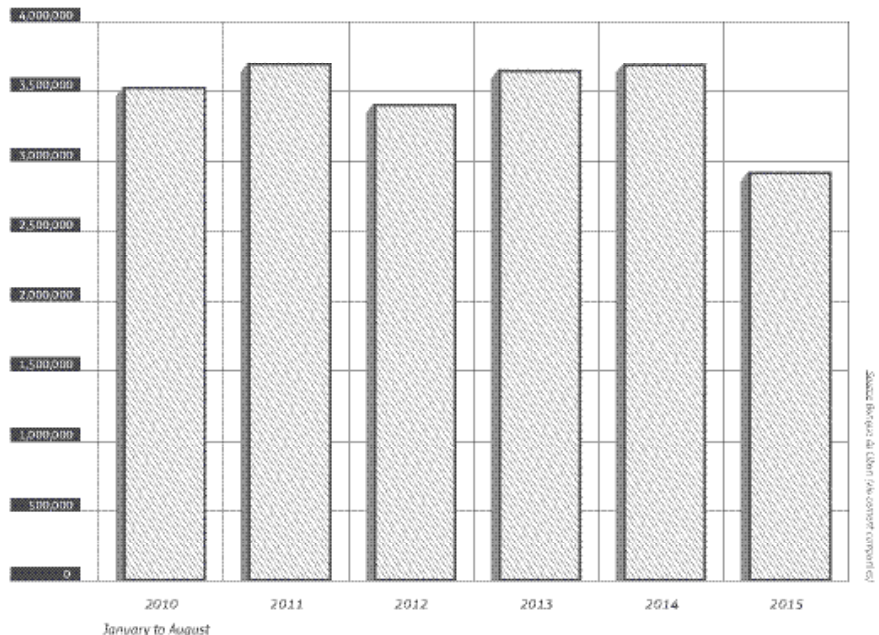
What the CAS numbers do show, however, are general trends. Between 2000 and 2005, year-on-year growth in transactions was slow and steady – in the single digits. The period began with a yearly total of 48,847 transactions and ended with 60,507. There's a gap in the data for 2006, but transactions in 2007 reached 77,090, 27 percent up from 2005. Again, there's a gap in data for 2008, but transactions grew to 94,046 in 2009, up 22 percent in two years. The next year brought another 10.8 percent jump in transaction numbers followed by a nearly equal decline in transaction numbers in 2011, the first year for which data is available that witnessed a contraction. Since then, transaction numbers have been on a downward trajectory: another 10 percent contraction in 2012 and a 9.5 percent decrease in transactions in 2013. There was a slight uptick in 2014, with transactions posting 1.2 percent year-on-year growth, but 2015 looks like another bust year, posting a 36 percent decrease in transactions in the first 9 months compared to the same period last year. That said, transactions for the first three quarters of 2015 are still above the full year 2000 and the past few years have seen transaction numbers above where they were 10 years prior. The market has not crashed,

NUMBER OF NEW BUILDING PERMITS PER YEAR



**2015 LOOKS LIKE
ANOTHER BUST YEAR**

CEMENT DELIVERIES PER YEAR IN TONS



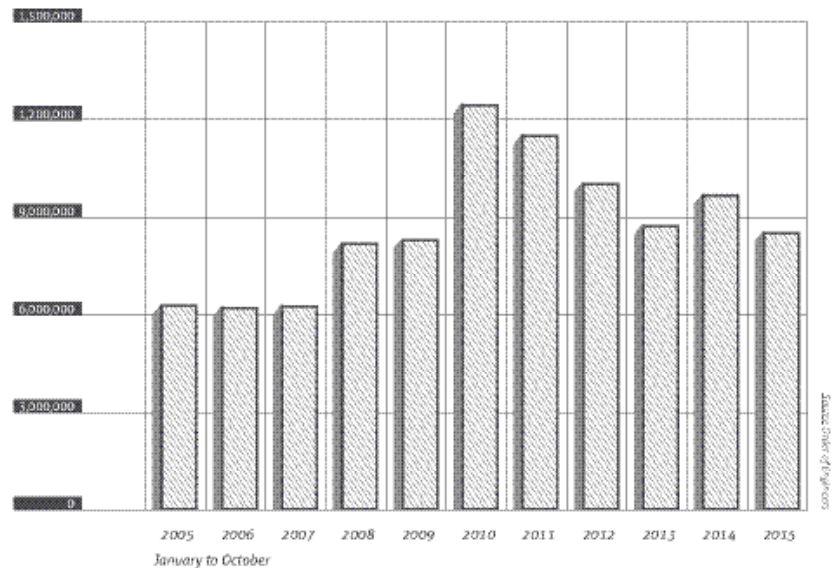
despite what you may have read in the papers or seen on TV. However, all these fuzzy numbers mean that the inquisitive can observe broad trends, but that is about it.

INDEXING DISAPPOINTMENT

In early November 2015, Byblos Bank announced the launch of a real estate demand index. Entering the press conference, the most pressing question EXECUTIVE had was, “Where does the data come from?” The answer, as anticipated given the aforementioned statistical insufficiencies for the sector, was disappointing. Numbers for the index come from an opinion survey that asked exactly two questions – “Do you plan to buy a house?” and “Do you plan to build a house?” The bank did not follow up with respondents to find out if they carried through with their plans. And the index – which includes data going back to mid-2007 – shows the same general trends revealed by the already available but incomplete numbers analysts have been using for years. In short, it adds volume, but not necessarily value, to the available data set on the sector.

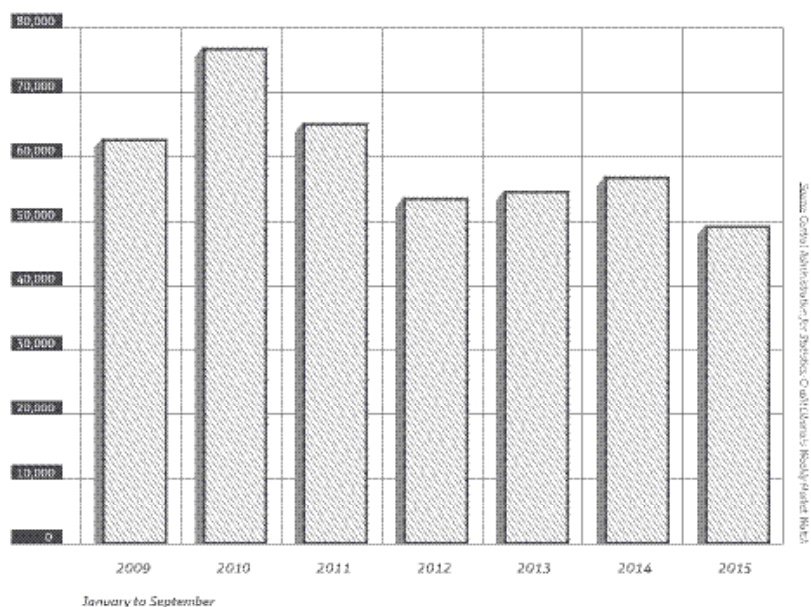
Earlier in the year, news broke that the Order of Architects and Engineers planned a real estate price index to be launched in the first quarter of 2016. Developers EXECUTIVE queried on the proposed project welcomed it, but were somewhat skeptical. Namir Cortas and Massaad Fares, heads of both development companies and the sector’s two syndicates, say neither syndicate is directly involved, but note the market needs this data. Aysar Abillama, CEO of Injaz Holding, says he doubts the project will actually be implemented. The price index would undoubtedly be useful for consumers. Take, for example, the issue of prices in 2015. Ramco Real Estate Advisors – the country’s largest intermediary – argues that in Beirut, prices have dropped by less than 5 percent (see

TOTAL AREA OF NEW BUILDING PERMITS PER YEAR IN SQM



**THE PRICE INDEX WOULD
UNDOUBTEDLY BE USEFUL
FOR CONSUMERS**

NUMBER OF REAL ESTATE TRANSACTIONS PER YEAR





Ramco contribution page 124). Developers EXECUTIVE spoke with said they are offering discounts of 10 to 20 percent. Ramco's numbers come from its own internal research department, and both journalists and consumers have to take developers at their word. A reliable index would help buyers know where the truth lies and avoid getting ripped off.

Developers, too, bemoan the dearth of data on the sector. Abillama specifically blamed the media for distorting the state of the market, leading the public to believe the sector is either crashing or about to collapse. "Ask any buyer today, and he'll tell you, 'I'm waiting.' Waiting for what, he doesn't know. He's waiting. Everybody's waiting," he says. Developers - who obviously have an interest in pushing the narrative that prices will never significantly drop - repeat the same mantra about the never decreasing prices of apartments in Lebanon: Land is scarce, owners generally do not have an urgent economic need to

DEMAND IS STRONGEST FOR APARTMENTS RANGING IN PRICE BETWEEN \$200,000 AND \$350,000

sell and there is an organic demand from population growth that will drive the sector forward with boom years as periods of stability (or relative stability) bring expatriates and foreigners from the Gulf. While developers readily admit that sales of apartments over \$2 million in Beirut have been dead for years, George Chewan, CEO of Plus Properties, argues that, with a presidential election and stability, they will go in no time.

REFORMS NEEDED

In addition to more clarity on the sector in the form of better statistics, developers said the market would benefit from a dedicated ministry of housing. For one thing, it could help

equitably solve the old rent issue that has been a problem for landlords and tenants since the end of the civil war (see Q&A page 128). Developers also argue that the borrowing limit from the Public Corporation for Housing (or Iskan, as it is locally known) - which offers Lebanese citizens subsidized home loans - should increase from today's \$180,000. Everyone interviewed for this report agreed that demand is strongest for apartments ranging in price between \$200,000 and \$350,000. While land plays a part in making that price high and will arguably only push it up, Abillama admits that developers have played their role, too. "In the past 10 years, prices have gone up 400 percent. If you want to be realistic, construction hasn't moved. What happened is two things: Cost of land went up, and our profits went up." Asked how much profit margins have risen, he laughs. "Maybe more than the price of apartments. Yes, we are earning much more money."



> **Review**

Surviving the slump

Slow is not dead for Beirut's property market



The real estate market is the subject of much speculation, usually the negative kind. There are very few optimists who still see it as a lucrative sector. Yet the reality is not so bleak. Demand exists but only for the right product at the fair market price. Prices have started to adjust but effective drops are minor. Developers continue to look for new land to develop. Buyers, both local and expatriate, constitute a steady, end-user demand. The market rests on solid foundations. The only unknown that could either unhinge or improve this delicate balance is the political and security environment – something economic players have no control over.

SLIGHT PRICE DROPS

Real estate prices are the latest obsession of Beirutis. There is a consensus that apartment prices

in Beirut have dropped. Opinions diverge about the exact magnitude of the drop. “Experts” flaunt percentages – anywhere between 10 and 30 percent. These opinions are never based on any accurate and reliable market information.

Actual market data confirms a drop in prices. The research department at Ramco sarl has been compiling price information on buildings under construction in Municipal Beirut since 2005. What our data shows is that the average price of new apartments has dropped by less than 5 percent in

2015, depending on the area. The study covered a panel of around 250 buildings that were in construction in both 2014 and 2015 in 67 neighborhoods across Beirut.

These are asking sale prices that do not take into account the discounts offered by developers during negotiations to finalize a sales deal, which has been current market practice for the past several years.

WIDE PRICE DISCREPANCIES IN BEIRUT

Apartment prices vary widely from one neighborhood to another across Municipal Beirut. Logically, the most expensive apartments are located on the seafront stretch between Beirut Central District (BCD) and Ramlet El Baida, where prices vary between \$7,000 and \$10,000 sqm on the first floor.

Some projects with direct access

**BUYERS, BOTH LOCAL
AND EXPATRIATE,
CONSTITUTE A STEADY,
END-USER DEMAND**

to the seashore, such as Summerland Residence and Beirut Waterfront, post even higher prices. These remain a minority and cater to a very narrow niche clientele.

Overall, however, nothing in the capital can still be purchased at less than the symbolic bar of \$2,000 sqm on the first floor. The most affordable neighborhoods are clustered at the center of Beirut, just south of BCD, from Bachoura to Tarik El Jdideh further south. Prices lie between \$2,088 and \$2,400 sqm on the first floor. The north and easternmost neighborhoods of Ashrafieh are the next most affordable in the capital. Areas like Beddawi have an average sales price of \$2,600 sqm on the first floor. A Ramco study concluded in Spring 2015 for 345 buildings under construction in different areas of Beirut revealed the following averages: the average asking sales price of apartments stood at \$885,360 on the first floor; the average apartment size was of 238 sqm; the average unit price stood at \$3,720 sqm on the first floor, before negotiation.

LARGE NEW STOCK

Around 10,100 new apartments are currently under construction across Municipal Beirut. This is a drop of about 3.8 percent over 2014, but remains an important stock.

The majority of the projects under construction are located in Ras Beirut, which accounts for half of the stock under construction, with around 5,050 apartments. Ashrafieh comes next with about 3,900 apartments.

BCD, however, holds the lead as the individual neighborhood with the largest upcoming residential stock. The neighborhood's 1.91 square kilometers count about 1,100 apartments under construction spread across 19 residential projects. Two mega-projects with more than 140 apartments each boost BCD's figures.

SMALLER APARTMENTS

The main change on the market is in the size of apartments. Developers have responded to the slowdown in sales by putting smaller apartments on the market – targeting more accessible budgets.

During the past 12 months, apartments across Municipal Beirut have lost about 14 sqm, dropping from 252 sqm to 238 sqm. Obviously, apartment sizes differ from one neighborhood to another.

BCD, for instance, the prime residential address of the country, still offers the largest apartments. They average 333 sqm. Traditionally, BCD has been the leader of the luxury residential market, topping the charts in terms of size of apartments, prices, quality of construction and design. The average apartment size in BCD is about 40 percent larger than the average size of apartments across Municipal Beirut,

CURRENT MARKET CONDITIONS ARE NOT CONDUCTIVE TO PROFITABLE SPECULATIVE INVESTMENTS

which stands at 238 sqm.

The average size of apartments in Ashrafieh and Ras Beirut are almost similar at 227 sqm and 226 sqm, respectively. They are slightly below the Beirut overall average, which is inflated by apartment sizes in BCD.

Even the high-end residential market has seen the apartment sizes shrinking. A few years ago, 450 to 600 sqm were common in the most prime neighborhoods of the capital. Today, no developer would venture down that lane. Even the most luxurious towers currently being built offer apartments between 325 and 400 sqm at most.

LIMITED SPECULATION

Beirut remains an end-user

market. Speculative investments remain very limited, shielding the market from the sudden and often random fluctuations of other money and investment markets. The slowdown that has characterized the market for the past two or three years also deters speculators, as prices have remained almost stable and are now starting to drop slightly. Speculators feed on an ebullient market, in which they can turn their property over quickly at a sizable profit.

Current market conditions are not conducive to profitable speculative investments. This seeming paradox helps protect the market from overheating and keeps prices closer to their fair market values by removing the “fake” demand that speculators represent.

There are some investors still interested in purchasing small apartments in certain neighborhoods of Beirut which are easy to then place on the rental market. This is still a lucrative investment, provided it is the right product. Apartments can be easily rented when they are small and located in a clean building. The building could be new or old, provided it is well kept and offers good basic amenities, such as parking facilities, elevator, generator, janitor, etc.

MOSTLY LOCAL DEMAND

The vast majority of transactions are concluded by local residents buying a primary or secondary residence, for themselves or for their children. Local demand represents the majority of the local market. Its appetite fluctuates at the rhythm of the security and political crises, but returns at the first signs of a security lull.

Lebanese expats constitute the second largest source of demand for end-user homes. Their higher average levels of income than the local population makes them a choice target clientele.

Expats living in the Gulf countries and Africa tend to buy



large apartments to use as primary residences. Expats living in Europe and, to a lesser extent, North America constitute the main demand for small apartments to be used as a pied-à-terre during their stays in Lebanon.

HIGH-PERFORMING COMMERCIAL MARKETS

The commercial landscape has developed tremendously during the past several years. With a sluggish residential market, developers have turned to a much undersupplied commercial market – with some very successful results.

At the beginning of 2015, the capital counted 37 office projects within its municipal limits. These will offer around 195,000 sqm of office space.

Projects tend to be located in the peripheral zones of Beirut, avoiding the heaviest of the traffic congestions. Areas such as Corniche El Nahr, Rmeil, Badaro, the National Museum and Adlieh have seen a surge in office developments over the past few years.

The new stock is clean, modern and modular, offering flexible internal partitioning and plenty of parking spaces. Sales prices start at a minimum of \$3,500 sqm, regardless

of the exact location.

BCD and the eastern and central segments of Charles Malek Avenue of course remain the main hub for prime office developments. They offer the best supply in terms of architecture, construction quality and common amenities and services.

The capital has historically been in dire undersupply of good quality office stock. The newest office buildings dated back to the early

PROJECTS TEND TO BE LOCATED IN THE PERIPHERAL ZONES OF BEIRUT, AVOIDING THE HEAVIEST OF THE TRAFFIC CONGESTIONS

1990s and, with a few exceptions, the majority was of middle-market quality and had been aging poorly. The new arrival of modern office buildings was thus much-awaited and most projects sold well.

LANDS STAND FIRM

The land market has been standing its ground. Land prices have remained predominantly unchanged

across Municipal Beirut. Virgin land is rare in and immediately around the capital. Demand pressure is high, so landowners feel confident enough to stand firm on their asking prices.


Land prices, however, are often incongruent with the state of the market. With dropping sales prices of completed apartments, developers' replacement cost for land is becoming too high. There is sustained interest by developers and an appetite for new plots of land, but only at a price that can ensure the project's financial success.

A few landowners have understood that market realities have changed and are willing – more or less reticently – to drop their asking prices. For now, they remain a very thin minority, however. Most landowners refuse to reduce their prices sufficiently to entice developers into making a serious purchasing offer.

NO CRISIS

The boom years are certainly well behind us. The market is in a phase of slowdown, but it is not in crisis. Developers are eager to agree to a 10-15 percent discount and the prices of built developments have dropped very slightly. Under the very difficult security, political and economic environments, stagnation is a sign of solidity.

The underlying fundamentals of the real estate market are solid: developers are highly solvent, demand is vigilant but sustained, speculation is close to nil and lending to individual homebuyers is very carefully regulated by the central bank.

Provided there are no major changes in the broad political and security scenes, the market should continue to stagnate, slowly absorbing existing stock and adjusting to new market realities: smaller budgets and more careful buyers. 

KARIM MAKAREM is director of *Ramco Real Estate Advisers*

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Pushing for reform

Developing new rules for the real estate market is a slow process *By Matt Nash*



Namir Cortas

Massaad Fares

Despite the malaise affecting Lebanon's economy, there's still some life in the real estate sector. Developers are building, and people are buying new apartments – at least in some market segments. Stagnation is the sector's buzzword, as it has been for the past few years, and market players are resting on demand related to population growth, hoping the boom years will return.

EXECUTIVE sat down with Massaad Fares, president of the Real Estate Syndicate of Lebanon (REAL), and Namir Cortas, head of the Real Estate Developers Association of Lebanon (REDAL), to talk market conditions and challenges facing the sector. Both Fares and Cortas are also top managers at property development companies, and Fares also heads a brokerage firm.

REAL has been running courses for real estate brokers with an aim to professionalize the sector for the past three years now. Can you tell us more?

Fares: We've developed a fundamental course about real estate brokerage. The next session will be in March. We are in the process of developing another course, a more advanced course, that will focus on assessing and determining the best use of land. This is to educate brokers, so if a client wants to build a school, the broker shows a plot appropriate for a school, not just any plot.

What do the existing courses focus on?

Fares: The fundamentals of brokerage: zoning, how to read a title deed and how to understand the notes or encumbrances on a title deed. We brought experts to teach about how to do proper due diligence on a piece of land. We taught marketing and sales techniques because here, we know the unprofessional brokers can tell you anything. So we had sessions on the ethics of sales. You can't just tell a client anything. This could be his or her life savings or a young couple who have borrowed money from their parents. We also taught them how to deal with developers. It was hard choosing what to teach because the courses are only for six weeks.

How many students have taken these courses to date?

Fares: [A total of] 104.

Are you doing anything to institute a licensing process for real estate brokers?

Fares: We are working on two tracks. First, we're working with the minister of economy to create a registrar at the ministry so anybody who

wants to be a real estate agent must register. He'll have to put a symbolic bank guarantee. And this only needs a ministerial decision, not a law. We've prepared it and sent it to the Shoura Council [to review its legality]. After the council, it will have to go to cabinet for final approval – and these days that can take some time. Registering at the ministry will mean that brokers have an identity card, and clients will be able to file complaints against brokers at the ministry. Also, in order to register at the ministry, a broker will need the *visto bueno* [or unofficial approval] of the syndicate. If we tried to require the official approval of the syndicate to register, we would need a law instead of a ministerial decision. On a second track, we have also drafted a law on real estate brokerage that we've presented to the Ministry of Economy. We still need to fine-tune it before it is sent to Parliament. We're pursuing both tracks because the law will take a long time. The law will also make the syndicate an order, and then brokers will need the official approval of the order to register with the ministry.

And Minister [of Economy and Trade Alain] Hakim sees registration as a way to protect the consumer.

How does this protection work?

Fares: We promised the minister that, once the decision is approved, we'd do a campaign focused on: 'Know[ing] your broker.' And the minister said he will support us and make a public statement about the importance of using a licensed broker. Why should you buy a home from the concierge? So you don't pay 2.5 percent? You are paying it, believe me. The broker can get you a better deal and better payment methods.

Cortas: And the concierge charges you too. At least get the service for the charge.

E What else is the syndicate doing now?

Fares: We have a recruitment program covering all of Lebanon, but we are waiting for the decision to be approved because if we go to any city outside of Beirut and want to have an open meeting, we want to be able to say they have to register. We need to have that to have a focus for the recruitment.

E So your members are only from Beirut?

Fares: No, we have members from all over, but we have not done active recruitment. We had our members compile data from all over Lebanon and found there are around 600 real estate brokerage offices in the country.

E How many recruits are you aiming for?

Fares: Today, we have 153 individual members representing a bit more than 60 percent of the total sales in Lebanon. We have the most important brokerage companies as members already. All of the big deals are happening through these brokers. Our aim is to have 400 individual members from the 600 existing brokerage offices.

E How about REDAL; what are you up to?

Cortas: This year we had two workshops on the 18 major taxes developers pay during the lifecycle of a project, which contribute around 30 percent to the cost of a development. Government officials don't even look at these taxes comprehensively. They view each as an individual transaction so they don't appreciate the damage it can do [to developers] and the importance of the sector to the economy. With these workshops, we've started a dialogue with officials from the Ministry of Finance. We've built very good relationships and are holding regular meetings and prioritizing a program. The problem is, most of the items on our wishlist require major legislation. We're telling them 10 percent of a million is better than 20 [percent] of \$100. And, we're telling them that if the development sector suffers, 70 other occupations and trades suffer too.

E What else are you working on?

Cortas: We still want to streamline administrative procedures related to actually building a development, but after consulting with different ministries and conferring among ourselves, we've reduced our ambition from a one-stop shop for everything to a pilot project for e-permits in Beirut. For this, we held a workshop at the Chamber of Commerce early this summer that was attended by the [governor] of Beirut. We highlighted how this would allow tracking [of permits], improve communication and effectively empower the applicant by letting him or her know exactly what stage the permit is at and exactly what paperwork is needed. We've told both the governor and the head of the municipality that developers would be willing to pay a premium to get fast-tracked through the permit process because it currently takes so long.

E What's the progress on this?

Cortas: We're working with the World Bank and the International Finance Corporation (IFC) because they've helped implement programs like this in other countries. For the World Bank to help implement this in Lebanon, they will pay part and the government needs to pay part to show commitment. And the whole thing is not a lot of money; it's around \$1.2 million. And half of what the Lebanese government needs to pay is already committed by the Office of the Minister of State for Administrative Reform. But the governor has a problem. The money will come from the municipality, but he needs to sign.

E Why is he dragging his feet?

Cortas: I don't know. We need to follow up. We were lobbying on the one hand and the IFC was pursuing this independently. When we discovered that, we began working together. It will get done, but it takes time. For every small step of reform, there is so much rejection in this country. Taxes and bureaucracy are the two biggest challenges facing this sector.

E Back to the taxes for a second; you said there needs to be a lot of new legislation. Have you drafted any of this legislation?

Cortas: We're trying to make progress on important matters that do not need legislation or need less legislation. For example, we're lobbying for a single body for valuation. This does not need a lot of legislation. Today there are too many committees that have the power to do valuation. We're lobbying to have a role for our members in the valuation process to avoid over-simplification – for example, not every apartment in Solidere is as expensive as Platinum Tower, which has a direct sea view. And values can go down too.

E Can you elaborate on the need for a single valuation body? How does valuing an apartment work today?

Fares: Let's say, for example, you buy a unit in Sama Beirut. You buy on the 40th floor and the price is \$10,000 per square meter. When you go to register it, you have to pay 6 percent on \$10,000. Another customer bought an apartment on the first floor two years ago for \$2,000/sqm. They will both register the property at the same time because registration happens not when a unit is bought, but when it is delivered. The real estate registry can tell the person who bought on the first floor that their apartment is worth \$10,000/sqm because they saw what the other customer paid. They have the power to do this, imposing a price on someone coming to register. And they have the ability to call people back if they get registrations in the same area for a higher price. We need a price index (see overview page 120).

E Aside from regularizing the valuation process, what else is REDAL working on to help improve life for developers?

Cortas: We hope to do something about the fact that we pay value added tax without being able to recover it. We'd also like to have first-time buyers exempt from registration taxes. But these last two things need legislation. We'd also

like to increase the loan size available from the Public Corporation for Housing (PCH).

Fares: Today it's \$180,000. If we could double that, for example, this would cover a nice portion of the first-time buyers.

E Last year at this time, the new rent law had just been passed. It has still not been implemented. What are your thoughts on the law?

Cortas: It's a joke. The truth of the matter is there is no housing component to the economic policy of the government.

Fares: There must be a ministry for housing. Solving the old rent problem is easy. It would take maybe \$2 billion to fix this problem and build the old [tenants] new housing. Let them keep paying their old rents in the new developments. Why not solve this completely? And our biggest problem as developers looking at

"IF YOU CAN AFFORD A BMW, YOU CAN AFFORD A HOUSE."

Beirut is the scarcity of land. Solving the old rent problem would release so much property that would be available for redevelopment in areas that are so poor and so ruined. We could revamp these areas completely. Officials always want to solve economic problems with laws. If we had a ministry of housing, at least there would be new ideas.

Cortas: And there needs to be a planning component for real estate at the government level. Had the central bank not had the governor, with his understanding of the importance of housing and importance of subsidized loans, no middle-income person would be able to afford a house. This culture needs to come to the Ministry of Finance and the whole cabinet.

E Given that prices are high today,

especially in Beirut, who is buying?

Cortas: The need for housing is enormous. Especially at the lower and middle income level. There's a mismatch. There isn't enough property to meet the aspirations of young, educated people who are independent enough and wish to move out and get on the housing ladder. We have a duty as developers not only to create the right product but to create the right awareness. People do not know [enough about this]. We were in a meeting with journalists last year, and they were skeptical about whether they could afford to buy a new apartment. A colleague asked one of them, 'What kind of car do you drive?' He said, 'A BMW.' My colleague said, 'If you can afford a BMW, you can afford a house.'

E What do you mean by middle income, in terms of figures, and how do you plan to build for the middle-income buyer when there are no reliable statistics on what salaries people are earning?

Fares: We know [how to identify a target market by income] because we live here. We are used to knowing things, not in a scientific way, but in a gut feeling way. Today, [for an apartment costing] up to \$250,000 or \$300,000, there is such [high] demand that you cannot meet [it].

E Can a couple earning a combined monthly salary of \$3,000 afford this type of apartment?

Fares: Yes, between the central bank's subsidies, some family savings and the PCH, they can. This segment of the market is about 25 to 30 thousand units per year, and this is from the normal growth of the population.

Cortas: The total shortage in this segment is around 80,000 units today.

Fares: And given the economic situation today, developers are hesitant to begin new projects but people are still getting married.

Cortas: And the buyer profile is

changing [for example].

Fares: I have two single female customers who are buying apartments alone. They want to invest in a house; they don't want to just rent.

Cortas: Because if you are a salaried person, how else are you going to save? How else are you going to build capital?


Fares: And it is difficult as a company to make money in this segment. I cannot compete with a mom and pop operation. A gentleman with his son who is an architect can park his car next to the development [site] and use it as an office. They don't have to hire project managers and they can build to lower quality specifications because they don't have a reputation to worry about. So for professional developers to compete with them, we have to go for large-scale developments – 80 or 100 units – to reach an economy of scale. So you're buying 500 doors, for example.

E You've spoken about the middle-income segment, but what about the high-income segment? Is there a significant amount of unsold stock?

Fares: I believe there are more than 1,000 units exceeding \$2 million unsold on the market: about \$3 billion [in total]. But this is not a big amount of money. The average of the sector is \$6 or \$7 billion per year – not this year – but in an average year. And no one is building these types of units anymore. There's a window of opportunity here for investors.

Cortas: We were going to launch a campaign titled, 'Now is the best time to invest in this beautiful country despite all its problems.' We've decided to be sensitive to the ugly scenes and ugly garbage, demonstrations and delays.

E Will this campaign focus on the local market or abroad?

Cortas: I think it will be [everywhere] once we stop harassing the world with our bad images. 

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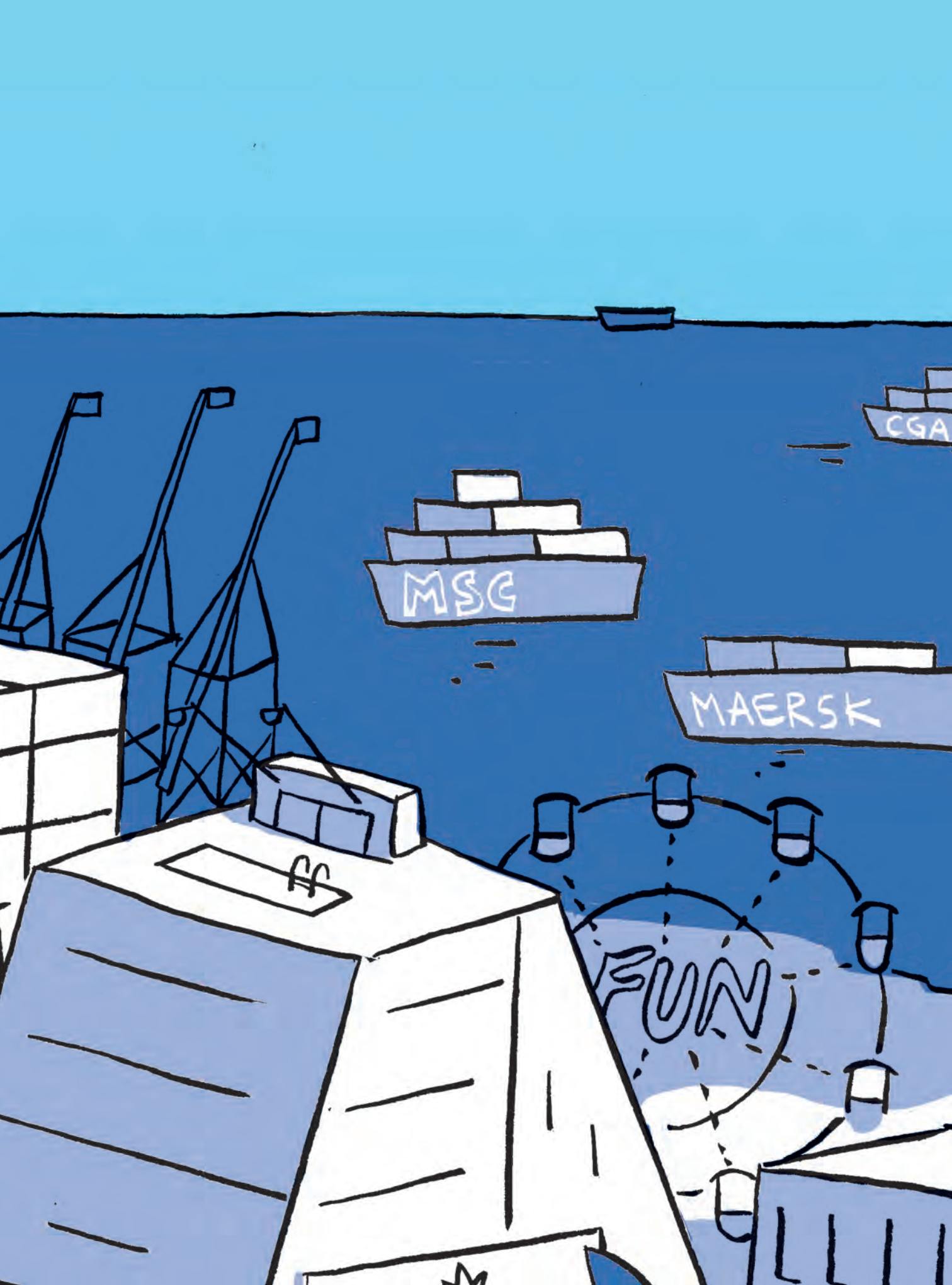
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MANUFACTURING & AGRICULTURE

In the process of adjustment

Given the regional context, 2015 was an okay year for Lebanon's manufacturing and agriculture sectors according to industry leaders and government officials. The oft-cited impediments – those of political paralysis, security instability and high operating costs – were compounded by the negative impact of a food safety campaign affecting the food industrialists and agricultural producers. And in March 2015 the closure of land transit routes to the Gulf markets raised export costs for all across the manufacturing and agriculture value chains. While the government was able to offer agricultural producers subsidies to export by sea as a temporary solution to mitigate profit losses and maintain clients in the Gulf markets, it also began negotiations in the hope of securing trade pacts with new markets. To further help the sector, a framework plan for the next five years is now being fleshed out by the Ministry of Agriculture, though EXECUTIVE's request for an interview to understand the details went unanswered. The local office of the Food and Agriculture Organization (FAO) of the United Nations is also working on its own five year plan in coordination with the ministry – FAO's strategy marks a shift toward beneficiaries, particularly small farmers, to boost productivity and the quality of produce to reach markets with higher standards, such as the European Union.

The Ministry of Industry still hopes to secure more help for the manufacturers. For example, offering tax exemption programs for industrial research to spur innovation and passing a law allowing manufacturers a 50 percent reduction of tax on their exports are a way forward, while also exempting them from tax on raw materials and imports of industrial equipment. But governmental paralysis is an impediment toward amending the value added tax law.

The Ministry of Industry's long-term goal is to grow the manufacturing sector to contribute 18 percent to the gross domestic product by 2025. For the period 2008 – 2013 manufacturing's contribution to GDP hovered around 8 percent. The sector has, according to Minister of Industry Hussein Hajj Hassan, maintained its performance despite the difficult context. Economic activity in other sectors – such as construction and hospitality – has not been positive, suggesting manufacturing's 14 percent contribution to GDP in 2014, according to World Bank calculations, is a function of those sectors' performance rather than any real contribution to growth by the manufacturers. In any case, Hassan says the plan to grow the sector is still being drafted and no details are yet available.

Industry hunger

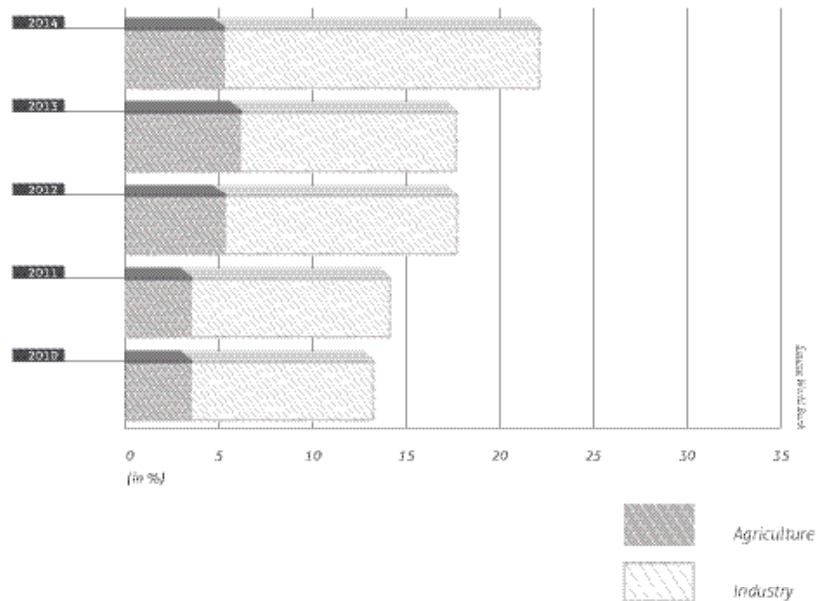
Food and agriculture producers seek new tactics and markets *By Jeremy Arbid*

If last holiday season Lebanon asked Santa Claus for better conditions in the manufacturing and agriculture sectors, then recipients were surely disappointed by what was placed in their stockings – a mix of promises and future hopes.

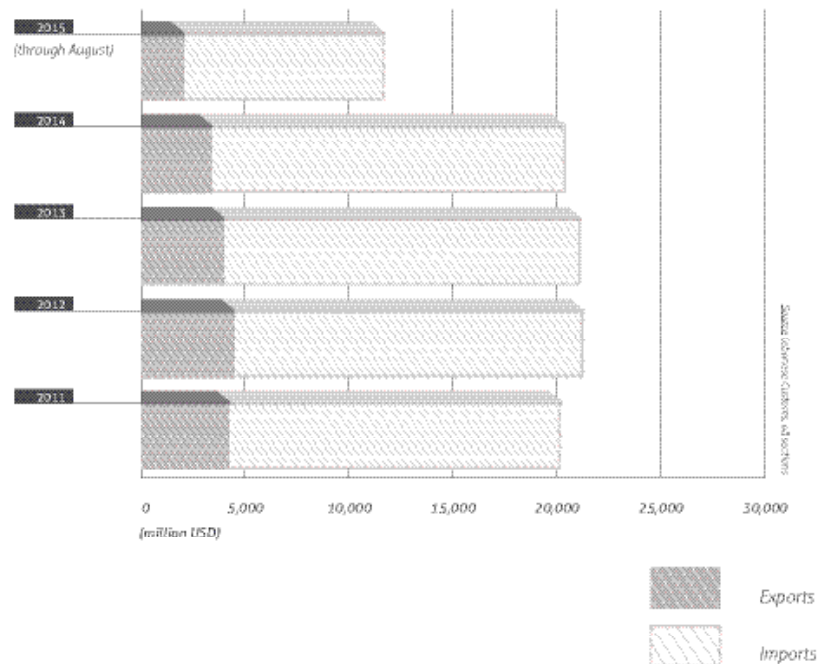
The year started off under duress for the food industry and agriculture producers with a food safety campaign by the Ministry of Public Health targeting establishments across the value chain. Producers of dairy were singled out, as were meat processors and butchers – at the level of consumption, restaurants and supermarkets were also subject to violations and, in certain cases, abrupt closures. By all accounts it was a necessary campaign to raise awareness of what the Lebanese are eating and had certain, if only anecdotal, impacts on public health. Consumer confidence plunged, according to both industry leaders and government officials, with the perception of Lebanese consumables in foreign markets also taking a hit (see Q&A Mounir Bissat SLFI page 142). On a positive note, in a rare legislative session in November 2015, Parliament passed a food safety law that will, amongst other items, create an agency responsible for coordinating policy and overseeing inspection of establishments across the food value chain. But, because in Lebanon there is always a but, this agency could take years to reach operational status – implementation decrees will need to be passed and a source of funding for the agency located (see Q&A Maurice Saade FAO, page 144).

What has become commonplace in the industrial sector since the start of the war in Syria is a

CONTRIBUTIONS OF INDUSTRY AND AGRICULTURE TO LEBANON'S GROSS DOMESTIC PRODUCT

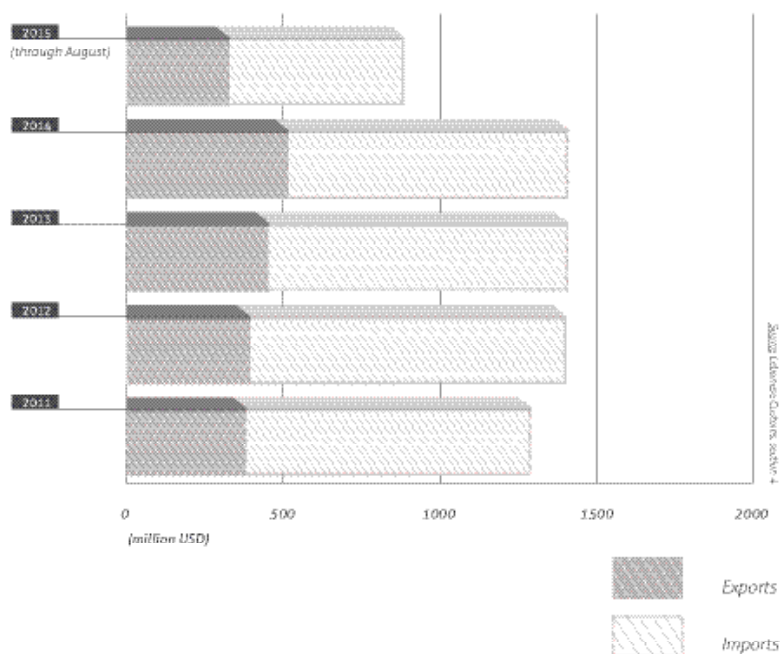


MANUFACTURING & AGRICULTURAL PRODUCTS
YEARLY IMPORT/EXPORT OVERALL

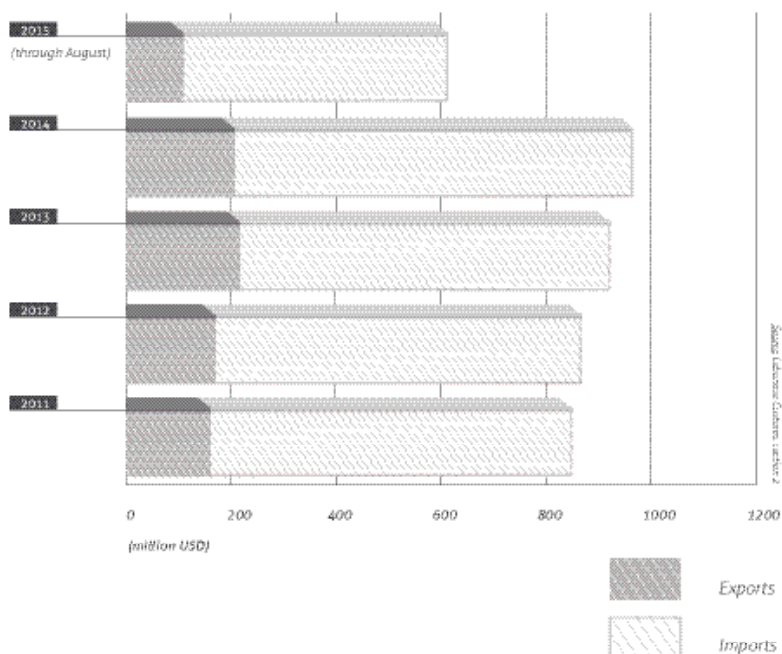


REFINED FOOD PRODUCTS

YEARLY IMPORT/EXPORT OF REFINED FOOD PRODUCTS



YEARLY IMPORT/EXPORT OF FRUITS AND VEGETABLES



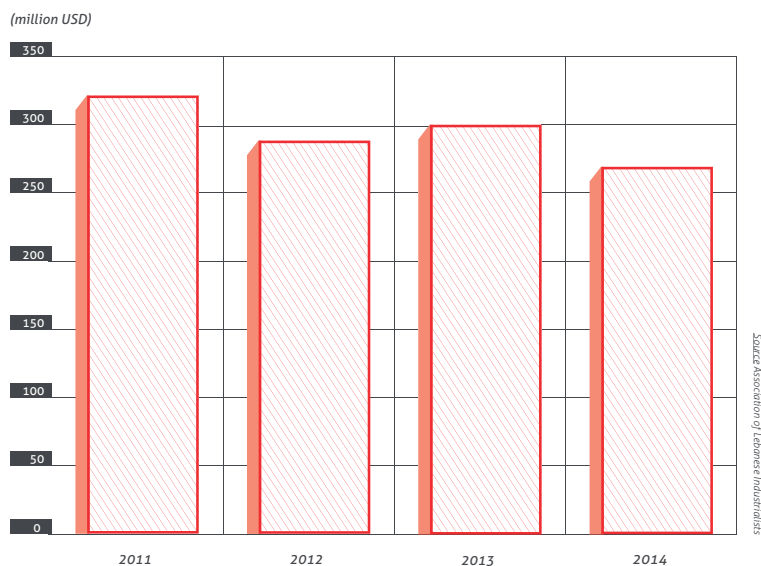
disruption of land export routes to the Gulf markets. The disruption has affected all types of sub-sector manufacturers, though gains in efficiency along the various sea routes have reduced transit times while mitigating losses to profit margins and maintaining market access. For the agriculture producers, closure of land borders earlier in the year wrought confusion as to where farmers would sell raw produce. In stepped the government with a \$14 million temporary solution – place trucks that previously rode through Syria to Saudi Arabia on ships and continue by road to Gulf Cooperation Council markets – a necessary, if inefficient method to help producers continue selling to clients in those markets.

NEW MARKETS

The potential opening of new markets is also on the government's to-do list. Hussein Hajj Hassan, Minister of Industry, tells EXECUTIVE (see Q&A page 138) that Lebanon will continue to negotiate new trade pacts with Latin American markets – Mercosur – pointing to talks with Brazil's ambassador to Lebanon as a positive step forward. The Russian market remains on hold due to American and European-led sanctions following Russian aggression in Ukraine and the subsequent annexation of Crimea. The European market, particularly

**LEBANON WILL
CONTINUE TO
NEGOTIATE NEW TRADE
PACTS WITH LATIN
AMERICAN MARKETS**

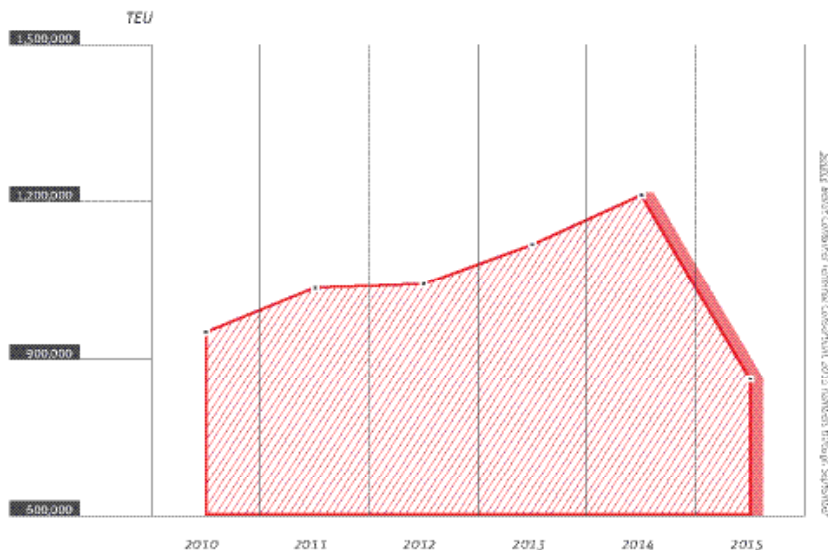
IMPORTS OF INDUSTRIAL EQUIPMENTS



**THE SUB-SECTOR IS ATTRACTING
NEW CAPITAL WHILE MUCH OF
THE ECONOMY IS IN DECLINE**

CONTAINER TRAFFIC AT THE PORT OF BEIRUT


TEU = TWENTY-FOOT EQUIVALENT UNIT (I.E. ONE CONTAINER)



for Lebanon's niche agricultural products, holds untapped potential. According to the Food and Agriculture Organization's Saade, over the medium to long term, producers across Lebanon's food value chain should transition to serving this market since the Gulf market is increasingly congested and the lifting of sanctions on Iran foreshadow further competition for fruits and vegetables.

INVESTMENTS

One positive indicator for the agro-industry sub-sector is an uptick of \$70 million in investments in 2015, according to the Investment Development Authority of Lebanon. Head of Lebanon's food industrialist syndicate Mounir Bissat tells EXECUTIVE that the sub-sector is attracting new capital while much of the economy is in decline due in part to the low cost of productivity – sourcing raw produce locally and the availability of cheap labor. Looking forward, Bissat says to expect exports of the sub-sector to grow, particularly if a trade pact is inked with Mercosur, and points to talks with representatives of Alimentaria – a large food trade show in Mexico with a subsidiary show in Barcelona – as a potentially large opportunity to source new clients.

Industry-wide the challenges remain the same. For energy-intensive paper manufacturers the lack of cost-effective access to electricity adds some 30 percent to operating costs, according to Fadi Gemayel, head of the Association of Lebanese Industrialists. Along these lines, costs are mitigated for certain industrialists qualifying for a central bank subsidy to install solar panels on factory rooftops. But Lebanon's deteriorated infrastructure and the cost of transferring containers destined for export from factories to the Port of Beirut remain long term obstacles with no immediate solution. 



CHATEAU
KSARA

Make it or break it

Lebanon's manufacturing industry continues to sail a tumultuous sea *By Jeremy Arbid*

With Lebanon's economy stuck in a rut, only limited options remain available to support the country's struggling manufacturing sector. EXECUTIVE sat down with the person at the helm of the sector for an update on industrial and agricultural developments – Minister of Industry Hussein Hajj Hassan, whose long political career as a parliamentarian includes chairmanship of the agriculture and tourism committee, and he was a former minister of agriculture.

E What can you tell us about the performance of the manufacturing sector in 2015?

Certainly it was not a good year with the war here in our region – in Syria, Iraq and Yemen. The economic crisis, the price of petroleum per barrel and the instability in the whole region led to a period of instability in the economy and in politics. So in this context I think it was a good year.

E Have manufacturers and industrialists been quite resilient given all the challenges?

We have a small decrease in exports because of transport through Syria and Iraq. The [borders] between Syria and Jordan and between Syria and Iraq are occupied by terrorists, and the authorities in Syria, Iraq and Jordan closed these frontiers. So we've had problems with transport but we have another opportunity transporting by sea. We have very important growth transporting by sea.

E Exporting by sea is a program recently implemented through subsidizing sea transport. Was this only for agricultural products or was the government also subsidizing manufacturing products?

The subsidization was only for agricultural products.

E Do you have figures for how much money has been deployed until November 2015?

I don't know; you must ask Nabil Itani [head of Investment Development Authority of Lebanon (IDAL)]. How much money was spent, I don't know. But the amount is about \$20 million.

E Do you have a sense of how much it has helped?

[The amount is] enough.

E At least helping in the sense that the farmers aren't losing so much money or are maintaining their profits – what is the indication so far?

We don't have indications actually because we are at the beginning. We must wait. But I think it's very important for transport because we subsidize it by sea to the Gulf and to Jordan. I think that will help enough.

E How long will the \$20 million subsidization program last?

For one year, from the beginning of August [lasting until August 2016].

E Do you expect the program might be renewed in 2016?

This depends on the decision of the government.

E Are you lobbying for its continuation?

Certainly. I think this will depend on the results of sea [exports] and the line through Turkey and Erbil in Iraq, and the results on export – agricultural and industrial.

E Moving from subsidization to the opening of new export markets – have possible markets been opened?

We have a problem with [exporting] to Russia – the transfer of money and the sanctions against Russia.

E Have you been able to identify other



new markets?

We tried actually to enhance our exports to Iraq, to Egypt and with Mercosur – Latin America.

E What are the expectations – will enhancing exports to those markets help only farmers or manufacturers?

Any kind of product, but certainly some kinds of products have a greater chance [than other products] – especially jewelry, fashion, IT and high technology and finance technology. It depends.

E In general do these trade agreements remove tariffs?

We're talking about that. We try to sign new agreements sometimes and we try to change some articles in some agreements. It depends on the country. For example [with] Mercosur, we will sign an agreement. With Russia we have an agreement and we will update it.

E Which countries did Lebanon sign trade agreements with in 2015?

Our political situation has not been very good in Lebanon. We've prepared [an] agreement with Mercosur. Yesterday [on November 10] I received the Brazilian ambassador to talk about the agreement. Last week I was in Iraq; we have two agreements under preparation. With Russia I think we'll prepare a meeting in

Lebanon between the Lebanese and Russian businessmen.

E What about Iran as sanctions are lifted – as the minister do you view this as a huge market for exports whether agricultural or manufacturing?

No, I think in Iran it is very difficult for us to export agricultural products because they have huge production and low cost of production. I think we can export to Iran some industrial products [but only] few agricultural products.

E With Lebanese investing in Iraq, and maybe Iran, whether in factories or starting new companies – do you see that as a promising possibility moving forward into 2016?

Some Lebanese are in stages of preparation for investment in Iraq. I discussed this issue with Iraqi ministers and the prime minister and I think they have to resolve some issues and problems.

E Lebanese have already been quite active in Erbil and the Kurdistan region – what are the largest barriers?

They are active but they can be more active if the Iraqi authorities resolve some issues.

E Would you mind elaborating on one or two of these issues?

[We need] a new law of investment [and a solution to] the bureaucracy and some problems.

E For Iran a lot of investors are invested in the energy sector and in oil and gas...

They are in stages of preparing for a big visit to Iran soon.

E That would be a delegation of businessmen or a government-to-government meeting?

Both, I think. It's possible to have a visit to Iran as minister with

a delegation of businessmen or as businessmen only.

E Would they only focus on the oil and gas sector?

No, we don't have a very important [business community] in Lebanon. I think it is possible in the sectors of banking, tourism and industry.

E You've been in support of women's empowerment but are you working on any practical measures to further their economic participation?

We have an agenda certainly.

E Can you elaborate?

My duty in this agenda is to support small and medium enterprises (SMEs) for women – also for men – [through] credit financing, and to help promote trade between women, fair trade, and to [reach] markets.

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Executive

E Are these programs to be implemented by the Ministry of Industry?

Yes, with [the United Nations Industrial Development Organization] (UNIDO).

E With what kind of timeframe?

I have a visit with UNIDO [in December 2015] to sign an agreement.

E What is the proposed program with UNIDO?

We will sign an agreement about our CPF – Country Program Framework. And we'll sign a program about energy and women and youth, about medicinal herbs and about industrial park zones.

E Is the budget coming from the ministry or does UNIDO finance them – how do these programs work?

UNIDO is a technical institution; you need help to find funds.

E Are there many women starting SMEs in the industrial sector?

Certainly. In food products [and handicraft].

E In terms of helping the manufacturing sector you've consistently called for more incentives, whether through tax breaks...

You know we are in a very delicate period. We are in the preparation stage of many projects but there is no government and no Parliament.

E Are there ways around the obstacles – have you been able to find creative solutions to push new programs?

I hope so. But we are in the preparation stages of many projects of law – reducing or abolishing the value added tax (VAT) for some things like industrial equipment and raw materials, reducing the cost of interest on loans.

E Has the October 2015 central bank circular that makes corporate

debt restructuring easier helped the manufacturing sector?

Yes, certainly, because they are in a period of transition and need help with their loans.

E The central bank in many different sectors has been stepping in to try and pump life into the economy – what sort of impact do you think this circular might have for the manufacturing sector and did they coordinate with your ministry?

This kind of decision is very important for the economy, not only for industry.

E So for manufacturers what are the possibilities?

Resistance against the economic situation. They must resist to remain alive.

E And the loans would allow manufacturers extra capital to pay salaries and keep operations running at a time when revenues are down with the hope that in five years things will get better. Is that at the heart of this circular?

You know, we have a problem in Syria, Iraq, Jordan, Saudi Arabia and Yemen. Some states have a war; some states have a budget problem because of the price of petroleum. We have a

[FOR THE PROPOSED PROGRAM WITH UNIDO] WE WILL SIGN A PROGRAM ABOUT ENERGY AND WOMEN AND YOUTH, ABOUT MEDICINAL HERBS AND ABOUT INDUSTRIAL PARK ZONES

recession in the region's economy so it is certain that Lebanon will [be affected]. In our economy, industry will suffer at some level. This circular will help [the busi-

ness community] to restructure their debt, to keep [them afloat and avoid bankruptcy].

E Has the non-delivery of power plants inhibited growth in subsectors of manufacturing, for example the agro-industry?

This kind of industry will always grow because people eat every day.

E When Lebanon is able to resolve its political crisis, can we expect a brighter future for the manufacturing sector and economy as a whole?

Certainly if we have a stable situation in politics, we will see a good and positive result for the economy and industry.

E Looking forward to 2016 with the UNIDO programs and your plans for incentivizing industry – what is the outlook for manufacturing; is it going to be another year of maintaining and trying to stay alive?

My target in 2016 is to stabilize the situation. If I am successful in stabilization it will be [my pleasure] in these circumstances.

E Any specifics to achieve stabilization that you haven't told us already?

I don't talk about politics.

E Right.

I talk about these circumstances in politics, security, war in the region and the price of petroleum if I can.

E Waste as a raw material for industry – during the 18 month period of the waste management plan, if it is ever in fact enacted, there would not be any sorting of waste. As the ministry are you doing anything...

We will prepare some programs.

E What?

We will prepare some programs and declare our projects in December 2015.

HAPPY NEW BEER



Export dynamics

Food industry is looking for new markets *By Jeremy Arbid*

2015 has been a tumultuous year for Lebanon's food industrialists. The Ministry of Public Health's food safety campaign greatly impacted Lebanese consumables in foreign markets, while the closure of traditional land routes raised the cost of exports. Despite these changes, however, the sub-sector has seen an uptick in investment and potential new markets and trade shows promise an important opportunity to locate new buyers for Lebanon's food products. EXECUTIVE sat down with Mounir Bis-sat – president of the Syndicate of Food Industrialists – to find out more.

E Obviously the economy in 2015 has not been very good to industry as a whole because of external factors like the Syrian war and the closure of land transit routes, but how has the food manufacturing sector fared?

This year has been [difficult] on the industry as a whole and in particular on the food industry. While it was a good cause, the food safety campaign started the year with big repercussions. It had an impact on our reputation, especially with regard to some of our traditional export markets. The second blow was the troubles we were facing at the port as a result of new procedures and formalities imposed by the Ministry of Finance regarding customs. Many factories did not have enough raw materials while others lost their inventory of packaging material because of the delays. This all led to losses in productivity as well as financial losses. The third blow was the closure of borders – Syrian and Jordanian – which affected a major [portion] of exports to Arab countries. Fortunately, the resilience and flexibility of the industrialists allowed them to bounce back from these three major strikes and we are, I think, back on track. In October we were at the Anuga trade show and I saw my colleagues trying to revive



lost relations with some of their clients because of these [problems].

E In October 2015, Banque du Liban (BDL), Lebanon's central bank, issued a circular with the aim of easing the financial difficulties and cash flow issues that companies and factories are currently facing – can food industrialists use the circular to their advantage?

The central bank has been in the process of issuing a new bundle of economic stimulus measures offering new lines of credit for banks, in order to encourage consumption and investment by small and medium enterprises (SMEs). I don't know if this is what you [are referring] to, but it will definitely help. The central bank launched a similar measure at the beginning of 2014 by injecting around 3 percent of GDP – the package was I think \$1.5 billion – to stimulate the economy. With this injection the growth was in the range of 1.5 to 2 percent. Imagine what would have happened if the central bank did not [issue the stimulus].

E Did the stimulus have specific impacts for the food industrialists?

I do not have exact figures on how many industrialists benefited from the [stimulus], but it's a package for new loans and new lines of credit so if we didn't benefit directly we definitely

benefited indirectly. When you stimulate the economy and encourage the economic cycle, even if I don't have the money directly in my pocket, others are part of this circulation so it will impact positively on our interests too.

E In early November 2015 Investment Development Authority of Lebanon (IDAL) said that the agro-industry this year had received applications for new factories and projects – around \$70 million in investment.

Yes, this sector is one of the most prominent industrial sub-sectors in Lebanon. It is attracting many investments because of various internal and external factors. Believe it or not, the slogan "Made in Lebanon" for Lebanese food is an added value to the export market for the food sector. The food industrial sector is one of the few that [sources its] raw materials within Lebanon – most of the industries import most of their raw materials from abroad. The availability of skilled labor [is also a positive] factor that will encourage investors to diversify and invest in the agro-industrial sector.

E The syndicate is a lobby group and one of the successes has been the exemption of tax for exports...

No, this achievement is because of the Association of Lebanese Industrialists – it [benefits] all industry. If we talk about success stories for the food industry, one is our participation in the most important trade fairs in the world – Anuga, SIAL and Gulfood. The enactment of the new food safety law ratified in the most recent Parliament session [on November 12] was the culmination of more than 10 years' effort. If this law had existed years before it would have saved us the bad repercussions that the food safety campaign witnessed in 2015.


E On the idea of lobbying and looking forward to next year, are there any issues of concern to the syndicate?

[On November 17], we made a presentation to US Agency for International Development – one of our strategic partners – and we declared that although it is not yet officially drafted, the work of the syndicate in 2016 will [focus] on three pillars. The first [pillar] is the enhancement of the culture of food safety and of ISO certification, the second is the improvement of market penetration by participating in more trade forums and better exposure and image, and the third is to [focus] our efforts on product development. Any sector, or any factory, [that] does not continuously improve and innovate on its product lines, will slowly die. For a sector that is as dynamic as the food [industrial] sector is throughout the world, and considering that we are an export-oriented sector, and are facing competition (not only locally but regionally) from similar industries that,

unlike ours, benefit from government support, [this is especially true]. You can tell that many of our traditional industrial [products] are already available in Jordan, Egypt, Saudi Arabia, Turkey and Greece – and formerly in Syria. You can imagine the kind of competition.

E The Ministry of Industry says that there has been some impediment to the opening up of the Russian market because of sanctions, and also said that Mercosur – the Latin American sub-regional block – could be a potential new market. Were these trade agreements to materialize, do you see those markets providing big growth opportunities for food industrialists?

Definitely. At the beginning of this month we were with the minister for an official visit regarding the Iraq market. [That] market is a huge consumer market for Lebanese imports. During this visit we explored and discussed a

lot of pending issues that are hindering growth – we have good exports to Iraq but we remain ambitious to increase the number. As for the Russian market, the Ministry of Economy and the Ministry of Industry visited Moscow last year. It is potentially a very big market but is not easy to penetrate, and we are still working on some pending issues like the payment facilities and shipment to the market. I think the only breakthrough that happened was in the fresh produce sector. But for the industry, it is delayed. Regarding Mercosur, it is definitely a great market, but we have not yet tackled this. We had a meeting at Anuga in 2015 with the trade show representative for Alimentaria – it is a big [food] trade show in Mexico, but also has a subsidiary show in Barcelona and is attracting many Spanish-speaking countries. We are working, but so far have not received good feedback from our industrialists – we will try to have a good Lebanese pavilion there. 

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Seeking integration at home and abroad

EXECUTIVE talks targets for agriculture with Maurice Saade of the FAO *By Jeremy Arbid*

In 2015 Lebanon's agriculture sector witnessed several setbacks. Prior to the Syrian crisis, the sector had been picking up steam – exports of raw produce and agro-industrial products were increasing quite rapidly. The disruption of transit routes raised the cost of land transport – a change of route and the paying off of militias – until March 2015 when all borders connecting Lebanon to the Gulf market were closed. The food safety campaign also affected consumer confidence – particularly in dairies. But potential new markets present an opportunity to diversify exports away from an increasingly competitive Gulf market. EXECUTIVE sat down with Maurice Saade, Lebanon's country representative to the Food and Agriculture Organization (FAO) of the United Nations, to find out more.

E What is the thinking behind subsidizing agriculture exports by sea – putting trucks on ships rather than packing produce in containers?

Well, the thinking is that the way the chain is organized now is by trucks so it is simply using the same chain. In the future this should be improved; it's a temporary solution. We don't know if it's one or two years – [it] depends on the funding available – but essentially the government will subsidize the exporters [by covering] the cost of shipment. We're not sure what has been the impact – the data is very difficult to get or is not available. The cabinet approved [the subsidization program] back in May or June 2015 but it took longer to put things into place; the season for exports – especially for fruits – peaks in July, August and September. At least they will have less [profit] losses and will not lose their clients in the Gulf; if you don't deliver the client will move

on to somebody else. That was the main concern, to at least ensure that the Gulf and Iraqi markets were not lost.

E Has the influx of Syrian labor had an impact on host communities?

Not at all, quite the contrary. There is a large number of Syrian workers who traditionally accounted for 90-95 percent of agricultural workers in any case so prices have remained low and the abundance of labor also reduced production costs [for] farmers. Of course there are a few unskilled Lebanese workers displaced, but the net effect is primarily [positive because of] the availability of the Syrian workers who are more skilled, and also the vegetable and fruit shacks that emerged everywhere are run by Syrians, making consumers very happy because they are open 24 hours a day.

E For FAO, is marketing raw produce a focus and is it more for local access to the market or for exports?

Local access is there. Lebanon is a free market; there are issues of ensuring wholesale markets but the potential for exports to the European Union is there. That's where the Lebanese should focus because the Gulf market is there but it is very open for competition – [especially] if Iran opens up. In the EU market, the standards are much higher; quality, shape and also the sanitary and



phytosanitary requirements are very strict. I'll give you the example of potatoes. The EU provided Lebanon with an export quota of 50,000 tons and so far Lebanon has not used that quota for several reasons. The production in Akkar is very good because of the early season and producers [would be] able to export to the EU without much competition – [except] maybe from the Egyptians – but the Europeans want their potatoes nice and round and here they produce potatoes that are huge with lots of mud stuck in between. Europeans don't like that so the Lebanese have to respond to the market's needs and have not yet done so because they have been relying comfortably on the Gulf market. If they seriously want to plan ahead, especially if the export subsidy to the Gulf is not permanent, they need to think about improving the production chain, using less pesticides and fertilizers [and revising] post-harvesting methods [such as] crating and packing; that will give them access to the European market. [A quota of] 50,000 tons in the European market gives very good price margins.

THERE ARE ISSUES OF ENSURING WHOLESALE MARKETS BUT THE POTENTIAL FOR EXPORTS TO THE EU IS THERE

E Is there an effort to help smaller farmers scale up to join the value chain and meet these standards?

The most common, in other countries, is contract farming – essentially someone who has access to the European market making the deals. That company would usually have their own production, but if the demand increases, they start contracting with the farmers around them, imposing very strict requirements guaranteeing a price on condition that standards are satisfied. This has happened in Egypt and it's working very well. This could happen in Lebanon, [but] not yet; we have in Akkar big companies [growing] potatoes but they are not yet at the contracting level with the other farmers. We think that should be a model that would work quite well. FAO, with the Ministry of Agriculture, could help the small farmers to upgrade, but if you don't have a market, small farmers will not be able to make deals with the supermarket chains in Europe. They have to have some sort of integration with the agro-industry upward in the supply chain.

E On food safety, FAO visited the slaughterhouses when the Ministry of Public Health shut them down for health violations. What's the mindset and coordination when it comes to food safety in the agriculture sector?

FAO was the first one requested to help in the formulation of the food safety law back in 1998. We provided draft laws, legal and technical [advice] and we gave several scenarios. At that time our recommendation was that because Lebanon's legal system is based on the French legal system, essentially each ministry has its own food safety and then you coordinate between ministries. The Anglo-Saxon system has a food safety administration: the [Food and Drug Administration in the United States]. So FAO was recommending that we follow with the existing French system for the

[ministries] of agriculture, economy, health, tourism and whoever else is involved in food safety simply to coordinate and to make sure there is no overlap and no gray area.

E That's the problem and this is what the food safety law might address because it is so decentralized that nobody wanted to take responsibility until the minister of health stepped in.

Yes and no. In 2003 the United Nations Industrial Development Organization came up with a new proposal, the Basil Fuleihan plan, shifting the idea to having one agency responsible for food safety and nobody else, creating a new agency with inspectors responsible for everything.

ONCE YOU HAVE A FOOD SAFETY STRATEGY YOU ADOPT INTERNATIONAL STANDARDS

[This is important] especially when you are talking from farm to fork and you have lots of the food safety issues at the farm level, [such as] the use of pesticides. At the time then Minister of Agriculture Hussein Hajj Hassan said if you take away all this you have to close down the Ministry of Agriculture because [its mandate] is to work with the farmers. The new law is a typical Lebanese agreement – creating this new agency but keeping the others.


The good thing is we have a law because before we didn't have a legal framework. The new agency has a dual purpose: the first is to coordinate and set the standards, and the other is to be an operational agency with inspectors. If it turns into an operational agency, it will be a layer in addition to the other ministries. The next step is to [issue] the implementation decrees and allocate the budget. This will take quite a while; to allocate the budget and recruit the staff might take years.

E The food industrialists say even though the food safety campaign had very positive benefits for public health, it had repercussions on Lebanese products in foreign markets. What was the impact for the producers in the agriculture sector?

There was an effect primarily on the dairy sector; several factories in the Bekaa were closed. That had a major impact because consumers got scared and reduced [consumption] and this affected the price of milk sharply. The food safety campaign was very good because it raised awareness, but once you have a food safety strategy you adopt international standards. There are ways of closing shops; you audit and you don't close a factory or restaurant based on one report. If there was a system adopted, it would be much smoother and more sustainable, not just based on political will.

E What are the biggest risks in the food value chain and beside the food safety law and inspections what can be done to mitigate risks?

Awareness is very important and we already have good awareness. You need to work with other parts of the chain: transport, storage and cold storage. A lot needs to be done and that's where you need the coordination among ministries. Who is responsible for controlling transport? Nobody. It falls between the cracks; that's where the new agency should identify those gaps and suggest ways to control that.

Also a key part is what is happening at the farm level; the pesticide residue is a critical issue. [Concerning] food safety, if you have salmonella poisoning, you might end up in the emergency room, [but with] pesticide residues you don't see them [or feel their effect] and 20 years later you have cancer. It is really the hidden danger of the food safety chain and this takes a long time to address because it is very complex. 



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HOSPITALITY, TOURISM & RETAIL

Sectors worth saving

Tourism is a tricky sector for Lebanon. While often touted as one of the main pillars of the Lebanese economy, there is an inevitable danger in relying on such an industry in a country so often fraught with insecurity and instability. There is no doubt that Lebanon is replete with cities, landscapes and ancient ruins worth visiting, but the perception of threats to one's safety has caused tourist numbers to drop. Lebanon has not had a really solid touristic year since 2010, before a combination of regional and local instabilities began to take their toll on the country.

While the first half of 2015 started off well for the sector, the widely broadcasted waste management crisis over the summer coupled with the suicide bombings in Dahieh in November 2015 brought back the all-too-familiar drops in tourist numbers. In such strenuous conditions, sub-sectors whose businesses are reliant on this industry, including hotels, food and beverage (F&B) and retail, have seen their profit margins decrease by varying degrees since the glory days of 2010.

Lebanon's traditional target clientele, mainly Arabs from the Gulf countries, are no longer visiting the country in the numbers they once were. Instead, tourists from Jordan, Egypt and Iraq have become the regulars of Lebanon's tourism and hospitality market. Yet the decrease in tourist numbers and changing client profile have not broken the hospitality and retail sectors, whose businesses have proven to be resilient and creative in adapting to the new market rules.

To give an example, businesses have been shifting their focus to the Lebanese expat community who come home during their vacations and empty their pockets into local business. Even in circumstances when the deterioration of the security situation scares expats from visiting, the ever-adaptable companies tend to rely on local residents in Lebanon to part with their cash.

Retailers, hoteliers and F&B operators, however, have to work hard to attract this local population, only a narrow percentage of which can afford to spend on mid- to high-end shopping or leisure activities.

In the following pages, EXECUTIVE outlines the specific challenges the retail, hotel and F&B industries face in attracting these clients, while also highlighting their achievements and successes in such a turbulent and whirlwind market.

Repositioning Lebanon

Lebanon's tourism minister talks rural boom, culture, garbage and future plans

By Nabila Rahhal & Thomas Schellen



The waste crisis devastated tourism in Lebanon, but there is still opportunity to recover, argues Michel Pharaon.

Is it correct to say that the year 2015 seemed to be going well for tourism until the momentum crash-landed when the waste management crisis erupted in the summer and protests ensued?

We were in Dubai for an Arab ministers' meeting in May and the secretary general of the United Nations World Tourism Organization (UNWTO) praised Lebanon [for hosting] an increase of 15 to 20 percent [in the number of tourists] in the first quarter, and this was remarkable.

This continued throughout the year and the [Banque du Liban (BDL), Lebanon's central bank] praised this activity as well. Not only did the number of tourists increase but during the first trimester the number was even higher because we had what we didn't have the year before: during the mid-season holidays in February in the Gulf, Lebanese expats came in high numbers. Today we are working to increase the [number] of expats coming to Lebanon because the UNWTO considers expats tourists when they are out of the country for more than three months.

I will tell you directly that political

tensions did not affect tourism – although without them we would have been doing a lot better – but they didn't affect development in 2015 compared to 2014 and 2013.

What affected it dramatically was the waste problem. I will show you just one graph of tourist spending in July [based on VAT returns]. We are not talking about something little; we are talking about a 45 percent increase year-on-year, which was great. What's remarkable is that on July 25, at the height of the waste problem, Lebanon started to appear in global media outlets, including in the Gulf, and you [can] see on the graph that the decrease was immediate.

When you look at the average spending of tourists, shopping is only 24 percent, so when you see that there is an increase of 45 percent and you have travel, accommodation and entertainment, what we were about to witness this summer was a [spending boom] for two months which was completely smashed at the end of July. It doesn't mean that activity stopped in August; it continued with all the Lebanese expats, but the thing we were realistically expecting didn't happen.

In the context of the waste crisis, purely from a tourism perspective, what would you say was the worst: the waste on the streets or the anti-government protests?

I would say 90 percent [was because of] the waste.

The factors most talked about in the waste management problem are the cost of building plants and other related expenses, but now you are saying that the opportunity cost of not having a waste solution is actually affecting our GDP. By how much, percentage-wise?

The waste problem hurt us as

citizens and as responsible parties, although I am not in the committee for waste [management], and I was really shocked. As minister of tourism I felt the sector was stabbed in the back because there was such an economic opportunity. If you say that maybe it affected tourism since July by a 15 to 20 percent [drop] and if tourism is 10 percent of the whole [economy], then, maybe 1 percent of the GDP [has been lost] since July.

In August we saw exceptional activity, with more than 100 festivals and rural tourism events which lasted until the end of September. We are talking about regions that were full; Jezzine, Ehden [and] Chouf – they were all full at the end of September.

Can you tell us more about the rural tourism strategy, who it is targeting and what is needed in terms of infrastructure to improve this type of tourism?

Rural tourism is still a small activity, and if we consider that it is 5 to 8 percent of all tourism activity, with the [right] strategy we see that it could easily go up to 20 percent. The emphasis we placed on it created a trend and this trend worked incredibly well in the summer, even more than we had thought, but in fact it's young people who began to look at it.

The only negative part is that when we first looked at rural tourism, we saw a product which was cheap and could attract people from abroad. We could sell a one-week holiday for less than \$900 including the flight ticket because a night at a good quality B&B in rural Lebanon was about \$30. Unfortunately the demand suddenly went up and then the offer was not used to address this huge demand. So the price per night went up and now we are talking about \$80 to \$90 with the same offer which was \$35 a year ago.

But when you have more demand than offers, it is an opportunity for people to go into this sector and create products in the region, linking it to the strategy and to the tourism industry. Now it's more word of mouth, but we are creating a website which will be ready by the end of the year for the guesthouses, so everybody can reserve [online], and we are also working on quality control.

So it's a small sector which is beginning to get organized and I think we will have success that we can easily encourage, if there is no unrest or waste, not only to the Lebanese expats abroad but also to the European expat community in the Gulf because they are looking for those green products.

E You mentioned an opportunistic price inflation of rural lodgings. Does the ministry have any regulatory power to moderate such developments?

No, we don't, but we do have the potential to say that it was much more economical at \$30 - \$35 than at the current \$70-\$80 [range] to encourage the villages to adopt these kinds of products.

Also, we are studying some kind of micro-financing from the banks because for some people to create a six-to-seven-room project in a village, they still need \$30,000 to \$50,000 to organize things and a little education. So this is part of this strategy; the strategy for five years is developing the role of NGOs and particularly USAID which is doing a lot.

It is a sector where there is activity for the involvement of the municipalities, associations, NGOs and the ministry so something is happening in rural tourism and I am confident we will achieve our target growth rates before the end of the five years.

E Regarding the ability of banks to facilitate rural tourism through loans or investments, is that already happening or is encouraging such financing a project that you envision?

It is happening today but on a case-by-case basis. What we are looking at

now is how we can help with this as the ministry, possibly through an association. It's almost a micro-financing scheme so it needs an association. We think the financing of rural tourism capacities is very important and also believe that the banks cannot really lose if they get involved.

E It almost sounds like something that should be presented to BDL to become part of their Circular 331 promotions.

Yes, absolutely.

E What are some of the ministry's future plans for 2016?

There are four areas which we will be working on. Two initiatives that are being developed for next year [include]

THE PHOENICIAN ROUTE RESEMBLES THE SILK ROAD AND IT IS A PROJECT THAT IS GOING TO BE TAKEN CARE OF DIRECTLY BY THE UNWTO

work on the Phoenician Route and on tourism for expats. Plus, whereas 2015 was rural-tourism focused, we are moving on to two new aspects in 2016: medical tourism and religious tourism.

E The Phoenician Route is going from where to where?

The Phoenician Route resembles the Silk Road and it is a project that is going to be taken care of directly by the UNWTO. It is culture that is turned into tourism products. It will take a few years, but it is on the map today and we have decided with the UNWTO to pick three countries as the steering countries for this road: Lebanon, Spain and Tunisia.

E Doesn't it make your heart bleed when you see the visitor numbers for the National Museum and other museums in Beirut, considering that

they have a lot to offer as well when compared with some of the world's top museums that attract millions of visitors each year?

You're perfectly right, and we have seen this as we begin to work on attracting Chinese tourists, some of whom didn't have a clue that Lebanon has a history of 5,000 years, which is something very important to them.

In fact, even this Phoenician project is designed to make the world remember the history of Lebanon. So yes, you are right.


[With regard to] religious tourism, we are talking about more than 1,000 sites which are not protected today and are not highlighted, and resolving this will take a huge amount of work for years to come.

We are trying to turn these cultural touristic sites into jewels and assets to be preserved, and there is huge activity from the ministry of culture behind it. In addition, ecotourism [proponents] are also trying to awaken the region to the importance of preserving the environment, because they see it as a potential income for their region.

So promoting religious tourism, rural tourism and ecotourism may also help to preserve what is left of the beauty of our history and nature, which is unique compared to other Arab countries.

E Do you have other target countries besides China which you are specifically focusing on as places to attract tourists from?

When you take expats, yes. We have the philosophy that every expat should visit Lebanon at least once in their life and be welcomed in a special way; it's called the Anna program.

In the next [regional WTO meeting] we will also invite two or three countries from every continent to make an event, inviting these countries to talk about their relations with the Lebanese and their status as traditional friends of Lebanon. 

Blowing in the wind

Beirut's hotels hang on despite the many challenges *By Nabila Rahhal*

The prosperity of Beirut's hotel industry continues to ebb and flow. Room occupancies increase at the earliest signs of stabilization in Beirut's security situation, only to drop as soon as a bombing or other attacks disturb the peace.

Yet hoteliers in Lebanon refuse to give up, and are targeting different segments of the tourist market while developing creative incentives to make up for the revenue lost in their traditional market segments.

WHERE ARE THE TOURISTS?

Pierre Ashkar, head of the Hotel Owners Association, pinpoints 2011 as the year in which Lebanon began to lose a large number of its traditional tourists from the Gulf region, as well as those tourists travelling overland.

"We used to have 350,000 travelers [per year] who would come by land, of which 70,000 to 80,000 were Jordanians who found this form of travel affordable. We also lost the big families from the Gulf who would come by mini-vans and spend the whole summer in Lebanon. Add to that the political sensitivities which caused tourists from the Gulf to avoid Lebanon due to the travel bans, and certain speeches made by political leaders." These are the reasons outlined by Ashkar as to why hoteliers continue to call for political stability in Lebanon.

Nazira El Atrache, general manager of Le Bristol hotel, which opened its doors this year following a year and a half of refurbishment, also speaks of the negative effect the travel ban issued by some Arab countries on Lebanon has had on their business. "The market is very hard. You cannot really attract people to a country that is so unstable security-wise ... and



Top hotels are putting on a good face

with so many factors at stake in the international political arena. This is also in addition to the bombing [in Dahieh in November 2015] and the bad publicity the country is receiving."

ALTERNATIVES TO TOURISTS FROM THE GULF

Hoteliers in the country seem to have come to terms with the idea that tourists from the Gulf are no longer their strongest market and are

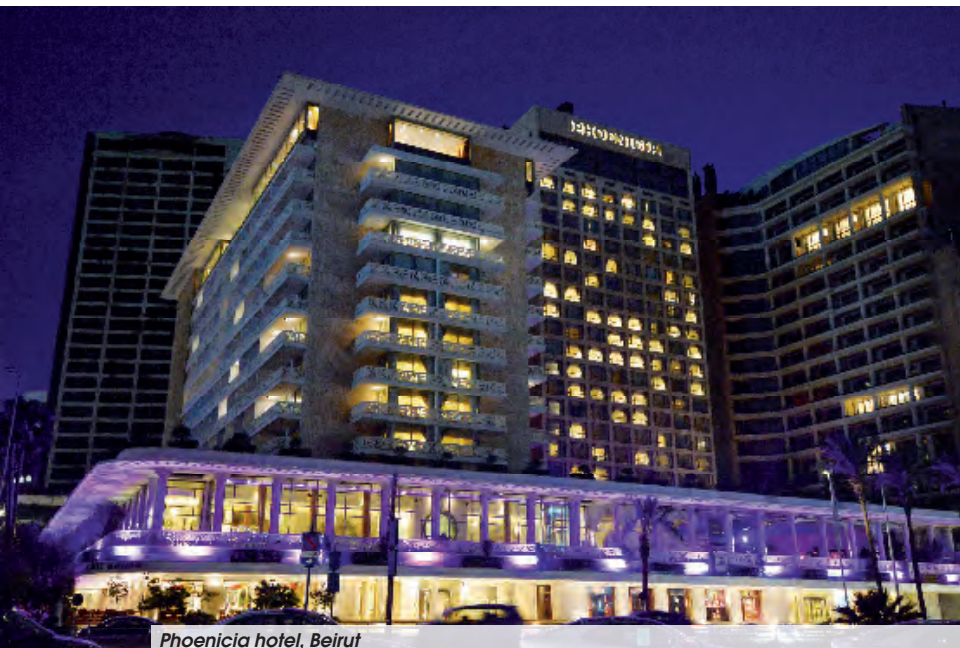
"WE WERE SEVERAL MILLION AHEAD IN REVENUE UNTIL AUGUST, WHEN THE GARBAGE CRISIS REALLY CHANGED THINGS."

identifying alternatives to this revenue stream. "We cannot sit back and wait for the Saudis to come back; we need to discover new markets, like Iran, for example. There is a massive shift in

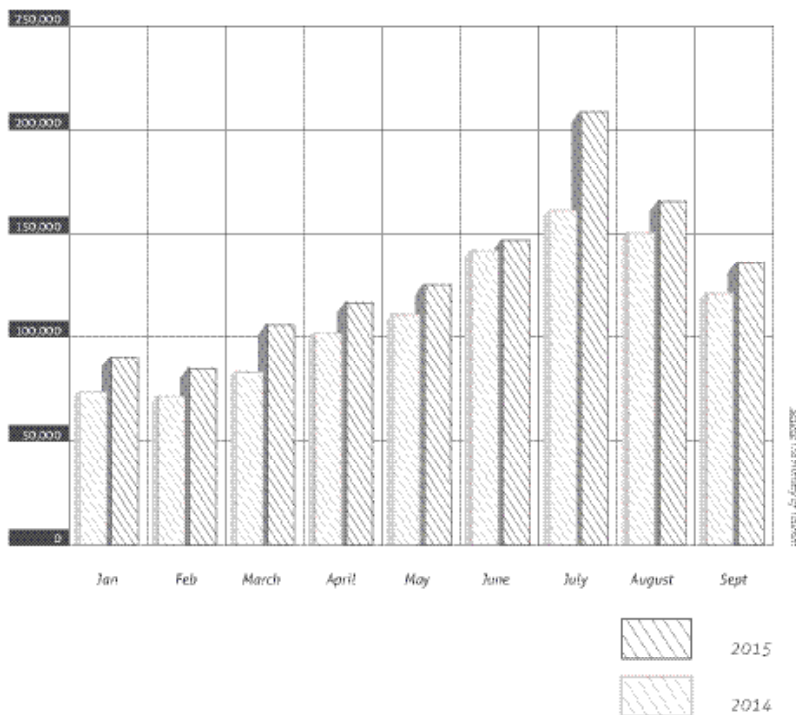
terms of demographics in Lebanese hotels and the question is – what will the market be like in another five years?" asks Peter Edholm, cluster director of sales and marketing at Le Vendome and Phoenicia Intercontinental Hotels & Resorts. He says that the majority of their hotel guests today are a mix of Europeans, Middle Easterners, residents of the Gulf Cooperation Council (GCC) and some Asians and South Americans.

Atrache says Le Bristol is now targeting tourists from Jordan, Egypt and Iraq through visits from the hotel's sales teams, adding that it is the Iraqis coming to Lebanon for medical tourism who are the main driving force behind this segment.

Manal Dana, group marketing & communications manager at Achour Holding, has also noticed a decrease in the GCC market but cites "a phenomenal increase of Europeans, Americans and Far East guests coming [to Lebanon] for business, hence booking at Lancaster



TOURIST ARRIVALS TO LEBANON BY MONTH



Tamar.” Lancaster Tamar in Hadath is described as catering to the business community on its website.

Indeed, the key driving force behind the performance of Beirut’s hotels this year was the corporate travel segment, known as Meetings, Incentives, Conferences and Exhibitions, or MICE.

Edholm says that “recently, corporate travel grew a lot with several exhibitions and meetings which we were hosting. These are events that go ahead no matter what is happening in the country because they are organized by local banks or regional companies and not international or multinational groups.”

A GOOD YEAR...BUT...

Despite the seemingly poor state of affairs, the hotels that EXECUTIVE spoke to report that 2015 was off to a good start – with room occupancy rates generally exceeding those of 2014 – until the end of July, when the combination of the waste management crisis and the demonstrations and closures in Downtown drove tourists away.

“2015 was much stronger than 2014. We were several million ahead in revenue until August, when the garbage crisis really changed things. It wasn’t just the garbage but also the demonstrations, because people in the Gulf especially thought it was another Arab Spring,” says Edholm. He adds that growth for the first three quarters of the year was because of the improvement in the security situation and also because of the lack of negative media.

Director of Sales and Marketing at the Four Seasons Hotel Beirut, Maha Bourachi, also attributes their hotel’s positive performance this year to the increased stability in the country for the first three quarters of the year. “Naturally, [the first quarter], Q1, of

GUESTHOUSES

Lebanon's small guesthouses, boutique hotels and bed and breakfasts have been a fast growing industry for the past decade. However, according to Orphee Haddad, founder of L'Hote Libanais, a network through which tourists can make reservations for alternative, often rural hotels, their visibility has only really started flourishing over the last few years. In fact, they have become so popular that they have been fully booked throughout the past three summers. This is even more impressive in light of the fact that larger, more traditional hotels have instead been struggling to fill their rooms.

While they still constitute only a small segment of the overall hotel industry - Pierre Ashkar, head of Lebanon's Hotel Owners Association, places them at around 10 percent of Lebanon's hospitality offerings, Haddad believes the significance of guesthouses lies in more than just numbers. "Although figures don't show it, since the market is new and the number of rooms very limited, what's happening is not just a trend or a marginal phenomenon: it's the way Lebanon is responding to the contemporary traveler behavior and creating a socially and environmentally responsible market. The issue needs to be examined in terms of influence, vision, and promise, not only in terms of figures."

Indeed, the Ministry of Tourism has adopted these guesthouses and boutique hotels into their rural tourism campaign, while Tourism Minister Michel Pharaon says they are looking to secure funding for those in rural areas who want to develop such projects (see Q&A page 148).

Haddad goes on to explain how the guesthouse market has grown since L'Hote Libanais began operating, particularly among the local population. "At the beginning, all of them were foreigners, mainly Westerners. Nowadays, half of them are Lebanese people residing in Lebanon. They have booked more than 30 percent of the total number of nights for reservations made through L'Hote Libanais."

Today, Kanj Hamade, senior consultant at Lebanese Industry Value Chain Development Program, estimates the number of guesthouses in Lebanon to be around 40 (13 of which are in the L'Hote Libanais network) but expects it to increase as investments in the sector continue to rise.

Because of this growth, L'Hote Libanais believes that customers need to be given more clarity as to what defines a guesthouse or a bed and breakfast; as such, they have developed L'Hote Libanais which Haddad says would ensure that the standards of quality are met in each of its guesthouses.

With increasing interest, both locally and abroad, the future can only be bright for this burgeoning, alternative style of lodging in Lebanon.

for the hotel, and identify proactive business development initiatives to attract and grow our business levels from these markets. In a market environment as volatile as the Lebanese one, you need to constantly identify opportunities and tackle them proactively to grow your business," says Bourachi.

Achour Holding's Dana says they have had to offer creative promotions to their guests in order to remain competitive. "We have managed [to sustain our business] through our year-round tailor-made promotions for corporate and travel agencies, and the MICE segment, in order to gain our share of business. Not to forget the online packages created for Ramadan and the summer period to attract locals and foreign clients," she explains.

Edholm says the Phoenicia group chose to be much more present in the market this year from a commercial perspective, with their sales people travelling to Dubai, London and Paris among other cities in order to connect with travel agents and clients in those cities. "Just because you have a [precarious] situation you cannot stop being close to your clients, because when the business is back who will they call? And if the business is limited we should always be the first choice in terms of presence by visiting our key suppliers."

Le Bristol's Atrache also speaks of remaining active in foreign markets by participating in several travel fairs this year including ones in Berlin, London and the Gulf. She explains that this is particularly helpful for reversing the negative PR about Lebanon: "We tell [attendees] that we still have the nightlife, and the archeological and cultural sites, and that it's a good idea to come now and take advantage of the special rates we have since the country is no longer really on the tourist map."

THE MODERN WORLD AND HOTELS IN LEBANON

As part of their strategy to attract customers, more and more hotels are embracing the digital world, with Ed-

2015 was much better than the Q1 of 2014, where we had explosions randomly in the country. The Q3 of 2015 was also much better, as in 2014 in June there was the explosion of Duroy Hotel which imposed an immediate slowdown in business pick-up levels in the country," explains Bourachi.

With the suicide bombings in Dahieh in November 2015, Edholm does not expect the year 2015 to end on a positive note for hotels in Lebanon. "With the bombing, we don't see the year ending better, as Western countries are very sensitive to security issues. I think Jordanians, Egyptians

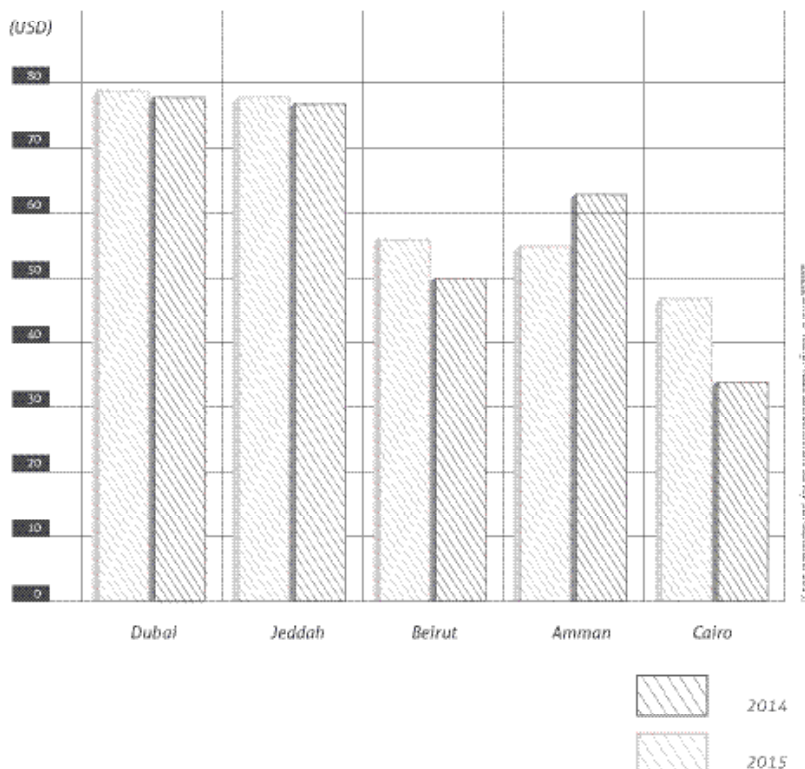
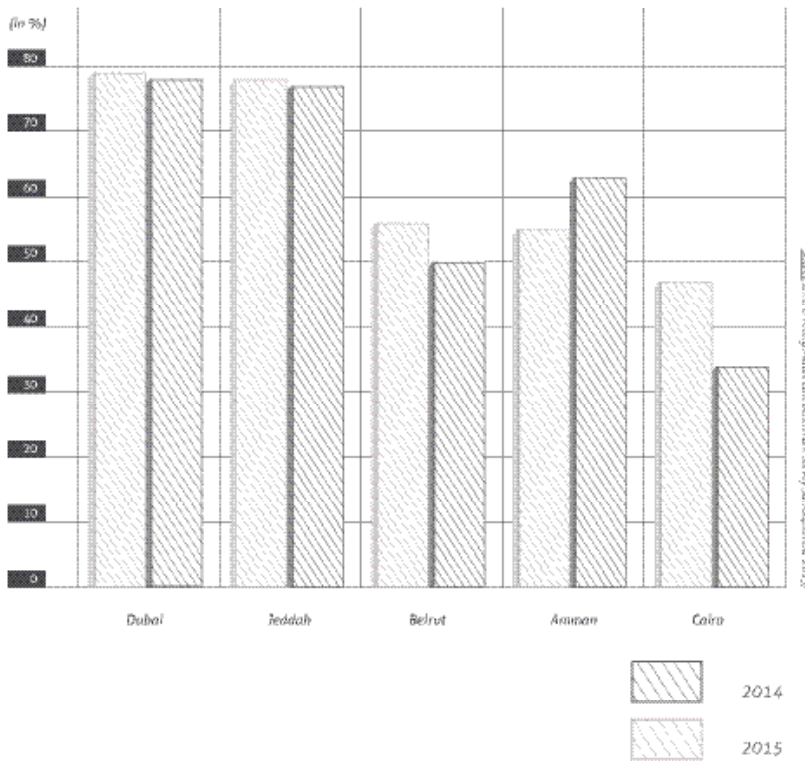
and Iraqis would still come but we need a solid mix of travelers: we need the business travelers, the person coming for weekends or holidays, the suite guests if it's a big family..."

HUSTLING FOR BUSINESS

While in previous years, hotels in Beirut may have been flooded with guests, today those in the hospitality industry are having to double their efforts and provide a variety of incentive packages in order to attract clients to their property.

"We are continuing to identify the strong performing key source markets

HOTEL ROOM OCCUPANCY RATE FOUR AND FIVE STAR HOTELS ONLY



holm pushing for more online and social media coverage among other online activities in Phoenicia, and Bourachi says that online digital campaigns to promote Four Season's food and beverage (F&B) outlets would be part of their plans to grow their business in 2016.

"The market has changed. In the past, you used to get phone calls to book a room; now you have a room management system. You are online and you need to have a solid web-site and social media presence to be competitive," says Atrache, recalling the changes in Le Bristol's hotel market since it opened in 1951.

DINING AND WINING IN A HOTEL

Hotels in Beirut generally have solid F&B and banquet hall offerings which they can rely on to generate some revenue, to a certain extent, when room bookings are low. The Four Seasons says their F&B offerings are constantly being developed with new menus and creative ideas while Edholm says F&B outlets will also be a key focus of Phoenicia in 2016.

However, Atrache warns against an overreliance on F&B and catering. "At Le Bristol, we are known as the caterers, but it is not enough to keep the payroll of all the services the hotel provides with only the catering department." She explains that although catering constitutes 60 percent of their revenues at the moment, its cost is much higher than maintaining rooms.

Despite the ever-changing winds, the business of hotels in Lebanon is hanging in there and finding new ways to adapt and grow. As Atrache concludes, rather darkly, "Hospitality needs to keep on going because this is the heartbeat of Lebanon: we have no oil, we have no gas, we have tourism and this is what we are all about."

Clearly, this is a sector worth fighting for, and if Lebanon loses its grip on it, the future will not be so bright for this small but ambitious country.



Waiting for (President) Godot

The head of Lebanon's Hotel Owners Association on the country's struggling industry *By Nabila Rahhal*



E XECUTIVE met with Pierre Ashkar, head of the Hotel Owners Association in Lebanon, to discuss the hotels' performance this year as well as the main issues and concerns affecting hotel owners.

E According to tourist numbers and hotel occupancy rates, it appears that the year 2015 started off well for hotels in Lebanon, correct?

Usually, 60 to 70 percent of tourists in Lebanon are either individuals or corporate travelers. The individual traveler can get corporate rates if they are loyal customers who come frequently. Individuals get rack rates while corporate rates goes down by 15 to 20 percent. Tours and bulks get a completely different deal with lower prices.

The problem started in Lebanon in 2011 when the hotels began to lose guests, and so automatically hotels started lowering their room rates: the rack rate which was \$200 went down to \$150, a 25 percent decrease. So when my rack rate goes down 25 percent, I have to decrease the price as well for my corporate customers, so that's another 15 to 20 percent decrease.

So when you hear that the increase in the number of tourists is 16 percent from last year, you have to ask yourself first how many days they stayed in Lebanon because nobody knows. Also, a

bigger [number] than before are coming within tour groups, especially Iraqis, and they are getting group rates. So whereas before you would have said no to that, today you take them at group rates because you are hungry. Hotel owners are giving rooms at \$60 and \$80 just to have liquid money in their hands and make their payments.

I will show you some numbers related to Christmas and New Year's in 2010. A 100-room hotel had rates of \$200, which makes \$20,000 per day, and most guests used to stay for 10 days, so the hotel could make \$200,000. That same hotel, today, has lowered prices down 40 percent which makes a room \$120, totalling \$12,000 per day. Since the average stay is down to three days, the total today is only \$36,000. Look at the difference, less than a quarter of revenues. Now you see the reality.

E Were all the areas equally affected by this situation?

No, because some areas rely on local Lebanese as their base clients, and mainly those who are used to spending their summer in the mountains. So these hotels are already seasonal and only work for two months.

E What about the guesthouses and boutique hotels that were popular this summer and appear to be on the rise?

It's a different segment and market. They work on weekends and in the summer. These represent a maximum of 10 percent of hotels in Lebanon. Some hotels have the financial means to survive this period because they only have 30 rooms and the whole family runs the hotel but the hotel institutions which employ many people, such as the hotels in Beirut, have to comply with international standards and expectations which are different than those required for guesthouses or hotels in rural areas.

E You paint a rather bleak picture. From the Association's perspective, is there a solution to this crisis?


Let us speak honestly. No one can solve the problem entirely. But what could happen that would help many stay on their feet while waiting for better days is financial engineering.


Financial engineering has allowed the Lebanese government, with all its debts, to remain on its feet. Who is behind this financial engineering? The minister of finance, the central bank governor and experts in this field. Just like they found a way to keep the government on its feet, even though it is still accumulating debt, they need to find a solution for hospitality institutions, because each hotel that closes down is letting its employees go, therefore increasing unemployment and making these youths desperate to make some money and [support] their families.

This is my opinion. The day they elect a president, there is an agreement to stabilize Lebanon on a local, regional and international level. Automatically you will see the country prosper. This is what happened after the 2006 war and the same scenario after the Doha Agreement in 2008.

E So there is still some hope for prosperity in this sector?

The country has not lost its components or the capabilities of its citizens. It did lose the quality of youth who have left the country already but I assure you those will return as soon as they feel the country is stable.

Look at the concepts developed by Lebanese in Africa or the Gulf; why are they so successful? Because those countries offered them stability. This is all we need, stability, and I tell you Lebanon will be full and at a room rate of \$200. I repeat, give us stability and take all you want. 



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WEALTH MANAGEMENT

Regional expansion

Hilton sees opportunity to grow despite setbacks in Lebanon *By Nabila Rahhal*

The Hilton Group has been busy, particularly in the Middle East, which according to Rudi Jagersbacher, area president for Hilton Worldwide, Middle East and Africa, is the “fastest growing region” for the corporation. He explains how, thanks to this formidable growth, there will be a new Hilton property opening in the region every month for the next five years.

Indeed, Jagersbacher recounts how in 2011, Hilton Worldwide operated 40 hotels in the Middle East and in just four years, by the end of 2015, they now operate 90 hotels with approximately 100 deals signed for the next few years.

Executive sat with Jagersbacher to learn more about what drives the Hilton Group and how Lebanon is positioned in the company's strategy for the region, especially with the long-awaited opening of their downtown property, set for 2016.

E Will you be bringing more of your mid-market-focused service hotel brands or your luxury brands to the region?

From a global perspective, there's a similar type of scenario. It is to do with the economy of the various places, and if you look at the Middle East, for instance, a lot of hotels had their full service luxury brands already rolled out and this inevitably leads to mid-market-focused service hotels being available.

You can only have so many luxury hotels within an area, so we are bringing Waldorf Astorias and Conrads wherever there is a market with sustainable income and a return on investment which are the thresholds.

Clearly, there are opportunities for business people or people who travel for leisure. When you have two or three rooms, [people] want to be in the secure environment of a big brand but with the safety, security and brand standards all

reflected in the lowest denominator.

We have 2,000 Hamptons [our three- to four-star brand] globally, and it is highly successful because there are a lot of people who stay overnight for business and all they need is a clean bed and a great shower...they don't need three restaurants; they just need to go in and do their business and have good value for money.

So bringing that kind of thing to the Middle East was actually a strategy in terms of asking, “What is the next wave? Which countries are able to take these brands into their portfolio? And who are the investors we can attract to these brands?”

E What are the main markets you are considering for your growth in the region?

We have two or three markets where we know we have a sustainable economic formula where we can roll out 20 or 30 brands across the country or region.

Saudi Arabia and the United Arab Emirates (UAE) traditionally only went for luxury and the big brands. We opened two hotels, Hilton Gardens, the first in the UAE of this type, and we have many more lined up. The same goes for Qatar.

We also look to Egypt and the Levant which brings us to your area. Egypt has a similar kind of strait although they are still focusing on the full service, which means the Hilton brand, and the same goes for Lebanon.

We also believe that, particularly in the Levant, there is a lot of opportunity in the mid-market-focused service.

E How about Lebanon?

For Lebanon, obviously the market is a lot smaller. We have been working on a project in Downtown for many years and for lots of different reasons it never went through, but the good news



Rudi Jagersbacher

is that we are definitely going to open by 2016.

A lot of work has been done over the last seven years but there have been issues that are out of our hands, mainly owners' issues.

E So you still see downtown Beirut as a viable location for a Hilton property, despite the instabilities that are manifest in the area?

Our location is superb; everybody is building around it. I don't think there is any better location; even if the port develops or the buildings come up, this will be in 10 to 15 years. And even then, the heart of the city is not changing; that will always stay the same. So inevitably, those types of boutique hotels or special destination projects with great restaurants and bars will always remain in that center.

E What made Hilton Group decide to take over the management of the two Habtoor properties?

When we looked at this property, Habtoor, we already had Downtown available and we needed to decide what

ABC APPOINTS NADINE LABAKI

as its brand ambassador for Corporate Social Responsibility, while launching its Christmas decoration with CCCL children.

BEIRUT, NOVEMBER 19, 2015:

ABC, the leading Lebanese retail and mall developer, and the famous Lebanese director and actress, Nadine Labaki have come together for a humanitarian and social partnership.

Stemming from ABC's aspiration to further support various humanitarian, social, environmental and health issues, Nadine Labaki has joined ABC as brand ambassador for CSR. During the event, Ms Labaki commented, "I am delighted to contribute alongside ABC to all humanitarian and social issues that the company has been keen to support since its inception, in the course of serving the Lebanese community."

Celebrated for delivering Lebanese cinema to the world, Ms Labaki is also an activist for many humanitarian and social issues, which is in sync with ABC's strategy of empowering its corporate social responsibility program. Our new CSR brand ambassador added, "this is absolutely crucial given the difficult circumstances that Lebanon is enduring and the various problems and challenges that are threatening



our lives and those of our children, on top of which is the garbage crisis. We are hoping to leave a positive mark, and to make the necessary changes to build a better future."

The ceremony was attended by ABC Chairman and CEO, Robert Fadel, and a large crowd of media personnel and bloggers. The event also welcomed children from the Children's Cancer Center of Lebanon (CCCL), who helped unveil the holiday decorations and light the Christmas tree at ABC Ashrafieh, giving a whole new meaning to this holiday, spreading profound hope and peace to Lebanon.

General Manager of CCCL, Hana Al Chaar Choueib said, "Our gathering here today provides evidence of hope and patriotism despite the difficult conditions our country is going through." Choueib was grateful to ABC for their continuous support to the CCCL over the years, and thanked Labaki for her valuable humanitarian mindset. In conclusion, she stressed that even the smallest contributions to the CCCL can go a long way in the lives of our children.





Hilton Hotel Habtoor

we were going to do. Since the downtown hotel is rather small, particularly from a banqueting point of view, and because we loved the location here, we went with it.

E So it was part of your strategic vision for the Group in Lebanon?

Yes we wanted to be here (Habtoor) because it has the biggest conference and meeting rooms. It's also in a great location and I don't have to fight with everybody in Downtown over rates and occupancy. Here, the people who stay have different types of needs, such as big conferences and meetings, so we have a lot of business travellers. Also, the location which we have here (Habtoor) is going to grow from a corporate point of view with a lot of new businesses moving to the area.

People who want leisure go to Downtown, which is fine, but there are so many hotels there and I think that, in terms of fair share, we at Habtoor are not in the same ballpark. We have our own business model.

The second thing is that it's a strong residential area with a lot of mid- and upper-class residential units being developed, and then of course you are in the middle between here and the mountains so it also brings a lot of things down here. So strategically, this location is superb.

I think from that point of view, we are settled.

E Is that it for your growth in Lebanon?

You can never say that. There may be mid-market or focus-service opportunities. We always look at possible opportunities going forward and the criteria for this are really simple: We're a management company which means we bring in investors to invest. We need to ensure that the financial thresholds have a return on investment and also [establish] the stability of the business environment to ensure we have sustainable profitability and interest payments.

This is really important because once we start employing people, we need to make sure we can grow, develop and train them further so we are not going up and down in the cycles of business which many in the country are experiencing right now.

E How would you place Lebanon in the overall strategic vision for Hilton Group in the region?

Like we've said, we have 600 rooms in three properties in the country which is already a lot. At this stage, we want to make sure that we open our new property in Downtown; that's our focus for today and for the next couple of years before we look at anything else.

That's because of the business trends in Lebanon. Five years ago it was booming and look where we are today. But that means the potential is really great and the future is very bright. I think if everybody can get their ducks in a row and the right priorities are taken from all levels of the industries then the investments and developments in Lebanon will be really strong. It's got a great following and it's a big brand, not just regionally but globally as well.

E What is driving your growth in the Middle East?

Investors and demand. Let's talk about Dubai, the biggest model because, in 15 years, the whole environ-


ment there has changed totally.

One of the most important things they did is they were able to create an airline which was bringing customers. Today, they have 55 to 57 million people coming through Dubai, which is huge. Although most of them are in transit, obviously many are staying over in Dubai; this is a huge growth with new builds and destinations.

Creating a safe and secure environment was their key. We always say democracy is a very important feature in our lives but it doesn't work everywhere as well and hence, in terms of the decision-making process, they have an invigorated leadership with a great strategy which they have followed regardless of comments around the world and I think they are very dedicated. When you look at the growth with Emirates Airlines and at the financial institutions moving in, it's a great recipe for moving forward.

Now Dubai is only one spearhead, with other areas like Ras Al Khaymah [and] Fujairah. Abu Dhabi has also developed its own airline, and the same with Qatar.

E How does outbound tourism from the Middle East and North Africa (MENA) region to other areas affect your business?

The strategic outlook in terms of the outbound strategy from the MENA region is also very important. A lot of people who live in MENA are outbound during holidays and it's a big piece of business. This is why you have to have good representation in each country in MENA. It all goes back to flight connections; today it is easy to take flights anywhere from the Gulf. Therefore we as a hotel group need to think from a strategic development point of view to help us ensure we can move our customers in a global landscape. We have 42 million Hilton HHonors customers across the globe who visit us internationally and therefore new destinations and offers are very important for us to roll out. 

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Dancing to a different beat

The Lebanese food and beverage sector embraces the changing market *By Nabila Rahhal*



The locals love to boogie

Among the first things you hear about the Lebanese people is how much they love to party and go out. This reputation still prevails, and although those in the food and beverage (F&B) industry are facing more challenging circumstances by the year, they still say their business is performing a lot better than other sectors of the Lebanese economy.

LEBANESE MARKET AND EXPATS

The food and beverage (F&B) industry has become reliant on those residing in Lebanon and on the Lebanese expats who visit during the

summer or winter holidays, says Toni Rizk, chief executive officer of TRI Concepts, which operates a collection of bar-restaurants across Lebanon, explaining that the tourists Lebanon has been attracting these past few years are not “big spenders”.

As such, continues Rizk, the industry has been able to sustain itself to a greater extent than other, more tourist dependent industries, such as hotels.

SEASONS TO PARTY

This decrease in tourists with a high purchasing power, coupled with a market catering heavily to expats on seasonal visits to their homeland, has

made summer the coveted season for the nightlife industry. Many operators take advantage of the good weather to open outdoor clubs or bars which cater to the increased demand.

“The summer is generally more happening than winter. Also, there are returning expats [in the summer] so they nourish the activity. We have seen from our existing venues that we achieve higher revenues in summer and that’s why we focused on having an outdoor venue,” says Rabih Fakhreddine, CEO of ‘7 Management’, which launched the successful outdoor lounge bar and restaurant Seven Sisters in summer 2015.

However, without a similar

concept for the winter, explains Fakhreddine, they would risk losing the employees they had trained and invested in as well as the client base they had developed over the summer. This is why he says his company is developing a similar concept to Seven Sisters called Black, but for winter and indoors, to be launched by the end of 2015.

Tony Habre, CEO of Addmind, which operates White in the summer and Indie in the winter, both on Dora's seaside road, also believes in the importance of a winter venue in retaining staff. "We always keep our winter season outlets, even if they are not that profitable, to be able to keep our staff who are our secret and our strength."

LOWER PURCHASING POWER

When Lebanese expats return to their adopted countries, the main market for the F&B industry becomes the local Lebanese. With the local economic crisis causing these Lebanese to economize in their spending habits, F&B operators are witnessing a change in trends.

"The affordable concepts are the ones which are working most today while the fine dining segment is suffering because the purchasing power in the country is low," says Tony Ramy, president of the Syndicate of Owners of Restaurants, Cafés, Nightclubs and Pastry Shops.

Marwan Ayoub, managing partner at Venture Group, says Lebanon's F&B industry is moving more toward quick service restaurants (QSR) and low entry concepts like snack shops because of the current economic crisis, but adds that it should balance out again into the more expansive concepts (big clubs and restaurants) when the market is back to normal.

Speaking for the nightlife segment, Rizk, who operates The Bohemian in Mar Mikhael, sees that the trend in 2015 was generally geared toward smaller bars, where people can enjoy

cocktails and bites, as opposed to big clubs where people usually spend more and go all out.

Indeed, main areas full of 60 to 70 capacity bar-restaurants such as Mar Mikhael, Badaro or Hamra enjoyed more sustainable footfall than many of the city's nightclubs and large venues which were busy mainly on weekends.

"Even in the Lebanese cuisine industry, you have both restaurants and cafés but you see people gravitating toward cafés more because the average bill there is \$20 while in a restaurant it can go up to \$60," analyzes Ramy in light of the public's decreasing purchasing power in recent years.

OPERATORS ADAPTING

Faced with this reality, operators in the F&B industry have had to adapt their business models and strategies to accommodate their clients' needs for affordability.

As such, investors are shying away from the big projects and playing it safe by investing in smaller outlets, explains 7 Management's Fakhreddine.

THE TREND IN 2015 WAS GENERALLY GEARED TOWARD SMALLER BARS

"This is why we are not seeing big nightlife concepts like White or Skybar anymore because this costs real money and it's not the right time in Lebanon. We no longer have the crowd that can fill a place with a capacity of 1,500 for five days a week," says Ayoub, explaining that operators in the industry have adapted their business models to go in different directions such as cluster projects or expanding into the region.

CLUSTER POWER

While areas which have grown organically such as Mar Mikhael or Badaro remain Beirut's nighttime destinations of choice for 2015, many op-

erators are choosing to seek strength in numbers by becoming tenants in a hospitality cluster project.

Hospitality clusters have grown in fame in the F&B industry, with The Courtyard in Hamra opening late 2014, The Village Dbayeh opening in November 2015 and a few other such projects in the final phases of completion.

Rizk, who has recently opened Trumpet, a vintage themed bar-restaurant in The Village Dbayeh and who is finalizing his other outlet, Lily's Lounge Bar, in another cluster called Blueberry Square, says the cluster model has positive elements. "One benefits from having a variety of pubs next to each other in an organized manner because the project becomes a destination with the potential to attract more footfall than a standalone venue," he explains, adding that his experience with Trumpet has been favorable in relation to the cluster model and its services such as landscaping, common marketing and a well-structured management body.

Rabih Saba, managing partner of Venture Group, which has developed The Village and is in the final phases of development for Backyard Hazmieh, says that for a cluster model to be successful, it needs to create outlets with similar concepts and average check and a strong marketing campaign concentrating on its target clientele. "Clusters are successful if they reach the target clientele they want to reach; it's all about positioning," Saba further explains that clusters don't need to be aimed at the "trendsetters" to be successful but can be directed towards families or lower income clients as well.

EXPANDING INTO THE REGION

More and more F&B operators are branching out to the neighboring regions, mainly the Gulf, as a means to cope with an unstable security situation in Lebanon.



The Village Dbayeh, a hospitality cluster project, opened in November 2015

Interest in regional expansion has gotten to the point where, according to Ramy, many F&B operators are opening their creative concepts in Lebanon solely to register them locally and prove themselves, while developing their franchise manual according to international standards and finally selling their concept to a franchiser.

“When Lebanese are designing new F&B concepts, they are thinking of concepts that would work well outside; hence you see more QSRs opening in Lebanon with the aim of moving abroad,” says Saba, adding that Lebanese operators are speaking of expansion to Europe and the United States, following the successes of Semsom and Classic Burger there, when before they had never dreamed of expanding beyond the Gulf.

Fakhreddine says plans for taking February 30, the company’s first bar in Hamra, and Seven Sisters to the region are in the pipeline. “We are going abroad for two main reasons: first of all, because of the international exposure you get when you move to a city like Dubai and second of all, stability. No one has the vibe Beirut has in terms of nightlife but the political and security situations force you to take a step out of the

country to maintain a certain level of stability and to grow our talents,” laments Fakhreddine.

Addmind’s Habre, who has four successful outlets in the United Arab Emirates, supports such expansions but tells his colleagues in the industry to be well prepared. “Dubai looks easy for them [in comparison to the difficulties of operating in Lebanon] but what I say from the bottom of my heart is just be careful; it’s not at all an easy country to operate in and we have a lot of examples of bad luck in this industry.”

DOWNTOWN SORROWS

Summer 2015 was not a good one for the hospitality outlets in Downtown with Habre reporting a 50 percent loss of business in Iris, their bar on the rooftop of the Annahar building, during the periods of closure and protests in the area.

Rizk says that Uruguay Street, downtown Beirut, had not been performing well from mid-2015 due to chaotic growth of the street and also because other nightlife areas were increasing in popularity and competing with it. While many years have passed since Downtown was really a hub of activity, he continues that the

events of the summer – from governmental closures to street protests – hurt the area further.

When the landlord of the Fenicia Bank building which housed Gatsby bar wouldn’t give the tenants payment facilities in light of the difficult situation in the area, Rizk was forced to relocate due to no longer being able to afford the double-digit monthly rent with no footfall in Downtown.

ESCAPING THE CITY

Their negative experiences in relation to security issues in Beirut coupled with the increasingly high rental fees in the city have encouraged F&B operators to invest in areas outside of Beirut.

“We are expanding regionally, which is economically much healthier than having even the F&B offerings clustered in Beirut and Downtown. You have many benefits when that happens, including creating job opportunities in the area, increasing the value of land and incurring further developments around such projects. Today people have the choice; if they want they can come to Beirut and if not they can go somewhere in their regional neighborhood,” says Sami Hochaar, CEO of The Village Dbayeh, speaking of their project’s location in Dbayeh.

Rizk sees that Dbayeh will be the new “Downtown” for the Metn area, attracting people from the immediate vicinities and from Keserwan as well. “Dbayeh is a new market and does not have the security problems of downtown Beirut. It’s a big area with a big demographic and even when new places open there, which they will, it will be a healthy competition and those with the best concepts will prevail,” he says.

Whether expanding locally or abroad, and whether developing snack concepts or little bars, Lebanese F&B operators have learned to dance to a different tune and continue to waltz through it all.

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WEALTH MANAGEMENT

A tale of two countries

EXECUTIVE speaks with Addmind about managing two regional hospitality hotspots *By Nabila Rahhal*

Addmind is primarily known for creating successful entertainment concepts and venues such as Iris, Indie and White, which was the winner of the 2015 World's Finest Clubs Award. The year 2015 saw the company re-enter the food and beverage (F&B) domain, following a few unsuccessful ventures 10 years ago. The company took over the La Plage complex in Ain El Mreisseh and reconceived it into the Madame Bleu Beach Club and three restaurants: Popolo, Boulevard Beirut and Sea Salt.

The company also partnered with the restaurant Shogun Downtown over concept design, music and cocktails while its owner Aref Saadeh shared his food expertise.

The company's growth in Lebanon was coupled with further expansion in the United Arab Emirates. Tony Habre, CEO of Addmind, said Dubai now constitutes 55 percent of the company's total turnover and estimated growth to 65 percent by the end of 2016.

EXECUTIVE speaks with Habre about the diversification of Addmind's portfolio and about the dynamics and challenges of operating in two distinct markets simultaneously.

E Can you tell us why Addmind chose to extend its portfolio outside of nightlife?

Yes, we are diversifying into restaurants because it's a natural and organic growth for us; we've been growing steadily as a company and we've always followed the trend in Lebanon and what people want. There's still a big need in Lebanon for restaurants; even with everything happening, people still go out. There are fewer people, but there are still people and not a lot of new restaurants have opened recently so I think in the right place, there is a market for that.



I think La Plage and Shogun are set in great locations; they just needed the right concepts. It was a perfect place to refresh our restaurant concepts and diversify them.

E And you did not feel that such concepts are changing your brand identity?

No, if you go to Boulevard Beirut you will see that the logo, design and setup look like us. Popolo looks a lot like us and so does Madame Bleu. We are integrating with something that we like and where we would like to go. Honestly, where we failed is in places where we wouldn't like to go.

E Can you compare 2014 to 2015 in terms of the overall growth of the company?

Our huge growth is in the UAE. In Lebanon, the nightlife almost stayed the same despite growth at the beginning of the year before the political situation took its toll, but I would say that, overall, the nightlife stayed more or less the same.

Because we started doing restaurants, we had growth at the company level within Lebanon but it's still a bit early to know how much.

So far the nightlife, including beach clubs, constitutes 70 percent of our company's businesses, with the restaurants making up the other 30 percent, though by 2017 I think it will be 50-50.

E How do you manage your staff between Lebanon and the UAE?

We have a lot of common staff be-

tween Dubai and Beirut.

We have a big office in Dubai but the top management (global operations director, F&B manager, human resource manager, finance manager, etc.) are the same in both cities. Before, even the general managers (GM) were the same but since we grew a lot in Dubai we had to have separate GMs.

Are you facing a shortage of qualified staff? If so, is it more of an issue in Beirut than in Dubai?

It's a problem everywhere. On the contrary, had we not had this base of people that we employed and trained in Beirut, there was no way we would have accelerated in Dubai. Our strength is in our staff who we were able to bring to Dubai.

By January, we will be around 900 employees of which 250 have been with us for eight years and are considered the pillars of the company, having started as wait staff and gone on to fill management positions.

We are opening our own academy, the Addmind Academy, in 2016 for our own team. The whole idea is to train our existing staff and our future staff in a very professional manner because it's all about the staff at the end of the day.

Lebanon has a lot of good people and we have the service gene in our blood, but they just need training and language [skills] which is one of the problems we face in getting them to Dubai.

What are the major differences you have seen between operating in Lebanon and Dubai?

The cost of doing business in Dubai is the actual cost of doing business. It's a country with an extremely high barrier to entry; the rents are extremely high, and your cost of business is also very high because you are getting many of your employees from outside and you have to pay for their visas and accommodation. Basically, the setup [cost] of a business is extremely high. It's good



Addmind in Dubai

THE REVENUE PERCENTAGE IS HIGHER IN DUBAI BUT THE PROFIT PERCENTAGE IS HIGHER IN LEBANON

if you are already doing well because as the barrier to entry is so high, it is difficult for competition to enter the market unless it is very strong.

This is the opposite of Lebanon, where you don't have this high cost at the start, as your employees are already in the country and so are you; you are not mobilizing yourself. Also, [in Dubai] later on the cost is in the rent that is triple that of Beirut and the Lebanese employees who cost you at least double or triple [the amount in Lebanon] there.

This is why I say the revenue percentage is higher in Dubai but the profit percentage is better in Lebanon.

What are the rewards of operating in Dubai?

It's a great country where revenues are really high, it's stable and the market is there. You have 100,000 Lebanese living in Dubai with a considerable

income and another 60,000 in Abu Dhabi. So you are starting with a good share of the market.

The financial risk in Dubai, however, is higher than in Lebanon because the investment there is bigger, but once you do well, you do better.

Are your venues in the UAE attracting only Lebanese or has your client base been diversified to include foreign expats?

The Lebanese help you get started but then they all have their cosmopolitan friends so we don't have more than 30 to 40 percent Lebanese in our places. You have Emiratis, Palestinians, Jordanians, Iraqis [and] Europeans; you really have people from everywhere and since we have different types of places, we attract different nationalities to each.

Are you thinking of expanding beyond Dubai?

The Gulf Cooperation Council is going to come organically but in the coming two years it's about time for a move to Europe. I'm sure it won't be easy. It wasn't easy in Dubai but we've done it once and we will do it again. ■

Adaptation skills

Lebanon's retailers respond to a sticky situation *By Nabila Rahhal*

Over the past few years, it has become common to hear many Lebanese retailers share their woes on dwindling sales as customers bypass the city's luxury brand stores in a rush to the best sales or promotions.

While these retailers are not complaining without reason, it seems they have done well in adapting to the unstable situation, and have learned how to grow their businesses despite all the obstacles.

NO TOURISTS, NO WORRIES

In previous summers, tourists from the Gulf countries were seen strolling through the streets of Beirut with tens of shopping bags hanging

from their arms. With their gradual decrease in number, starting from 2011, the retailers interviewed by EXECUTIVE say they have gotten used to the loss of business caused by this, and are working to move past it.

Mher Atamian, managing director of Atamian, explains that while previously 10 to 15 percent of their sales in the luxury watches segment had come from Gulf tourists, they lost that market five years ago and no longer take it into account when calculating their profits annually, adapting instead to the local market and visiting expats.

Izzat Traboulsi, managing director of Fashion Trading Company, the wholesale agents of Hugo Boss in the

Middle East, does not believe that Lebanon was a market heavily reliant on tourism, compared to Dubai, where Hugo Boss has outlets as well. He explained how the retail industry there suffered heavily when Russian and Chinese economies were not as solid as before and their nationals' visits to Dubai dwindled. "Of course we can do much better, and we are losing the extra growth we could potentially [have] reached had [the situation] been normal. But what we are doing today is still good; the core business is doing well," he says, placing Lebanon as their second best market in the region after the United Arab Emirates.



The times they are a-changin'

THE LOCAL MARKET AND EXPATS TO THE RESCUE

Tourists aside, retailers interviewed for this article say the biggest percentage of their clients were the Lebanese expats who came for summer vacation and the general Lebanese population. “We have always relied on our local Lebanese clients as the source of our continuing success; the Lebanese diaspora is a contributing element in our customer base as well,” says Jamil Rayess, general manager of Hamra Shopping & Trading Company (HST), which operates Grand Stores (GS) and several brand stores.

“We lost the tourists who used to shop in Lebanon and these constitute 20 percent of our sales, but this drop was between 2010 and 2011. Since then we have adapted to focus only on the local market and the Lebanese,” says Traboulsi. He goes on to explain that Lebanese expats generally have more disposable income due to the salaries they make abroad, which they often spend on shopping when they visit home.

THE ATTACK OF THE MALLS

Malls are highly popular among local Lebanese customers, and it is no surprise that all the retailers EXECUTIVE spoke to have outlets in these large shopping centers.

Traboulsi says their Hugo Boss store in ABC Dbayeh – their first directly owned store in Lebanon which they took over from their franchise partner two years ago – is their number three performing store in the region in terms of turnover per square meter following their two outlets in Dubai Mall and Mall of the Emirates, Dubai, respectively. Atamian says their outlet in ABC Ashrafieh is their strongest point of sale for the high end market in Lebanon.

Atamian explains that the trend of malls started seven to eight years ago and has been on the rise ever since. “It



THE RETAILERS... ARE ADAMANT THAT DOWNTOWN BEIRUT AS A SHOPPING AREA IS GUARANTEED TO LIVE ON

seems that more and more people enjoy shopping experiences in the mall, where it is never hot or cold and you find entertainment for the kids and everything in one place,” he says.

Traboulsi sees this mix of medium and high end brands that exist in malls as a plus point for retailers like himself. “The trend of malls came to Lebanon and we should not underestimate their footfall. The mall has medium to high end brands, so the footfall gets created in the medium and extends to the luxury,” he explains, noting that people tend to buy low end luxury products, such as accessories, in a mall more than elsewhere.

STREET SHOPPING

While the prevalence of malls has taken its toll on the more traditional retail areas such as shopping streets in Hamra or Ashrafieh, these conventional shops continue to survive.

“Of course with the diversity existing in malls, their appeal is on the rise; nevertheless, some shopping streets have kept their status as [key retail] destinations and have flourished in parallel with the development of the ‘mall culture,’” says Rayess.

Atamian sees that those streets now appeal to a different nature of shoppers. “It doesn’t mean that the streets of Hamra or Zalka will die but the purchasing power of people who are going there dropped,” he explains, giving the example of the fact that international brand names in general are opening in malls rather than at street level.

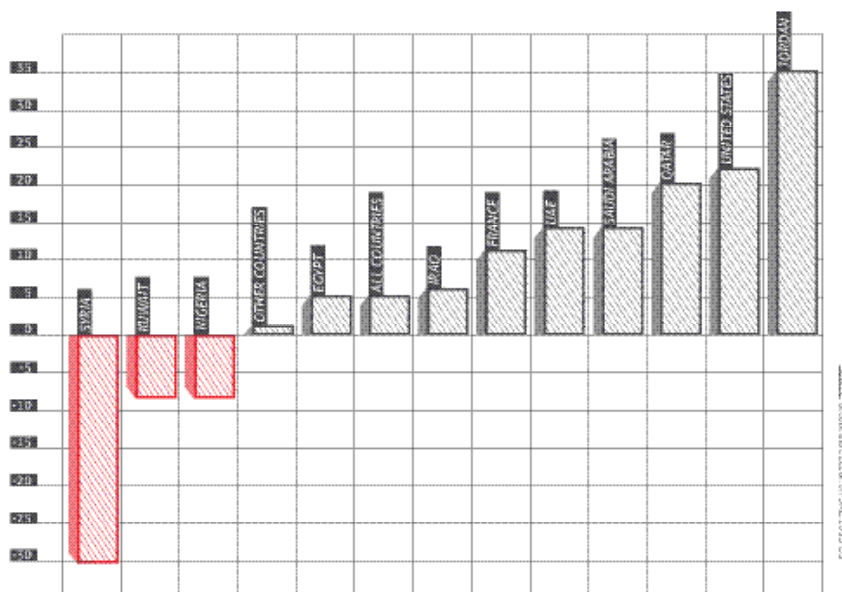
LUXURY IN DOWNTOWN

The retailers that EXECUTIVE spoke to are adamant that downtown Beirut as a shopping area is guaranteed to live on, despite their current struggles there, due to its concentration of high end and luxury brands. The overall business there, however, is still experiencing serious fluctuations in footfall and revenue.

Atamian says their luxury brand watches saw a drop of 15 percent in sales year-on-year when compared to 2014, and blames this on the global economic crisis and on scarce business in downtown Beirut.

PURCHASES BY TOURISTS WHO RECLAIMED VAT

YEAR-ON-YEAR CHANGES IN THE FIRST NINE MONTHS OF 2015
(BY COUNTRIES OF ORIGIN, IN PERCENT)



**IT IS A POSITIVE
SIGN THAT
[RETAILERS] ARE
STILL INVESTING
AND EXPANDING
IN [LEBANON]**

“One of the major reasons [for that] would be because the downtown area, where all the luxury brands are centralized, saw a lot of closures and protests starting July [2015], which is our high season.” Atamian adds that the garbage crisis also caused the Lebanese expats in the country to cut their trips short.

Hugo Boss, which has seen a 12 percent growth from 2014, says the only hit they took in retail in Lebanon was in the downtown area, following the closures and protests. “The problem with Downtown is the footfall, although Lebanese generally love to go to Downtown. The area could have more footfall if they just leave it alone for a while and ensure it’s a safe place for Lebanese to come with no difficulty of access,” says Traboulsi. Such a statement may come across as somewhat hopeful, however, considering much of Downtown has been relatively empty in comparison to other commercial areas in recent years.

In fact, Atamian notes that even before August 2015, Downtown had

not been performing as well as usual because of the decrease in tourists. Tourists indeed constituted the main clients in the downtown area, and with their decrease and the many empty shops they left in their wake, one wonders whether businesses there should start adopting the strategy of targeting the local population.

However, a sign of retailers’ continuing faith in Downtown’s bounce back is their mentioning of new outlets opening in the area. Atamian plans to unveil a Baume & Mercier boutique in Downtown by December 2015; Traboulsi plans on opening a Hugo Boss flagship store on Allenby Street by March 2016; and HST has spoken of a 2,000 sqm GS flagship store to be launched in 2016.

A LOOK BACK AND A LOOK AHEAD

Their luxury brands aside, Atamian says they were “quite successful” in maintaining their sales across their brands through their reliance on mid-market priced and fashion brand

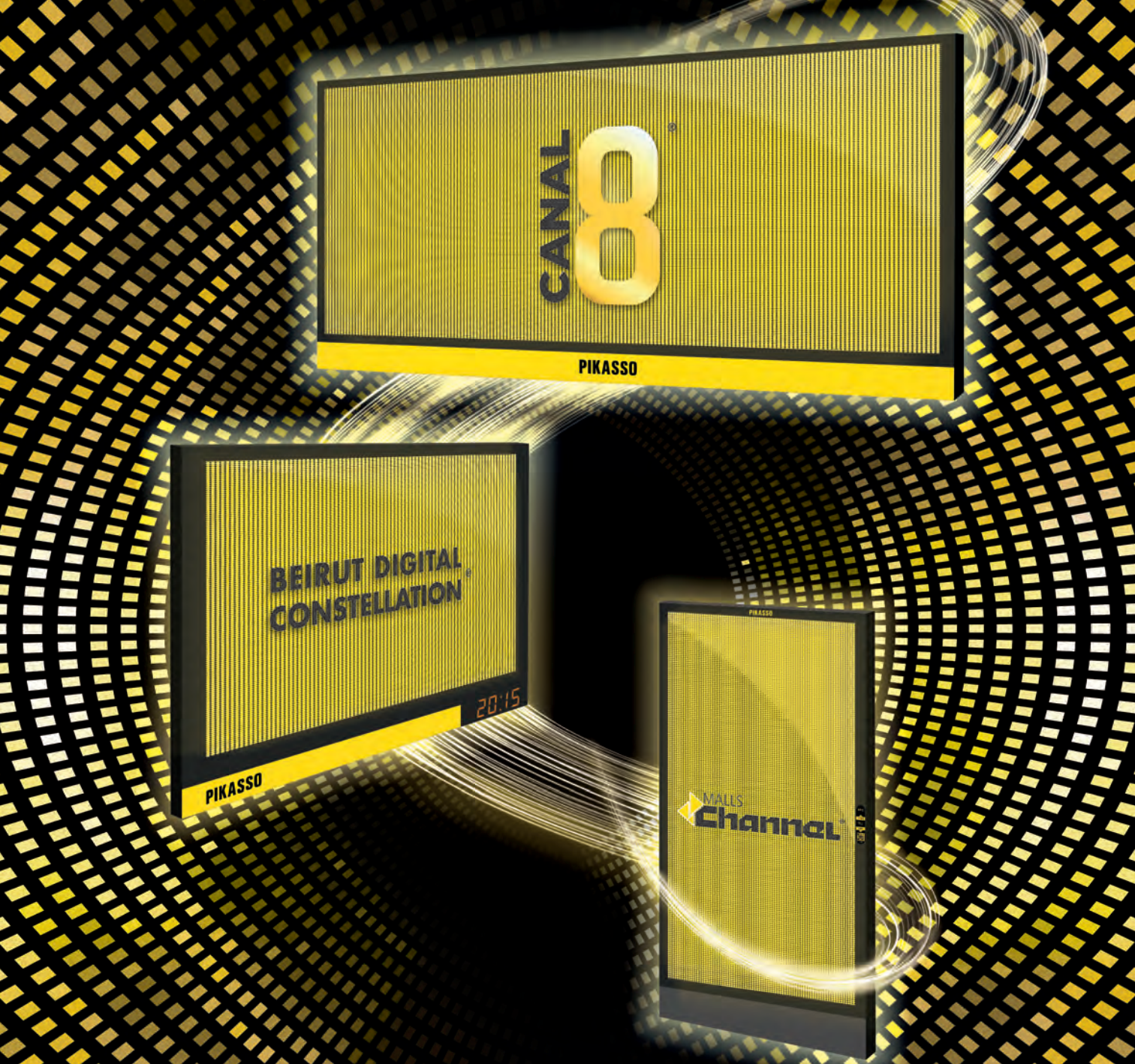
watches, which performed well in 2015.

According to Atamian, 2016 will be similar to 2015. “We do not foresee any major change up or down, and if we can continue to maintain our performance, then it’s okay for us,” he says.

Traboulsi says the process of shifting Boss’s business model from franchise to direct contact sales will be completed by 2016 and is meant to better control the brand and offer clients a “more premium” experience.

Traboulsi maintains a positive outlook, which he says is necessary for operating and growing in Lebanon. He advises retailers not to be discouraged by occasional poor sales and not to react by cutting down on qualified staff or product offerings, since that could cause loyal clients to shop elsewhere.

While the business climate remains generally tense for Lebanon’s retailers, it is a positive sign that they are still investing and expanding in the country, albeit conservatively, keeping faith that when the country bounces back, so will the profits.



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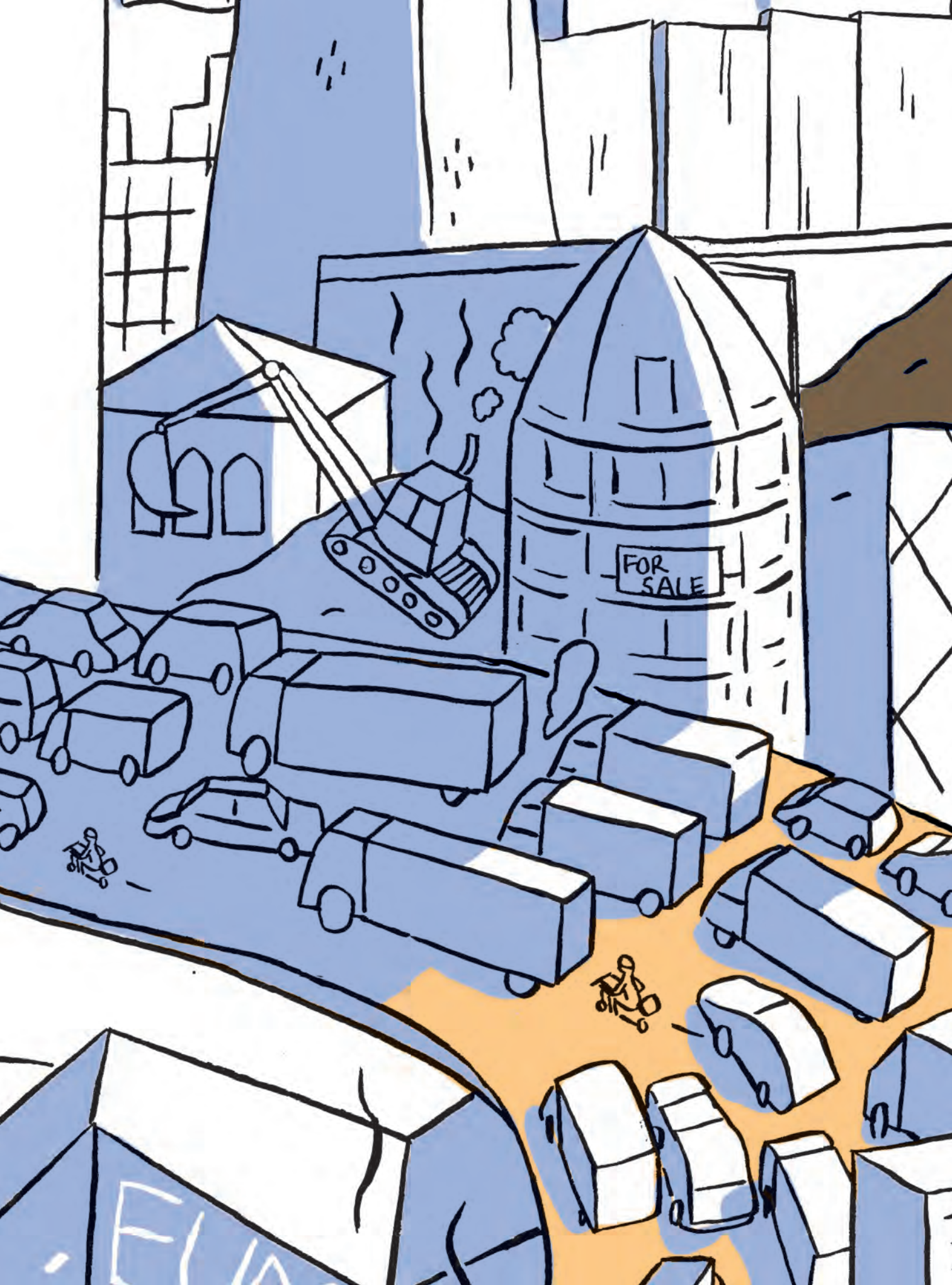
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AUTOMOTIVE

Take a ride on the wild side

If statistics don't lie, then the relationship between the Lebanese and their cars is an amazingly enduring affair. Combined, sales of cars and motorcycles reached approximately 35,000 units by end of October 2015 and remained on positive trajectories [see overview page 172], even as financing requirements had gotten harder and driving rules got tougher in the course of the year. At least that is the official story, since Banque du Liban (BDL), Lebanon's central bank, ordered banks to require 25 percent down payments when financing cars from October 2014 and since a traffic law with actual teeth came into effect in April 2015. From that time, moving violations are sanctioned with fines ranging from circa \$35 for motorcycle riding without a helmet to \$2,000 plus jail time for driving without insurance or leaving the scene of an accident.

Realization of either regulation seems to have been a different matter, however. As EXECUTIVE found during our investigation of motor vehicle demand in 2015, dealers have engineered pathways for buyers to circumvent the down payment rule instigated by BDL to keep consumers from getting into too much debt. As for traffic enforcement, information from official sources remains too vague to write a factual assessment of implementation of the new rules in the first six months of their going into effect. Beyond anecdotal evidence of initial gusto in the traffic law's application in May, the data available from enforcement authorities did not show a strong quantitative or qualitative increase in fines. Also, there is absolutely no data from the insurance market to suggest that the large stock of uninsured vehicles is moving toward extinction; motor insurance uptake increased in unspectacular, single digit percentages in terms of total premiums for the first nine months of 2015 as well as in terms of insurance contracts in the second and third quarters of the year.

Besides rising vehicle sales, there are other statistics on road traffic in Lebanon implying that no big changes in driver behavior have been achieved in 2015 and that reductions in accident numbers are far too few to speak of a promising improvement. This concern over lacking progress toward better traffic morale is further enforced by the fact that only civil society organizations give a notable impression of being active in traffic education and safety promotion while official bodies seem less active and the supposed enforcers of traffic rules are hardly visible as models of good motoring behavior.

Motorcycles, while theoretically advantaged on the congested roads in and around Beirut, are still no viable alternative to many drivers because of the higher accident risk and because the improvement of road safety for motorcyclists has failed to materialize [see story page 176]. Given that there are no alternatives – all plans of public transport development seem to have evaporated – it is no shock to see that the Lebanese still buy more cars and expose themselves on a daily basis to the vehicular jungle that they create.

Fury road: the Lebanese chapter

The automotive sector in 2015 *By Paul Cochrane*

By all forecasts and estimates, 2015 was slated to have been a disastrous year for the automotive sector. Not just because of regional instability and sluggish economic growth, but more so the mandated increase in down payments.

Dealerships had been offering up to 100 percent financing on new cars, which had helped to keep annual vehicles sales at over 30,000 units, particularly in the compact and cheaper segments. Concerned that private debt was a potential bubble that could burst, Banque du Liban (BDL), Lebanon's central bank, issued a circular in October 2014, requiring a minimum 25 percent down payment on vehicle and real estate purchases.

Dealers were up in arms about the decision, saying it would cause car sales to slide amidst a difficult economic environment, with some – including the Automobile Importers Association (AIA) – forecasting a drop of up to 30 percent.

But instead of a plunge in 2015, car sales were up by 2 percent, as of the end of October, with 32,811 cars sold compared to 32,084 in 2014. The sector did not return to the levels of more than a decade ago, when total year sales in 2004 were 19,100. Indeed, the sector has managed to keep sales around the benchmark set in 2008 of 35,400 units sold per year, which had been driven by easier bank financing.

Furthermore, not all sales are accounted for in the AIA's monthly statistics. "Sales don't really indicate the sector perfectly, as there are a lot of deals and sales without cars being registered. If you compare 2015 to 2014, revenue has grown due to record sales. Dealers have incentives: we have stock and need to sell, and so are giving larger discounts," says Fayez Rasamny, general manager of Rymco, dealer of Nissan and Infiniti.

However, despite the lack of perfect sales statistics or the widely accepted 2 percent sales increase, this does not imply that the sector is in rude health and consumers were not fazed by the down payment. Competition has been tough since the so-called "Arab Spring" erupted in 2011, and has only gotten tougher. "The majority of us are surviving at the expense of profitability. This survival mode was supposed to last six months to a year, but has been over three years now, so it's somehow become a new way of living," says Marwan Naffi, general manager at Gabriel Abou Adal & Partners, distributor of Volvo.

Veteran car dealer and honorary president of the AIA, Samir Homs, summed up the overall situation. "Everybody is shooting at everybody and all the dealers were under pressure from manufacturers to deliver. In order to deliver, marketing and advertising budgets increased over 2014, and prices were reduced tremendously, so margins are very low," he says.

The saving grace for the sector unexpectedly came from outside – the depreciation of the euro and the Japanese yen. A more advantageous exchange rate bolstered European and Japanese car sales, partially offsetting the down payment increase, while making brands more competitive against Korea's Kia and Hyundai, which had grabbed more than 40 percent market share for the past several years due to low pricing and growing brand equity.

"When the yen went down, there was immense pressure on Korean brands to reposition models in pricing, to reduce the gap, and by doing so, everyone else had to follow. At the end of the day, this cushioned the impact of the down payment. If the yen and euro had stayed high, then definitely the drop would easily have been 30 percent," says Farid Homs, general



**INSTEAD OF A
PLUNGE IN 2015,
CAR SALES WERE
UP BY 2 PERCENT**

manager of IMPEX, distributor for Chevrolet, Cadillac and Isuzu.

JAPANESE AND EUROPEAN BRANDS REBOUND

The currency devaluation of rival brands and the down payment have hit the Korean brands, despite the Korean won retaining its export competitiveness. Comparing last year with 2015, Kia and Hyundai have lost 8 percent market share, going from 13,535 models sold at the end of October 2014, with 42 percent market share, to 11,310 units, or 34 percent of the market.

Kia has retained the top sales spot, but Hyundai was bumped from second position by Toyota, with sales up 50 percent (BUMC, the Toyota dealership, did not respond to interview requests).

"It's been a real comeback for the Japanese and Europeans, despite the Koreans having built up a reputation," says Antoine Boukather, chief executive officer & manager of ANB Holding, dealer for Mazda, which had a 10 percent sales increase this year.

Suzuki had a particularly good



year. “Suzuki is now back to third position in Japanese sales, right behind Nissan and Toyota, grossing 250 percent versus 2014. The yen helped a lot and secondly, Suzuki launched a lot of new models the past year and is supposed to launch six models within three years, to 2017,” says Nabil Bazerji, managing director of G.A Bazerji & Sons, distributor of Suzuki and Maserati.

Dealerships attribute the drop in Korean brand sales and the rebound of Japanese and European brands to the cyclical nature of the car market. American and European cars had long dominated sales in the country, but market share started to be chipped away at by the rise of competitive Japanese models in the 1980s and 1990s. In the late 2000s, it was Korean brands’ turn to muscle in on the market through low-priced models and increased brand equity. Then a few years ago, newcomer Chinese brands started selling well, riding on the back of the shift to smaller cars and easier bank financing. Indeed, in 2013, Chinese brands were forecast to start

gaining market share at the expense of the Koreans, much as Korean brands had elbowed out the Japanese and European brands.

Local dealerships entered into import exclusivity deals with Chinese brands, anticipating growth in a market that was increasingly dominated by small car sales. However, as the Koreans are experiencing, albeit to a lesser degree than the Chinese, brand heritage and a track history is hard to challenge over the long-term. This year, sales of Chinese brands plunged by more than 50 percent, from 469 in 2014, to 224 units. “It is very easy to sell cars, but it’s difficult to sustain sales (in the long-term). We will see brands peak and go down, but they could rebound if they manage to sustain sales for another 10 years,” says Rasamny.

The extra competition affected the Korean brands’ drive to bolster sales of larger and more premium models. “For the past three to four years there’s been a shift to smaller cars. Last year we were trying to enhance sales of larger cars, but this year, the yen dropped and

made Japanese brands more price competitive, so we’ve shifted the focus again to small cars. So far, we’re targeted to remain at around 15 percent market share. We’re still number three in retail and aiming for number two by year end, given years of successive growth. Hyundai doesn’t want to be number one as it lacks the capacity to do so, but to be what it calls ‘the most beloved car company,’” says Rachid Rasamny, general manager at Century Motor Company, distributor of Hyundai and newly launched luxury brand Genesis.

DOWN PAYMENT IMPACT

The wider impact of the down payment on car sales has yet to be fully felt. In part this is due to what one dealer called “greater creativity by the banks”, which have been providing consumers with two loans, one a standard car loan, and the second a private loan at the same conditions as a car loan.

What is clear is that the down payment increase impacted lower end car sales, which had been dominated by sales in the A and B segments – compact and small cars. “The A segment is very crowded today, and \$100 can break a deal, which is why there’s massive competition and price fluctuations,” says Farid Homsy.

Retaining sales in the lower end segment, and the sector overall, is the need for a car due to the dearth of reliable public transport (see box). “The fact that a vehicle is a necessity to commute gives importance to small car sales and why overall sales are doing OK. But it’s extremely tough to operate in this segment, as nearly all brands have small models,” adds Homsy.

Of greater concern for the sector is the pinch in sales in the medium segment, which had dominated the market prior to the rise of the Korean brands and provided dealerships with higher margins than smaller models. “The market is moving in two directions. The middle size segment is fading away, to the benefit of the smaller cars and bigger sports utility vehicles (SUVs),” says Cesar Aoun,

general manager of Mercedes at T. Gargour & Fils, which also sells Smart, Jeep and Chrysler.

Such a move follows a global trend for SUVs instead of hatchbacks or sedans, with SUVs 23 percent of the market's sales compared to 18 percent in 2014, says Pierre Heneine, financial manager at Bassoul-Heneine, dealer for BMW, Mini, Renault, Dacia and Rolls Royce.

"The C and D (mid-size) segment is somehow weak, leaving us with two categories today, cars going for \$8,000-\$20,000 and above \$40,000-\$200,000," says Nagy Heneine, general manager at Bassoul-Heneine.

But due to the demand for a variety of car models, from the small A segment car all the way to the large vehicle G segment, competition is set to rise further, while impacting on dealership margins to provide services and after-sales for a wide range of models.

"This is a challenge for distributors in terms of stock inventory, marketing, training, tools and spare parts, as more investment is required, so there's more and more pressure on margins and profitability. That's why we have to be more creative in up-selling and cross-selling additional services and features," says Aoun.

NEW MODELS

High end, premium car sales account for 3 percent of the overall market, according to the AIA. Sales in the premium category are considered stable, although down by half a percentage on 2014. "If you look at Bentley and Lamborghini sales, they've not moved on last year," says Michel Trad, general manager of Saad & Trad, dealer of Fiat, Jaguar, Bentley, Lamborghini and Abarth. As with the whole sector, it is new models that are keeping sales buoyant. "When there are new models in the market

people go crazy, and we get more interest from consumers," he adds.

New models and good exchange rates led to some major increases in sales for certain brands. Land Rover is enjoying particular popularity, with 477 sold in 2015, while Porsche sales were up on 2014, to 270 units. Going beyond expectations, IMPEX had its best ever yearly sales of the Chevrolet Escalade, and Volvo sold out its new XC90.


"For BMW we had our best ever year in 60 years, up 89.5 percent, to 874 models, and Mini sales up 66.4 percent" says Nagy Heneine. Key models pushed other brands, with sales at Dacia up 15 percent due to an automatic model of its popular Sandero model.

OUTLOOK FOR 2016

Dealerships are forecasting a slow sales year ahead with even more competition. "We project a flat year ahead. Anything positive, like a solution tomorrow for the trash crisis, might help in the short term, for one or two months, to work on consumer confidence," says Aoun.

Such a confidence boost could also come from the appointment of a president to fill the void since Michel Sleiman left office in May 2014. "What we urgently need is to have confidence back, and the strongest way for this to happen is by electing a president. The day this happens, it will automatically trigger confidence and more sales," says Boukather.

However, some think a new president would provide more of a boost to higher end cars as the purchasing power of consumers in the lower segments remains weak. "For mass brands having a president or not doesn't make much of a difference, but for luxury brands it has an effect; the whole mood is crucial for luxury sales," says Abou Adal & Partners' Gabriel Naffi.

All in all, 2016 is expected to be another challenging year. "At this stage, it is definitely looking challenging, and we're not sure what to expect. We'll give our maximum wherever we can," says IMPEX's Farid Homsy. 

ACCIDENTS

Lebanon has achieved a reduction of automobile accidents in 2015 compared to last year. According to Internal Security Force (ISF) statistics provided by civil society organizations, the number of crashes has gone down by some 40 percent from last year, from 3,809 at the end of September 2014, to 2,049 at the end of September 2015, and there were 141 fewer traffic mortalities. However, the number of traffic incidents remains very high by international standards and the weakest traffic participants are particularly at risk. "Around half of the accidents in Beirut and Mount Lebanon are related to pedestrians, which is a feature of the problem as there's not enough attention given to vulnerable road users. This is also reflected in refugees having a share of the death toll on the roads," says Ziad Akl, founder of the Youth Association for Social Awareness (YASA). The civil society organization has been promoting traffic safety in Lebanon since 1996.

According to YASA, Lebanon's frightening rate of traffic incidents is related to the lack of overall enforcement, which the ISF blames on a lack of traffic police. "A high percentage of violations are due to the lack of enforcement capability of the ISF, and unfortunately most municipal police are not engaged even though by law they are also expected to enforce traffic rules within municipal borders. So we have a problem in that the ISF, which numbers around 30,000, doesn't have a political decision to apply the traffic law, which states in Article 414 that there must be a specialized traffic unit," says Akl.

In the question over the implementation of the new Lebanese traffic law, it is the position of YASA and fellow road safety NGO Kunhadi that implementation will be successful only when the National Council for Road Safety (NCRS) is fully activated. The NCRS is stipulated in the new traffic law, which is to be presided over by the prime minister and members of the education, justice, interior and public works ministries. "They should meet to develop a national plan, but they haven't," says Fadi Jubran, president of Kunhadi. "Maybe there are other priorities, but [traffic] is the number one killer of 15 to 29 year olds, so I don't know why it's not a priority."

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Easy riding

Motorbiking overview of 2015 *By Paul Cochrane*



Motorbike and scooter sales have been on a gradual upward trend for the past five years. In 2015 these sales were set to increase marginally, reaching 1,500 to 1,600 units, according to estimates by the Lebanese Association of Motorcycle Agents (LAMA). However, this data is not conclusive, as the dealers still do not disclose their statistics on the total figures or breakdown of model sales.

Dealers had hoped to be able to push sales up a gear in 2015, expecting that improved traffic safety regulations under the new Lebanese traffic law would attract more buyers. In the past, the greater practicality of two-wheelers to circumvent traffic congestion had often proven insufficient for luring drivers from car seats to saddles, because the roads needed to become much safer to attract more riders.

Another reason for dealer optimism was the new law's stricter regulations on imports, and prohibitions against bringing used motorbikes into the country. But while dealers confirm that the ban on importation of bikes that are more than three years old has been applied since the new traffic law went into effect in mid-April, they say the traffic safety improvements did not materialize despite an initial flurry of enforcement by police and safety authorities.

"I really pushed for the traffic law but it cannot be implemented if people are not educated about the rules," says Marwan Tarraf, owner of Bikers Inc., the agent for Harley-Davidson.

Despite the benefits that the stricter import regulations bring dealers, there is concern about other stipulations in the traffic law. Dealers fear that the law does not allow for amendments, such as facilitating the importation of electric motorbikes, but are particularly worried about the implementation of restrictive regulations on motorbike riding.

Within months of the new law's enactment, the Ministry of Interior and municipalities decreed that bikers in Beirut needed a waiver from their employer and local municipality to ride after 7 p.m. "This rule forbidding riders to drive after 7 p.m. has impacted sales. It makes no sense, and should be removed immediately," says Nagy Heneine, general manager for Commercial Affairs at Bassoul-Heneine, dealer for BMW motorbikes.

While the government is trying to regulate riders driving after dark, well-known safety threats to two-wheelers are not being mitigated. Risks of motorcycle riding are not specific to Lebanon, as demonstrated by statistics from Britain's Department of Transport that say motorcyclists are around 38 times more likely to be killed in a traffic accident per kilometer ridden than car occupants. However, safer and better-policed roads along with better training of traffic participants would help a great deal, says Antoine Boukather, chief executive officer and manager of ANB Holding, dealer for Piaggio, Aprilia, Motoguzzi, Vespa, Gilera, Derby, KTM and Bajaj. "Losing so many kids on the roads is a real pity. Law enforcement will definitely help reduce such issues. It is the mentality and education of people that needs to be worked on, which takes time," he says.

MIXED SALES

While safer roads would be a boost, sales have also been impacted by lower consumer purchasing power and a circular from the Banque du Liban (BDL), Lebanon's central bank, which requires buyers to pay down 25 percent when purchasing a home or motor vehicle. While dealers have largely gotten around the mandated down payment by offering in-house financing, the financing of motorcycle purchases is still rife with obstacles. Banks have been found to be less willing to offer motorcycle loans when compared with their financing offers for cars, and insurers are not offering motorbike insurance

that is as comprehensive as other motoring insurance. No-fault coverage of accidents and full protection against theft are not available from most insurers, motorcycle owners say.

Another barrier, and one of the biggest stumbling blocks for buyers of cheaper models, is the motorcycle registration fee. At about \$200 irrespective of the bike's size, the registration fee is disproportionately high for the entry-level and budget segments of the market. "There are many things crippling bike sales, but particularly registration fees, which are 20 percent of the price for cheaper bikes. That's a heavy extra cost for someone paying, say, \$2,000 for a bike, plus an extra \$1,000 for insurance, a helmet and other riding gear," says Makram Rasamny, a manager at Rymco, dealer for Kawasaki and Peugeot.

These high costs led to a growing phenomenon of under-registration, particularly for cheaper scooters and bikes that cost less than \$500. "The only solution [to increase legal sales of] lower priced bikes is to reduce registration fees. This will also help better control the market, as right now many bikes are not registered and we don't know who is riding," says ANB's Boukather.

Positive effects of alleviating extra costs have been demonstrated through marketing strategies put forward by dealers, such as offering free registration and a helmet for scooters. For Rymco, this contributed to a 60 percent increase in sales of Peugeot scooters. Their motorbike sales on the other hand rose by some 10 to 15 percent.

Bolstering the lower-end scooter and bike segment is considered key for the long-term development of the sector. New riders typically start out on a low powered bike, and then shift up to bigger engines over time. By offering attractive deals on lower-end bikes, despite the low margins, dealerships are banking on developing brand loyalty and visibility in the market.

ANB, which has 50 percent of the

market, offers a range of bikes, and has expanded its lower-end offerings such as the Indian-made Bajaj, one of its bestsellers. "We're investing in new brands from India, and scooters with 100cc and 110cc engines, with low prices, close to \$1,000," says Boukather.


TRENDS

While scooters and small engine bikes are selling well, Lebanese motorbike riders appear to be bucking the usual trend of starting with 250cc to 300cc bikes to learn on. "The weird thing is that small bikes are not selling much, with beginners going for 600-800cc bikes instead," says Rasamny.

ANB Holding, which has seen sales rise by over 30 percent this year to 800 bikes, compared to 600 in 2014, has noticed more consumer behavioral change related to the country's road conditions. "People are moving from superbikes (sports models with large engines above 800cc ridden in a reclining posture), which are not as practical in traffic, to naked bikes (a standard bike ridden in an upright position) with equivalent power. Another trend is to change from sports to adventure bikes as they're more comfortable," says Boukather.

For Harley-Davidson, bigger bikes are still the top seller, but sales are expected to be similar to 2014.

"We've seen some interest in new street models, the 750cc, probably because the price is more affordable. But the main interest that we're noticing is bigger bikes for travel, mainly to Europe. The formalities for shipping bikes are expensive though, and if they were reduced would boost sales," says Tarraf.

For Bassoul-Heneine, sales are restricted to high-end, more powerful BMW bikes, but the German make's importer hopes that sales will spike, albeit from historically low numbers, with a new 300 cc model to be introduced to the market. "The market is growing quickly due to traffic congestion, with this year our best year, going from around 10 to 15 unit sales a year, to 19 in 2015," says Heneine. 

Speed bumps ahead

The automotive sector drives through another slow year *By Paul Cochrane*



E XECUTIVE sat with Antoine Boukather, president of the Automobile Importers Association (AIA) of Lebanon, to discuss the industry and regulatory issues in the transport sector.

E Has it been another difficult year for the sector?

Of course. Lebanon is in political turmoil and we urge the politicians to double their efforts to find a solution to the crisis. The sector is facing increased competition, tougher regulation for bank loan approvals (higher down payments), lower purchasing power of people and many other issues. By electing a president this will give more confidence to the public, and will increase investments as well as consumption.

E Despite the economic situation, car sales are still up by 2 percent on 2014. Why is that?

People are switching from the old fuel-hungry vehicles to smaller entry segment cars, while there is no real alternative such as a proper public transport system.

E What has happened with the government plan for 250 new buses?

Plans are still pending. A good solution would be a PPP (public private partnership) that creates a proper and decent public transport solution.

E But would 250 public buses really reduce car sales?

Public buses will reduce traffic and congestion and make your daily drive more comfortable with more parking spaces available.

E What impact has the traffic law, implemented in April, had on the sector?

It is a good law, but has been implemented partially and without consistency until now. There are many factors to address. Look at the number of people paying the annual mechanic test; it is less than 70 percent. In most places in the world you wouldn't find such a low rate of payment. The National Council for Road Safety that is supposed to follow the implementation of this law should be activated and empowered.

E Do you foresee small car sales dominating in the foreseeable future?

Definitely, as people can't afford more expensive cars because income has dropped. Hence 90 percent of sales in the compact category are at less than \$15,000, while [sales] above \$80,000 are only 3 percent of the market.

E We are seeing many more sports utility vehicles (SUVs) on the roads. Is that because oil prices are low again?

No, it is mainly about safety, since there are too many accidents, and there is a perception of being better protected in bigger cars. There is also a global trend to move from sedans to SUVs, but those with smaller four-cylinder engines which are more environmentally friendly.

E The European and Japanese brands have rebounded this year.

Yes, helped by the Japanese yen at 120 to the dollar and the euro at around 1.1. This has been due to Abenomics [economic policies advocated by Japanese prime minister Shinzō Abe] and quantitative easing in Europe, making their currencies more competitive.

E Are the authorities still removing catalytic converters from imported used cars at the port?

Removing catalytic converters is really bad for the environment and should not be permitted. Reducing carbon emissions and creating a cleaner environment should be a priority.

THIS SECTOR IS FACING INCREASED COMPETITION, TOUGHER REGULATION FOR BANK LOAN APPROVALS, LOWER PURCHASING POWER OF PEOPLE AND MANY OTHER ISSUES

E What are the AIA's major priorities right now?

The association's role is to advocate sectoral, societal and legislative changes that would benefit both the consumer and the sector as a whole. Our priority is to work closely with all stakeholders, who are concerned with public safety, consumer rights and the preservation of high standards in automotive retail, because these strategic partnerships are the catalyst for continued regulatory progress within the country.

E What is your outlook for 2016?

Let's be positive and hope for the election of a president and fair elections. 

Christmas Land

Sodeco, Beirut - Facing Notre Dame des Dons
1-30 December 2015
12 pm - 9 pm

Entrance ticket includes:

Santa's house, daily shows, ice skating, characters,
imported kermesse games, inflatable, magician, carousel,
face painting, reading area, pedal cars, colouring area,
plenty of toys plus exhibitors and food court

Free for under 1 year
35,000 LL for kids (3 to 14 years)
20,000 LL for adults (14-60 years)
15,000 LL for 1 to 3 years old and +60 years





RIVER

MUSEUM

Beirut ART FAIR

THIS IS NOT AN INSTALLATION

WE FUC SYSTEM

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OK

Keep CALM

BEIR DESIGN WEEK

YES MADAM

ART

As vital as the future

There are three reasons why Beirut is your dream city of the decade when you are entangled in a passion for the arts. First, the city and the country have an art-filled identity that spans millennia. If you are into comparisons, you might say more epochs of culture are accessible here, and have made their impressions over a longer period of history, than one could encounter or reimagine locally in either London or Paris.

Second, the city offers a growing number of museums and art spaces. Just in the last quarter of 2015, one museum reopened after almost a decade of renovation-related closure and another art space was newly created as part of a \$100 million temple of fashion, commerce and art. The contemporary art scene is fresh and inspired, and there is much new to discover in the museums and galleries of Beirut.

The third reason is bittersweet. You can walk into practically any museum in Beirut and enjoy the exhibits in total peace, serenity and freedom from disturbance. There is no pushing at the entrance, no queue at the ticket counter and hardly anybody to block your view of the artworks.

In the absence of national or municipal museum statistics, EXECUTIVE acquired some informal data to see how busy different art venues have been recently. The Surssock Museum was a positive example with some 250 daily visitors during the week and about 900 on each Saturday and Sunday, according to Tarek Mitri, the chairman of the museum's board. But when asking about visitors to a non-commercial exhibition at the Metropolitan Art Society in the Achrafieh district, EXECUTIVE was told that "at most ten" visitors per day found their way there. At two permanent collections, the Robert Mouawad Private Museum in central Beirut and the Mineral Museum on Damascus Road, we were told of visitor numbers coming up to "about 20" and "between 15 and 30" per day. And in the flagship history museum, the National Museum of Lebanon, the lady at the ticket counter only smiled sadly and shook her head in firm negation when asked if the first nine months' low visitor numbers had picked up in October or November.

Over the past few years EXECUTIVE has covered the growth narratives of the design and craft scenes and accompanied the exciting development of art galleries and commercial art fairs in the Lebanese capital. In this edition of Facts and Forecasts, we venture into the museums, mapping their presence, analyzing their progress and ambitions and discussing some of their challenges. We are excited by what we have found, as much as we wish that more locals and foreign visitors would take advantage of the museum offerings and that cultural coalitions of private and public sector stakeholders in the arts would start promoting the art scene strategically. But most of all we are happy to confirm that Beirut and Lebanon are not places where artistic endeavors somewhat fleetingly alleviate the situation of a troubled city and country; this is a realm where culture is the constant and negative disruptions, however painful, are temporary.

A city and its art

Per aspera ad artem By Thomas Schellen

Once again this November, the Lebanese autumn sun bathes the front of the Barakat Building in a warm, sleepy glow that accentuates its imperfections and old wounds just as they were inflicted more than a quarter century ago. But the old structure is very much awake. Just around the corner, workers navigate scaffolding on the heritage building's side and along the new annex that together with the original nonagenarian structure is slated to form Beit Beirut, the house of memory.

A deceptively obvious allusion to the role as house of memory is the reference to memories of the Lebanese conflict, when the building was turned into a militia position overlooking one of the few crossing points of the Green Line that divided East from West between 1975 and 1990. That is why Beit Beirut will, on the exterior, be a memorial to the conflict years. "The façade is a finished façade that we want to maintain as witness of the war, showing Beirutis what they did to their city once upon a time. Learn from it," pontificates Beirut mayor Bilal Hamad.

The restored building will, in reference to this past, include a sniper's nest that controlled the nearby crossing between the two parts of the city. But Beit Beirut is not merely aiming to be a museum of the Lebanese war, as some citizens perceive based on the preserved scars and brokenness of the façade. "This will be a beautiful space for Beirut. My dream is that this will be the museum of memory and the first place to visit for anyone coming to see Lebanon," Hamad says.

He tells EXECUTIVE that his vision for Beit Beirut is to have it



Despite its appearance, Beit Beirut is nearly ready to open



document and represent every part of the city's past and every civilization that touched the territory, exhibiting official documents and collections of photographs – "every piece of paper from the history of Beirut." Moreover, the museum shall be a place for collaborative studies of the civilizations that share its history,

such as Canaanite, Phoenician and Aramean cultures, and a presentation hub through its auditorium and future programs.

Yet currently there is a snag regarding Beit Beirut's programming, beginning with the opening date. Delivery of the structure is overdue by a couple of years; however, this

BEIT BEIRUT WILL BE A CORNERSTONE IN THE CULTURAL IDENTITY OF THE LEBANESE CAPITAL



being Beirut and the museum a public sector project, only the opposite would have been a real surprise. What is nonetheless shocking, as per the state of affairs in November 2015, is that the building will be ready for handover by end of the year, Hamad says, but without the benefit of having a plan for either its inauguration or

programming and operations.

He puts the blame for this failure at the door of the Beirut governorate, claiming that an agreement with a heritage consulting firm for devising the Beit Beirut program could not be formalized because the governor had not yet signed off on it. "I am almost finishing the construction and I don't

have a program on how to inaugurate the building and how to run the building. I have no idea. We will have concrete, stone and masonry and it will be an empty place because the governor is taking so much time to act on this matter," Hamad laments.

Despite the Byzantine plays that seem to perpetuate themselves effortlessly in any Lebanese governance endeavor, it is worth talking about the positive sides of seeing this new museum completed, a public space in a city that is being increasingly overbuilt with monuments to private ownership. It is widely acknowledged that, once operational – hopefully within 2016 – Beit Beirut will be a cornerstone in the cultural identity of the Lebanese capital. It also deserves to be noted that this vestige of the Lebanese dream from the nascence of national statehood has every potential to be a pillar of the urban economy.

THE ROAD TO HARD CULTURAL ASSETS

The pillar in question is the economy of culture. This is something notoriously difficult to assess and almost impossible to quantify in any country (see explainer page XX). But worse for the economic potency of Lebanese culture is the impression of devaluation forced upon any serious observer by the recent years of careless treatment of many heritage-status deserving buildings and of fruitless protests against destruction of antique sites. Even the fact that activists saved Beit Beirut from demolition in the late 1990s is testimony to the sad truth that both the preservation and the sustainable exploitation of historic cultural assets in the city of Beirut have been dismal.

This impression of severe economic under-appreciation of cultural assets is reinforced just a few blocks up on Damascus Street, at the National Museum. The epitome

of Lebanon's modern history in its own right, having also stood on the Green Line, the National Museum recently recorded visitor numbers of fewer than 30,000 persons – per year. Some specialized history and archeology treasuries elsewhere in the Mediterranean count twice that number per week, or at least several hundred thousand visitors each year. These museums, moreover, do not have the same stories to tell as the Lebanese National Museum, and their collections are not necessarily as splendid.

The observation of underperforming culture is not to insinuate in any way that culture and Beirut have been disassociated in the past or present. It is to say that the continuity of arts and culture in the history of this speck of sometimes troubled Eastern Mediterranean beauty is all too often neglected when compared with popular emphases on the comparatively short but painful conflict periods that comprised the Lebanese Civil War. There are similar emphases on present-day incidents that have led to mistaken characterizations of Beirut as a place with isolated occurrences of beauty and art in an overall dominant state of turmoil.

In that context, it is good news that at least in a manner of perceptions, museum inaugurations in 2015 were beating other high-profile developments of spaces for public leisure hands down, winning out spectacularly over retail space launches and hotel openings, for example.

In early October 2015, it was the reopening of Beirut's historically most important art space, Sursock Museum, that drew the city's cultured class onto the lawn in front of the concrete structure's neo-Moorish, palatial façade. Speeches were given, arias sung and champagne glasses raised in congratulations. The exercise seemed to resonate and another museum inauguration spectacle vied for attention merely two weeks later in the highly-touted opening of the

Aishti Foundation's art exhibition space along the northern coastline of metro Beirut.

PROSPERING PLANS

Plus, the cultural buzz of late was not only about museum openings. While caterers were still passing around the champagne flutes at the high-society laden Aishti Foundation opening, laborers were already putting up the construction fence for an archeological excavation in preparation for a large new museum project in the center of the Lebanese capital, at the northern end of Martyrs' Square. According to Mayor Hamad, work on the Beirut History Museum is finally starting at the location where Lebanon's Phoenician,

MUSEUM INAUGURATIONS IN 2015 WERE BEATING OTHER HIGH-PROFILE DEVELOPMENTS OF SPACES FOR PUBLIC LEISURE HANDS DOWN, WINNING OUT SPECTACULARLY OVER RETAIL AND HOTEL OPENINGS

crusader and Ottoman past intersect with the Lebanese people's current strife for true independence and proper governance.

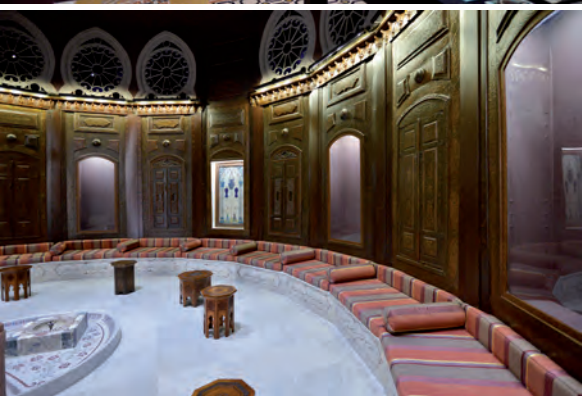
At another downtown spot, currently a parking lot that briefly served as a drive-in open-air cinema at the end of the 1990s, yet another prestige museum should be on its way. This one is set to receive monetary help from the Sultanate of Oman (while Kuwait is the financing partner of the History Museum project). Its working title is House of Arts and Culture, or Dar Beirut. An initial architectural design contest for the project was staged over six years ago and winning results were announced in March 2009.

The snag in realizing the museum is that the Lebanese state did not come to an agreement with the site's owner, Solidere, Hamad says. "At the time when Fouad Siniora was Lebanon's prime minister, Oman committed to giving \$20 million for the construction of a cultural center, but on the condition that the Lebanese government would provide the land," he explains, adding that the negotiations did not reach fruition until the Beirut Municipality recently agreed to step in as buyer of the designated plot. According to Hamad, the municipality and the Ministry of Culture are now jointly progressing in negotiations with Solidere over the land acquisition as precondition for developing this cultural asset.

In addition to the two publicly driven projects with foreign funding in central Beirut, a third major museum project is being pursued in a private sector/civil society initiative by an organization called APEAL, the Association for the Promotion and Exhibition of the Arts in Lebanon. For this project, a plot owned by the University of Saint Joseph has been earmarked in a very attractive location across from the National Museum of Lebanon. The idea is to create a museum for modern and contemporary art by the year 2020, and an architecture design competition for the project was launched in the fourth quarter of 2015.

APEAL would not provide EXECUTIVE with budget projections and fundraising targets for either the architecture competition or the museum project itself but made it clear that it will rely on in-kind contributions and private sector donors. "As this initiative aims to develop a civic institution in Lebanon, and in the absence of public funding, APEAL is seeking in-kind contributions for various aspects of the project development," explains Rita Nammour, the association's president.

Besides seeking design entries where architects are willing to work under a



Sursock Museum, renovated and open to the public

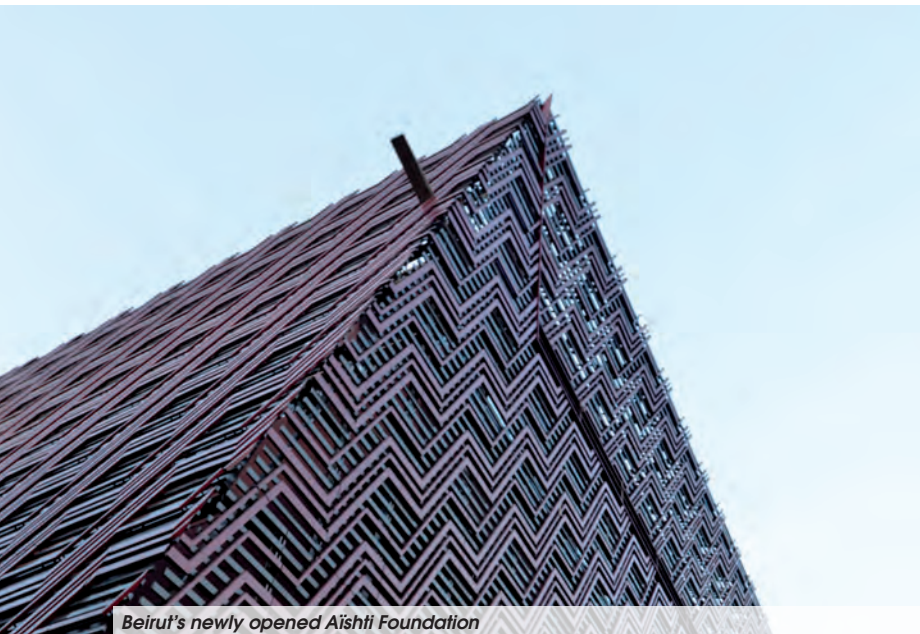
formula in which “fees, overhead and direct staff will be compensated at a determined amount in lieu of standard fees and will reflect remuneration in line with a non-profit venture,” the project, according to Nammour, relies on the Lebanese cultural community, members of the diaspora and art patrons. “For a project as thoughtful and long-term in its approach as the museum we are building, it is absolutely essential to have such committed support from the diverse communities across Lebanon,” she says.

If one chooses to view the future of Beirut as cultural epitome in terms of economic assets, then these three projects alone suggest that the urban

balance sheet of museums as property assets will increase multiple times over the coming four to seven years. Given the locations and potential dimensions of the Beirut History Museum, Dar Beirut and the Modern and Contemporary Art Museum projects, it is safe to expect that the urban investments into art and culture spaces will exceed the approximate \$40 million-plus amounts that have been dedicated to the two recently opened spaces, Sursock and Aïshti Foundation, and to Beit Beirut.

The property values of the three recent museums cannot be appraised precisely because Sursock Museum

was an existing public property and because the plot for Beit Beirut was purchased at, by today’s standards, a supreme bargain for \$2.8 million back in 2002 before land prices in the Lebanese capital exploded. However, the invested amounts in public funding for the Sursock Museum expansion and Beit Beirut inside-out conversion were significant enough, at \$12 million and \$19.8 million according to Mayor Hamad. In the absence of clearer data from the owners, it would also be hazardous to guess how much of the \$100 million investment into the Aïshti Foundation building exactly went into



Beirut's newly opened Aishli Foundation



the museum space there, given that 90 percent of the property's 40,000 square meters in built-up area are consumed by commercial retail and hospitality.

CONSTRUCTING AN ECONOMY OF CULTURE

Even with those caveats on the exact values of these three cultural

assets at end 2015 and the notorious question marks over achievability of intended project delivery dates in Lebanon, it is a reasonable expectation that by the completion of the three aforementioned projects that are currently in the planning or pre-excavation phase, the six museums alone will five or ten years down the road represent cultural assets worth far north of \$100 million.

It should be noted that many museums on our Beirut cultural map (see page xx) have either been newly established since 2006 – e.g. the two AUB art museums, the Beirut Art Center, the Beirut Exhibition Center, the MIM mineral museum and the Robert Mouawad Private Museum – or were significantly restructured and upgraded in the past 10 years. When adding this to the tally of asset valuation, it appears that the metropolitan area is well on its way to being transformed from a *museal* void to becoming a museum hub.

Can these museums provide a boost to the Lebanese economy? The answer is a multi-layered one, but the immediate business and job generation opportunity will involve leisure explorers of culture. Over the past 25 years, concepts of cultural

tourism development have been presenting themselves time and again as natural opportunities to Lebanon, but have been equally often relegated to economic insignificance by the political impossibility to organize safe and easy tours in the countries of the Fertile Crescent.

Due to the region's latest laments, that impossibility is today greater than at any previous time in the past 25 years. However, a new alternative to combining cultural excursions to Lebanon with travels in the Levant could lie in a Mediterranean exploration paradigm. As Tourism Minister Michel Pharaon tells EXECUTIVE, Lebanon sees an important future revenue driver in the Phoenician Route project of Mediterranean culture tourism that he says will be developed over the coming years.

"The Phoenician Route resembles the Silk Road and it is a project that is going to be taken care of directly by the UN World Tourism Organization (UNWTO). It is culture that is turned into tourism products. It will take a few years, like the Silk Road which took almost ten years to develop, but it is on the map today," Pharaon says. According to him, three countries will be steering the Phoenician Route, namely Spain, Tunisia and Lebanon, and the project is on the agenda for a meeting in May 2016 that the UNWTO's Middle East committee, which is currently being chaired by Lebanon, will convene in Beirut.

Cultural tourism, which is as old as human curiosity to learn about civilizations other than one's own, can certainly generate revenues for Lebanon and do so all the more thanks to the expansion of high-profile museum assets in Beirut and other potential developments under discussion with ministries and international conservation bodies, such as improved preservation and accessibility of Lebanon's many diverse sites of archeological, historic and religious interest.

A BROADER ANGLE YET

However, even a sweeping view of history and cultures from the Phoenician all the way to the Ottoman and French Mandate eras cannot and should not be taken as the whole perspective. Focusing solely on sites and witnesses of historic civilizations could be even counterproductive for realizing Lebanon's potential from the perspective of an economy of culture. The simple reason for this is Lebanon's extraordinary vitality in producing and hosting the arts today, which to ignore would mean crippling the growth of this economy.

What is deserving of real fascination in this context is not the growing number of museums or the value of their collections – immeasurable as they are – but their quality and diversity. A journey through the museums and art exhibition spaces of Beirut today confirms this with gusto: the arts, alongside trade skills and the will to survive, are the real constant of Lebanese identity.

From the prehistoric jars and bronze-age statuettes over the Hellenistic sarcophagi, early Christian mosaics and Islamic pottery, to the collections of paintings and photographs from the late 1800s onward up to 20th century jewelry, or the latest disruptive installations by young Lebanese and resident or visiting foreign artists and designers, one only has to keep her or his eyes open when wandering between its museums and the city to see that Beirut is not primarily filled with testimonies to stupid greed (although they too exist aplenty), but with evidence of both creative minds and collectors of all things beautiful.

The creative treasures and the collected ones are becoming well represented in Beirut's widening range of museums, from the archeology museum at the American University of Beirut and the National Museum to the contemporary art spaces in the comparatively cramped and

unassuming but inspirational Beirut Art Center and the Aïshti Foundation's magnificent four floors of perfectly designed exhibition area.

Perpetuating a creative environment and democratizing access to art is what previously no museum of major size and capacity has been able to provide in Beirut. This is what APEAL aims to produce through their planned Modern and Contemporary Art Museum. "The idea is to help Beirut in developing a museum-going culture not in an elite segment of the city or the society but through a museum that reaches out to the communities, with events tailored to the mission. We want it to be a kind of house of the people but we also are striving for it to be first rate, on a par with great museums of the world,"

THE ARTS, ALONGSIDE TRADE SKILLS AND THE WILL TO SURVIVE, ARE THE REAL CONSTANT OF LEBANESE IDENTITY

says Nora Boustany, board member of APEAL who describes herself as the organization's philosophical or abstract mind when compared with the business expertise of the other board members.

According to Boustany, the museum will seek to showcase above all young Lebanese talent, alongside artists from the region, some of whom cannot hope to see museums being realized in their home countries.

Pointing to the planned museum's location that is highly accessible in a geographic as well as social sense from all urban and rural quarters of Lebanon, Boustany tells EXECUTIVE that the new museum's mission will include outreach events in rural areas such as the Chouf or the far north of Lebanon. "We will try to help reel people into the idea of appreciating art. We are going to storm the local communities through

visiting arrangements with elementary schools and secondary schools in the countryside and in the cities. And we are not talking about elites. Our target audience is everybody, art connoisseurs and the general public," she emphasizes.

In its own brand of political awareness targets, the vision of APEAL extends to countering the culture of death that the terror organization ISIS is seeking to push. "We want to run with the young people in the opposite direction and we want the Lebanese and the Arab citizens to reconnect with their humanity, to have a much more serene, esthetic, balanced and spiritual vision of who they are and where they want to go," she says.

Cognizant that the project in all its cultural aspirations will have to be economically viable, she points out that the museum and the museum-going culture that APEAL seeks to foster will generate jobs for many talented and university-trained young Lebanese who continue to lack opportunities to earn their living as culture workers in Beirut. The museum project itself is being prepared with the help of professionals who work on the budget and APEAL board members who are top consultants and help with strategizing. She concludes, "It will be a challenge, but the Lebanese have made so many institutions and corporations a success that I don't see how a collaboration of local talents and knowhow and corporate muscle and backing cannot produce something that is economically viable."

All that professional effort and enthusiasm may very well contribute to anchoring a socially rich and materially satisfying economy of culture in Lebanon and Beirut. But it is the owner of a dukkaneh at the top of Rue Monot who testifies to the tangible business potential underneath all the complicated babble. "I hope the museum opens soon," he says, pointing at Beit Beirut across the narrow street. "It will be good for me." 

GUIDE: BEIRUT ART AND CULTURAL SPACES





The economies of cultural wealth

Art and culture as a means to economic prosperity *By Thomas Schellen*

The cultural concept of the museum is ancient. It is named after the muses, daughters of personified memory as mother and the allfather deity, Zeus. From those distant days when the arch-poet Homer opened his narration of Odysseus' heroism and victory with a plea to "the muse" to tell him of the "andra polytropou", or man of many skills, people have dedicated museums as places for history, the arts, crafts and sciences in private, academic and public ownership, with or without entry fees, but generally with considerable investments.

Museums are expensive. When the National Museum of China reopened its doors in 2011, state media reported that the renovation of the 200,000 square meter space – "said to be the world's largest national museum" according to china.org.cn – cost \$379 million. The Louvre, with 9.3 million visitors in 2014, the top benchmark of all museum statistics, said in its most

recent annual report that its budgetary resources for 2014 were 204 million euros, of which 50 percent originated from state subsidies.

But does that mean that museums are cost centers for a society? Actually, that debate is going the other way. In recent years, the presentation of museums has included a growing emphasis on their economic contributions, for example a 2013 special report by *The Economist*, "Temples of Delight," highlighted growth statistics on museum visits

"GOVERNMENTS THAT SUPPORT THE ARTS FIND THAT FOR EVERY \$1 INVESTED IN MUSEUMS AND OTHER CULTURAL ORGANIZATIONS, \$7 IS RETURNED IN TAX REVENUES."

and the economic value of culture.

Evaluation of the real economic contributions of museums adds a new and productive element to most democratic countries' recurrent debates over public spending on culture and purported wastes of tax money on allegedly unproductive investments in museums, opera houses and subsidized cultural spaces in general.

Pro-museum numbers aplenty are now adorning the debate with the American Alliance of Museums claiming for example that "Governments that support the arts find that for every \$1 invested in museums and other cultural organizations, \$7 is returned in tax revenues." Graphs from numbers portal statista.com show a constant customer demand for art museums in the United States, displaying annual visitor counts of over 30 million for 14 out of 15 12-month periods prior to any quarter since spring 2008. The numbers are stable and solid, with 32.3 million people visiting art museums in the US between beginning of summer 2014 and end of spring 2015.

As for the Louvre, the museum's annual report stated that it has over 2,000 permanent employees, of which about 60 percent are hall supervisors. In implying the size of its contributions to the French tourism sector, the Louvre reported that 71 percent of its visitors were foreigners – including almost a million US citizens and 474,000 Chinese. Both groups are unlikely to be minimum-spending day trippers, even though, also interestingly, half of the museum's visitors were below 30 years of age. More analytically, an academic paper published in 2009 by a professor of economics at the Sorbonne calculated the Louvre's annual economic impact on France as ranging between 721



The impressive façade of Beirut's Sursock Museum

million and 1.16 billion euros in direct and indirect contributions.

Those are impressive numbers. But truth be told there are reports showing that the cost-benefit numbers of the economy of culture are not nearly fully measured anywhere and for once it seems that Lebanon's notorious absence of meaningful sector data – like on real estate demand for example – is no embarrassment in light of the information paucity on the cultural economy in developed countries.

Measurability of the economy of culture in the European Union is still in its infancy, conceded weighty studies in 2006 and again in 2012. “In relation to direct impact, existing statistical tools are not appropriate and available statistics are scarce. Statistical tools do not enable the cultural & creative sector to be captured properly,” found an oft-cited 2006 study on the cultural economy of Europe. And a 2012 report by the European Statistical System chimes, “The importance of culture within the scope of economic and social development is today unanimously recognized by the European Union. This increased perception of the major role to be played by culture in the achievement


of the objectives of key European strategies such as Europe 2020 makes the absence of comparable data at the European level more striking to European institutions and the member states.”

The contributions to national wealth by the economy of culture are understood today to entail value creation through jobs and various other measurables but are also massively

**“THE IMPORTANCE
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important indirect values-added. With human capital and social capital racing to the forefront of economic productivity resources, the presence of cultural assets in an economic hub city is a high-impact factor in attracting human capital. In this context it is interesting to note that Luxembourg, top of the developed world in per capita GDP, in 2014 had the highest

ratio of cultural employment in the EU according to Eurostat, at 5.1 percent of all employed persons. Other high scorers, all above 3.7 percent of cultural employment, are the four Nordic countries, Switzerland and the Netherlands. When one of the world's richest, services-driven and natural resource poor economies affords itself more cultural employment than any industrial neighbor, it bears asking if this correlation is a mere coincidence and if not, if the causality is one-sided or rather mutual, meaning that individual wealth creation and cultural employment support one another.

But there can be no doubt that museums are not just interesting for citizens of countries where per capita GDP is in the top 10 or 20 in the world. As China reopened its refurbished national museum almost four years ago, the state media advised, “As the museum is designed to receive just 30,000 attendants per day, visitors need to make reservations through hotlines, mobile phone services or the museum's website.” The warning was appropriate. By 2013, the National Museum of China reported 7.5 million annual visitors, second only to the Louvre in the attendance rankings of museums worldwide. 



The Louvre, Paris, has an annual operating budget of over 200 million euros



The National Museum of China, Beijing, cost \$379 million to renovate

Elitism, disruptiveness and a lack of strategy

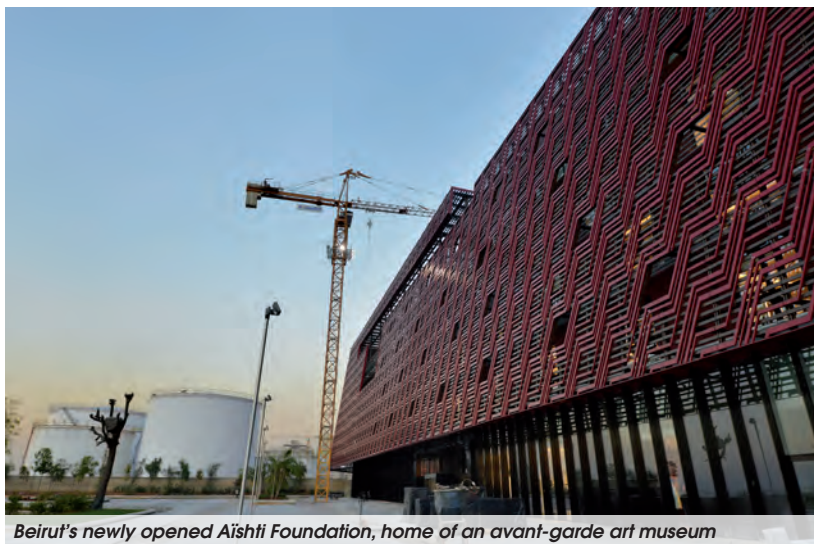
Peculiarities and challenges of the Beirut museum landscape *By Thomas Schellen*

“Works of art are of an infinite solitude, and no means of approach is so useless as criticism. Only love can touch and hold them and be fair to them.” (R.M. Rilke, third letter to a young poet)

When art maecenas Nicolas Ibrahim Sursock in his last will donated his mansion to the city of Beirut before he died in 1952, he did not just sign over a deed. He formulated a hope for his home country and city: “I wish there would exist in Beirut, capital of the Republic of Lebanon, museums and exhibition rooms open to everyone, where masterpieces and antiques would be preserved and displayed.”

To achieve this, Sursock apparently wanted an authority figure to exert custody over his treasure and appointed the mayor of Beirut as guardian of the Sursock Museum. The donor's gift came moreover wrapped in another wish, that Sursock's “fellow citizens would appreciate art and develop an artistic instinct.” With so much weight of patrician input on the museum, it was probably no wonder that the museum's exhibition approach for many years exuded a certain flair of elitism and even orientalism until far after the time when orientalism fell out of favor with the Europeans who had perpetrated it.

Thankfully, with their reopening in October 2015, that approach has been replaced by a leap into the 21st century in the management of Sursock Museum. “They are coming down from their pedestal and I think it is very salutary. The women running it have a very clear idea of how they want to make an impact on a museum-going culture,” comments Nora Boustany, board member of the Association for the Promotion and Exhibition of the Arts in Lebanon



Beirut's newly opened Aishti Foundation, home of an avant-garde art museum

(APEAL), an organization whose aims overlap with the Sursock Museum's apparent strategy of bringing art closer to the people, instead of making people into appreciators of art.

The bottom-up strategic design approach for developing a broad-based museum-going culture in Lebanon looks like a winner even as - and actually because - the top-down approach has been, and still is, prevalent in museums of recent vintage. A walk through either the diverse collections of the Robert Mouawad Private Museum (RMPM) near the Grand Serail or through the monolithic one at the Mineral Museum (MIM) that inhabits space at the Université Saint Joseph's Campus of Innovation and Sports exposes the visitor to breathtaking exhibits - rare and many-colored treasures of the earth in MIM and in the RMPM superb antiques, tapestries, jewelry, historic Chinese porcelain and centuries-old Syrian pottery from places associated today only with terror.

The exhibits in both museums are private collections, and it is

undeniable that their elite owners make all the important decisions about the delivery of these cultural goods to the public. Elite influence - which some economists might be fashionably tempted to call elite capture although the term in the sense of its definition appears applicable neither to art nor banking - is even more striking in the newest Beirut art museum, the Aishti Foundation.

Truth be told, this museum takes the city to a new sphere of communing with art. The exhibition space is as perfect as an art museum can hope to be. Perhaps it is because the property is juxtaposed with a brutal environment of traffic and oil storage but from stepping into the first of the four exhibition floors until leaving the last, one feels there as if the UK's Tate Modern, France's Centre Pompidou and Germany's Bundeskunsthalle had organized a joint venture for installing a museum in the best sense of the word in a locale that had for decades been seemingly deprived of culture and void of artistic atmosphere. At the same time, the reality of elite control could be no more visible than in this perfect

museum's attachment to an edifice of luxury consumption where the central interior space evokes reminiscence of a ziggurat filled with shrine after shrine dedicated to brands that represent consumerist deities of glitz and glamour.

BALANCING BOTTOM-UP AND TOP-DOWN

Given that the facts on the ground testify to the constructive role played by elite contributions, the best bet for developing an economy of culture and arts appears to be finding a balance between bottom-up egalitarian and top-down elite components. This also applies to financing of museums where it is difficult to avoid appealing to the generosity and self-interests of wealthy benefactors when one wants to develop a contemporary art museum from scratch. The financial attractiveness of artworks as investments under the wealth management paradigm and the contested market for museum-worthy art have led to ballooning of prices and this, as Boustany admits, is "a huge disadvantage for building a collection". According to her, APEAL is still sorting out its approaches to entice art and financial donors, including the well-known lure of granting patrons the rights to have galleries named after them.

Besides this being a reminder that for any non-profit operator in culture and the arts there is always a thin line

between giving deserved recognition and bowing to a presumptuous claim of elite status, the question over viable funding approaches looms as a yet-to-be resolved challenge over the Lebanese museum scene. According to Beirut Mayor Bilal Hamad this even applies to the Sursock Museum, where long-term baseline funding of operations is secured by inflow of money from the municipality. At legally secured transfers of 5 percent of fees for all building permits issued by the municipality, the funding represents "good money", Hamad says, but cautions directly that the museum's board cannot depend on this to suffice in the future, given that the museum is bigger and much more active in staging events and offering programs. "We can no longer operate the museum in the same way as in the past, with only one activity per year or every six months. We expect to have more visitors and [have] hired new employees whose salaries have to be paid, so [the board and us] have to look at other ways of supporting the budget. We are still thinking about how to do this," he says.

Noting that the museum landscape of Beirut is scattered with institutions funded by the state, the city, two major universities and private owners, and that insiders testify to the existence of the usual inter-institutional jealousies and quarrels, the sourcing of funds in the growing museum landscape seems certain to be a challenge. Foreign

institutional donors are very helpful (and are usually well satisfied with small plaques of appreciation on the wall of a sponsored museum) but their contributions are based on decisions in their home constituencies and limited in time and amount. As for state contributions, the vagaries of political budget making and the overall situation of state funding in Lebanon are a strong deterrent from even thinking about how more political attention and public sector financing could be steered toward productive investments into the economy of culture.

But art spaces are no exception to the rule that competitiveness requires unrelenting efforts, including continual financial investments. In order to generate returns in job creation, social capital enhancement and positive direct impacts on gross domestic product, museums need to be competitive and enterprising. This in turn implies that there is a dual challenge present for the cultural sector; not only do museums individually need to acquire financial and strategic management capabilities to run themselves more productively, but private and public stakeholders in Beirut's economy of culture are also in need of joint communication and strategic planning for the whole museum sector. Such planning would be prudent, agrees Beirut Mayor Hamad. "Today there is nothing called



Sursock's impressive contemporary art collection



Sursock's stained glass windows form a background to the artwork

Beirut Municipality strategic cultural plan or vision. I am doing my best to support a lot of cultural activities and I have attended so many cultural activities but to tell you the truth, we have not even attempted to put together a cultural strategy for Beirut. This is a nice idea,” he tells EXECUTIVE.

According to APEAL's Boustany, collaboration with the Beirut Municipality and ministries such as the Ministry of Transport are part of the organization's mission statement. Avenues of cooperation could start to be developed with the establishment of a museum mile or simple projects such as a culture bus, she says.

Once a museum-going culture gains traction in all quarters and strata of Lebanese society, there will be more interesting challenges than management and coordination. Every stakeholder and institution involved in culture tends to have their own ideology on what art should and should not do. One does not need to search far to see that freedom and disruption of the status quo are preeminent in the minds of many artists, in Lebanon as everywhere. A growing role of contemporary art in the country's intercommunal transactions would very likely result in artists challenging both people and institutions who are currently in culturally dominant positions. However, from Boustany's vantage point this is nothing to worry about in fundamental terms. “I have found in my experience working with contemporary art that artists coming from all confessions first of all work together. Their creative protests are more universal than sectarian, so even if the context is sectarian, the outcry is universal. Themes such as injustice, intolerance [and] gender inequality have found expressions in angry and provocative ways but the underlying subtext of values is not divisive,” she explains.

THE HARSHTEST FRONTIER

Thus remains the need to mention a barrier that already tremendously affects museums and has to be addressed for implementing a museum-going culture in Beirut. Quite literally going to a museum is a pain and a challenge in all too many cases. The American University of Beirut off-campus art museum is hard to find and some people say the on-campus museums are not easy to reach for all visitors, due to campus access controls. Walking to the Armenian art exhibition at the Beirut Exhibition Center in May 2015 meant to dash between noisy construction vehicles on a dust-covered road. The RMPM is sheltered from its road by trees and a magnificent garden - but to get there one has to first approach the soldiers at a security barrier for

QUITE LITERALLY, GOING TO A MUSEUM [IN BEIRUT] IS A PAIN AND A CHALLENGE IN ALL TOO MANY CASES

the embassy district. EXECUTIVE has been told of numerous experiences by tourists who missed out on seeing the collections there because they could not find their way around the tightly controlled area.

As a whole impression, access to culture in Beirut is forbidden for anyone with disabilities and far too often a physical challenge even for able-bodied people. This is perhaps nowhere more acute than at the newest museum in the Beirut conurbation. Looking with a foreign visitor's mind across to Aïshti Foundation after arriving in the Jal El Dib suburb from Beirut, the final approach to the edifice is about as inviting as a trip to Alcatraz across San Francisco Bay - without the boat. This is to say that the Beirut - Jounieh Autostrade is as formidable a barrier as any eight lane restricted-access

motorway. There is a very rickety and repulsive looking pedestrian overpass but even after traversing its steep stairs, the visitor has to trail for five to 10 minutes along unsecured pavement that serves as an every-day racecourse to local motorists. Not appetizing in a country that is feared for its poor traffic safety (see automotive section page xxx).

All that could, of course, have been no hindrance for storied international guests at this museum's opening who were ferried around Beirut in a fleet of German premium cars. Nor would it be a problem for the local clientele who drive their Porsche, Bentley or other luxury wheels up to the door of Aïshti Foundation, drop the keys into the valets' hands and just walk up 10 steps to the entrance. But for the simple, culture-loving visitor who embarks on an individual journey to enjoy Beirut's growing number of high-quality museums from the National Museum to the Aïshti Foundation, the barriers along the way are severe.

Beirut Mayor Hamad says he has a partial solution in the works, whereby a soft mobility project, which he presumes will be implemented before the end of his term in mid-2016, will transform Damascus Road and other streets in the capital into bicycle and pedestrian friendly roads with less space for motor vehicles. When taken in conjunction with plans such as APEAL's Modern and Contemporary Art Museum, that sounds good enough to start dreaming about a better Beirut. But if one starts on that path, why not dream much bigger?

Map note: addendum to legend of museums map: MAS describes itself as a venue that “facilitates cultural exchange” by “hosting temporary exhibitions”. While this entailed a show of works from the private collection of proprietor Tony Salameh in November 2015, the three-year-old venue functions at other times as a commercial gallery.



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-  **WOMEN'S RACE** **29 MAY 2016**
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Cause to celebrate

The Lebanese wine sector continues to find reasons to raise its glasses in celebratory toasts. This niche but ambitious sector has witnessed steady growth with 30 new wineries opening in the last 10 years. These additions brought in a welcome variety of winemaking techniques and tastes to the country's previously underdeveloped wine industry. They also contributed to increasing awareness among local consumers of Lebanese wineries by adding a level of dynamism to the sector. Summer 2015 pleasingly saw many Lebanese and residents in Lebanon add wine tourism to their weekend plans, opting to visit one of the growing number of local wineries as an alternative to a regular day at the beach.

With this surging level of awareness, it is of little surprise that the intake of wine at a local level is also on a steady increase, supported by a worldwide trend of interest in the beverage. While local consumers still enjoy drinking imported wines, usually European, more and more are beginning to embrace the local varieties and are becoming increasingly aware of the high quality wines produced in their own country.

The Union Vinicole Du Liban, Lebanon's association of wine producers, has been working hard as a unified team to spread the name of Lebanese wine in export markets through its participation under one pavilion in international wine exhibitions under the name "Wines of Lebanon". Most wineries cite major world cities such as London, Paris and Berlin as their main export markets with some also citing countries such as the United States, Japan and Singapore.

While winemakers insist they would be achieving higher numbers in sales were stability and security in the country sustained, winemaking is nevertheless one of the few industries witnessing positive growth in Lebanon. It is well worth keeping an attentive eye on this burgeoning sector and raising a glass to its continued success with one of our favorite local varieties. Cheers to a great 2016.

Regulating Lebanon's grapes

The trials, tribulations and steady growth of the local wine industry *By Nabila Rahhal*

Winemaking is a rapidly growing industry in Lebanon. Fifteen years ago we only had a handful of wineries to speak of; today the country boasts 42 wineries, according to oenologue and Les Caves De Taillevent General Manager Paul Choueiry.

The industry as a whole produces approximately 8 million bottles (an estimate of the Union Vinicole du Liban (UVL) since there are no exact figures), more than half of which are exported to over 40 countries across the globe. In fact, jewelry and wine are the only two Lebanese products for which the balance of trade is positive, according to Hady Kahale, general manager of Ixsir.

With such growth and global distribution come serious concerns about the regulation of the sector as well as the positioning of Lebanese wine abroad.

A GOOD AND BAD YEAR

Harsh weather in 2015 – including unusually low temperatures until April, a dust storm and heatwave in August and hail in early September – led to a decrease in the quantity of wine produced this year, explains Chateau Saint Thomas's co-owner and winemaker Joe Assaad Touma, estimating the overall production of Lebanon's wineries to have decreased by 40 percent this year.

"It will affect the market down the line, especially for the red wine which needs to be fermented for a few years, but for the rose and white wines, this year we will have less quantity for our clientele," says Touma, adding that the quality of the 2015 wines "have a lot of potential" because of the lower quantity of grapes produced.

THE LOCAL DARLING

According to Choueiry, consumption of wine in Lebanon continues to grow slowly but steadily, following a

worldwide trend of interest in the beverage, and also because of the increased number of local wineries. "We have many more local wineries so people are more aware [of this product]. People are trying and discovering different wines more and more, and are also going on wine tours across the country," he explains.

Indeed, according to Zafer Chaoui, current head of the UVL and chief executive officer and chairman of Chateau Ksara, wine tourism was very active this summer, citing his winery as an example. "Since the Syrian war started, the number of visitors to Chateau Ksara had gone down a lot. This year, we had a considerable increase in visitors; not as much as in 2010, but this increase shows that people are realizing that central Bekaa is as safe as Beirut or Jou-

WITH MORE LEBANESE WINERIES IN THE GLOBAL ARENA, OUR WINEMAKERS HAVE BECOME INNOVATIVE IN REACHING NEW MARKETS

nieh," says Chaoui. In an interview conducted with EXECUTIVE in September, Kahale cited 26,000 visitors to Ixsir.

However, although Kahale sees that the local market is indeed growing, it could be doing so at a faster rate. "I know that the wine market is not growing as it should in terms of consumption in Lebanon, which remains for all of us our most important market. It's not growing as it should because of a lack of tourists and everything else we speak about," he elaborates, adding that despite this, Ixsir's market share has grown by 50 percent year on year, partially due to the launching of the winery's restaurant.

Wineries that EXECUTIVE spoke to report an increased local market presence especially in restaurants and bars. "With the trend of boutique wines, some restaurant owners are revolting against the traditional Lebanese wines (Chateaux Kefraya, Ksara and Musar) and choosing to go with smaller wineries. Others say the traditional wines are imperative," says Choueiry when explaining the increased variety of wines available to Lebanese consumers in the on-trade sector.

GOING ABROAD

"International visibility in 2015 is by far better than in 2014 because of the natural and organic growth of exported Lebanese wine everywhere," says Faouzi Issa, winemaker and co-owner at Domaine des Tourelles.

Indeed, all wineries EXECUTIVE spoke to cited new international markets such as Eastern Europe. Chateau Saint Thomas grew its export market in the USA while Chateau Marsyas entered Hong Kong, Japan and Singapore.

With more Lebanese wineries in the global arena, our winemakers have become innovative in reaching new markets. The year 2015 saw seven Lebanese wineries (Chateaux Ka, Kefraya, Ksara, Saint Thomas, Domaine des Tourelles, Wardy and Ixsir) collaborate with Michael Karam, author of "Wines of Lebanon", on a two year project called the Wine Traveler.

This initiative would see Karam, funded by the wineries, take a selection of their wines to key global markets with the purpose of conducting tastings either in major restaurants or through media and consumer events. These cities, explains Issa, could potentially become hubs which the wineries would build upon to have real markets there.

"It is too soon to judge the success of the Wine Traveler but I am a strong





supporter of it,” says Issa, explaining that for the upcoming year, each of the participating wineries is paying GBP 10,000 to sponsor the project which is very close to the amount Issa paid to participate in and set up his medium sized stand for the local wine festival Vinifest, except that, in his opinion, the Wine Traveler is a more effective marketing tool than Vinifest. Touma says he has already made contacts from the Wine Traveler but that there is nothing tangible yet; “these things take time,” he says.

In the export markets as well, some Lebanese wineries have been moving out of the “ethnic” market, where the wines are primarily sold in Lebanese restaurants or labeled as indigenous wines on retail shelves, and into a more international and global market. “Our focus is on very high-end restaurants and we believe we need to convey that we don’t just need to be in ethnic restaurants. We deserve to be in high end restaurants because we are producing quality [wine] which people appreciate,” says Karim Saade, co-owner at Chateau Marsyas.

“Eighty percent of Lebanese wine in the world is sold in Lebanese restaurants which is not bad, but we want to be a good wine present in international restaurants and wine bars in London, Tokyo and New York. At first, it was hard because it was a niche that didn’t exist much but we started from a small volume which grew every year. Now people look at it as good wine coming from the old world and we are seeing the results,” says Kahale.

TO QUANTITY OR TO QUALITY?

For all its growth in recent years, Lebanese wine production remains at approximately 8 million bottles. When asked why that number has remained steady, Ronald Hochar, co-owner at Chateau Musar, says land in Lebanon is very expensive, discouraging investments in planting more vineyards and also the small size of the country makes land limited.

It is for these reasons that most winemakers interviewed for this article say that Lebanon should focus on the quality of wine and not the production number. “Lebanese wines should be a niche; it’s not about the numbers,” says Issa.

“As Lebanese winemakers, we cannot compete in volume as we don’t have the land capacity and we will never

LEBANON SHOULD FOCUS ON THE QUALITY OF WINE AND NOT THE PRODUCTION NUMBER

have it. We should just target and enhance quality. We need to concentrate on quality in everything as a country because we are an expensive country so the only edge we have is knowhow in many sectors and to be able to produce whatever it is in quality,” says Saade.

WHERE IS THE NATIONAL WINE INSTITUTE?

If the focus for Lebanese wine is to be a niche, high quality product, then a regulatory body to guarantee this quality becomes necessary. As Choueiry explains, back when the country had only three wineries, regulation was mainly self-initiated. “With the new arrivals, some are perfectionists but some are still learning and these might end up doing something wrong and damage the sector’s reputation. Because the players have increased in the country, there should be an authority, not to dictate what they do fully, but to

set guidelines,” says Choueiry.

“It is especially important to regulate production because right now the market is chaotic. We have to guarantee the quality of what gets exported or what happened to arak will happen to wine,” warns Hochar, referring to the small export market for arak which he attributes to a history of non-regulated and chaotic production with some producers making arak of questionable quality.

By regulations, the wineries interviewed for the article mean a certification similar to the French l’Appellation D’Origine Contrôlée (AOC), whereby wine is labeled according to the environmental conditions it comes from, the percentage of alcohol and so on.

Such a certification or regulatory body is the main function of the National Wine Institute (NWI), a public private partnership launched two years ago among the Ministries of Agriculture, Industry and Economy and Trade and four private sector representatives of the wineries.

The institute’s role, according to Touma who is one of its members, is to conduct studies that would define and categorize Lebanon’s microclimate and wine production, lending structure to the sector. However, ever since it was formed, the NWI has not been able to fully operate because the budget allocated for it has not been approved by the government, explains Touma. “The guys are working and planning but the problem is they don’t have a budget and the budget should come from the government,” says Kahale.

Some wineries say market players should stop waiting for the budget and try to achieve what can be done through private funding among the wineries themselves, or through international research grants which could be available for wine studies.

In the meantime, while stuck waiting for the NWI to gain budget approval, a sector which has to date been blossoming locally and internationally could soon find itself at a standstill. ■



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New wines on the block

Two new labels released in 2015 *By Nabila Rahhal*



Although 2015 did not see the launch of any new wineries in Lebanon, two existing wineries have nonetheless expanded their product offerings to introduce new labels to both local and export markets.

EXECUTIVE provides further insight into these new vintages in the profiles below, including their positioning within the wineries' product lines, their target clientele and the market's response.

B-QA DE MARSYAS

According to Karim Saade, who co-founded Chateau Marsyas and Domaine de Bargylus along with his brother Sandro, new wineries typically begin their productions with entry or mid-range wines before adding high-end wine to their portfolio. However, he explains that he and his brother chose to do it differently by starting their winery with Chateau Marsyas, their high-end wine, before launching B-Qa de Marsyas, a mid-range wine, in April 2015.

"It made more sense to us as we were focusing on quality, and having B-Qa de Marsyas now will not only provide consumers with an easy to drink wine but, at the same time, this process will allow Chateau Marsyas to perfect itself because our younger vines will go in B-Qa and the estate's older vines in the Chateau," he says, explain-

ing that mid-range wines such as B-Qa de Marsyas are only aged for four to five months as opposed to a year and a half or more for Chateau Marsyas, and so are more readily available to the consumer.

The target production number for B-Qa de Marsyas is a total of 100,000 bottles which will be realized by the end of 2016. The wine is distributed both locally and in Chateau Marsyas's export markets in restaurants, supermarkets and wine shops.

Saade describes B-Qa as a "cool wine", an image which is communicated through the bottle's minimalistic labeling and packaging which was designed internally, according to Saade. The pronunciation of the wine's name was also designed to evoke curiosity around the brand as French speakers pronounce it one way and English speakers another. The Saades launched an advertising campaign for B-Qa early in November 2015 with billboards promoting the wine across the city.

For now, B-Qa is only available as a red wine, but Saade says plans for a white B-Qa are on the way. Entry range wines, however, will not be part of the Chateau's future, insists Saade.

OBEIDY BY CHATEAU SAINT THOMAS

In 2013, Joe Assaad Touma, winemaker and owner at Chateau Saint Thomas, was approached by Wine Mosaic, an international association for the protection and preservation of local grape varieties of wine producing countries, who inquired whether a monovarietal wine [wine made with just one kind of grape] could be produced from indigenous Lebanese grapes.

After some brainstorming, Touma thought of experimenting with the Obeidy grape typically used for the production of arak in Lebanon. While some Lebanese wineries, such as Cha-

teau Musar or Massaya, had used Obeidy in their white wine blends, no winery had yet produced a monovarietal wine from it (Wardy later produced one in 2013).

Still, Touma was excited for the project and sent a trial quantity of the Obeidy-produced white wine to Wine Mosaic. "I wanted to do it because I wanted to preserve the local grape variety of Lebanon," enthuses Touma.


The wine was met with a lot of appreciation, recounts Touma, especially since Wine Mosaic already has a database of those who enjoy local wines and promoted Obeidy among them. This success encouraged Touma to produce a bigger number (around 8,000 bottles) for the export market in 2014.

In 2015, Touma introduced Obeidy to the Lebanese market during a launch event held at the winery's premises midyear.

Touma says the Lebanese responded well to the wine because it is light and refreshing, which makes it good for food pairing, and also because of the grape variety's origin. "People appreciated that it's a local variety. They liked this idea and liked the wine because of it," says Touma, explaining that he is marketing the wine as representative of Lebanon's people and land.

Today, Obeidy is available at supermarkets, restaurants and wine sellers both locally and abroad.

Touma complains that the Obeidy grape variety is hard to work with as only 60 percent of its juice can be used for wine, and also because it is becoming very hard to find since farmers prefer planting more lucrative and well-used wine-producing grape varieties.

Still, he says he will continue to produce Obeidy white wine and is eager to experiment with other local grape varieties to see what else he can come up with. 



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A tale of family and tradition

Passing on Chateau Musar's wine-making history through the generations *By Nabila Rahhal*



Chateau Musar celebrated its 85th anniversary in October 2015 in style with a grand party. Despite the festivities, however, the winery has suffered a solemn year, with the death of winemaker and co-owner Serge Hochar, one of the sons of Chateau Musar's founder Gaston Hochar, on the last day of 2014.

Ronald Hochar, Serge's brother and co-owner of Chateau Musar who is in charge of the winery's marketing, reveals the main reasons he decided to throw a lavish celebration at the Palais du Msar, their wine estate in Ghazir, Mount Lebanon.

First, he wanted to celebrate the fact that the winery has been in the same family for 85 years with no dispute or division. "They say brothers usually meet for Christmas, Easter and court, so I wanted to celebrate a company staying in the same family and so agreeably for so long with the third generation still working in it," says Hochar, proudly outlining that

**THEY SAY BROTHERS
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AND COURT, SO I
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THE SAME FAMILY
FOR SO LONG...**

Serge's son Gaston has been training as a winemaker for 20 years and is now Chateau Musar's winemaker, while his son and nephew are in London and Paris, respectively, in charge of operations there.

CONTINUING THE LEGACY


The second cause for celebration was closely related to the first, according to Hochar: the idea of continuity. "I am reassuring everyone that I am here to ensure the continuity of Chateau Musar through preparing the third generation to take over despite

the pain I am feeling," he says.

Eighty-five years of winemaking has allowed Chateau Musar to reach several milestones, the most significant of which was arguably its decision to establish a logistics and distribution company, which Hochar calls "the operations hub", in England in 1979, which has since led to Chateau Musar having 80 percent of its distribution and business abroad.

This move came after a rapidly growing interest in Musar, following its "discovery" at the Bristol Wine Fair in 1978 by international clients who wanted to try the "high quality wine produced under the terrible conditions of a civil war," Hochar recounts, recalling how surprised people were at the fact that wine could be produced under such conditions.

"It wasn't an easy decision, especially since we were one of the key wineries locally, but had we stayed here we would have had to adapt to the chaotic situation, sacrificing the reputation of the wine, and we weren't prepared to do that. It's true, however, that we lost our local market share to the other wineries," recalls Hochar, explaining that they chose to establish a company, with his son in charge, rather than go with an international distributor because it's a more personal approach than simply selling wines.

Aside from ensuring the transmission of Chateau Musar's philosophy of excellence in winemaking to his nephews and son, Hochar says that investing in owning more vineyards for the Chateau's wine is foremost among his future priorities. Currently, Chateau Musar uses its own grapes in production but also buys grapes grown by farmers under controlled conditions. "When you control the fruit itself and know what goes in the soil then it's different and you can secure the quality and autonomy of your wine," explains Hochar. 

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Spreading Lebanon's wineries across the globe

The helping hands getting Lebanese wine on tables worldwide *By Nabila Rahhal*

The Union Vinicole du Liban (UVL), Lebanon's association of wine producers, was founded in 1997 to defend and promote Lebanese wineries' interests and image abroad. It was established at a time when Lebanon was just beginning to export its wine in significant quantities, according to the association's website.

Today, the UVL represents 23 out of 42 of the country's wineries and has achieved some good results in expanding the export market for Lebanese wine through initiating and funding generic campaigns such as the "Wines of Lebanon" promotion in the United Kingdom in 2010.

EXECUTIVE sits with Zafer Chaoui, current head of the UVL and chairman and chief executive officer of Chateau Ksara, to learn more about the UVL's role in promoting Lebanese wine and its views on the wine-making industry's growth.

E The UVL has been working hard to promote Lebanese wine abroad. Can you give us a little summary of the activities you have done or participated in this past year?

The UVL is a very united organization; we work [as a team] and we have, for the third consecutive year, a budget which has been allocated to us from both the Ministry of Agriculture and the Chamber of Commerce, Industry and Agriculture (CCIA) of Beirut and Mount Lebanon. Here I would like to extend my thanks and gratitude to the president [of the CCIA] Mr. Mohamed Chouair.

This budget allows us to participate in various events because, as you know, the producers in the union are uneven in size and some of them cannot afford individually to go to exhibitions. So when financing is provided and when there is a common stand, which is what we usually do, then expenses are much lower.



We used this year's budget for many activities including the production of a DVD about the Lebanese wine industry in both English and Arabic which is shown in all exhibitions and conferences we participate in.

Moreover, with the support of this funding from the CCIA, 19 Lebanese wine producers were able to go to Megavino, an important wine exhibition held in Brussels, to exhibit their wines. This was the first time we participated in an exhibition in Belgium and it was a success as a number of professionals came to taste our wines and we organized eight professional master classes about Lebanese wine. We were astonished to realize that many people

in Belgium didn't know Lebanon as a wine producing country and this is very serious as we are one of the oldest producers in the world.

Then, also with financing from the chamber, we sent a representative who knows our wine well to conduct tastings in various targeted cities. This year, this took place in three locations: in Bern, Switzerland, where the chargé d'affaires, Jeffrey R. Cellars, hosted a two-day tasting event at his home, in New York where the Lebanese American University office donated their premises and finally in London where Michael Karam, Lebanese journalist and wine expert, talked about our wine.

كول وطعمي



تبرّع لصناديقنا في معظم السوبرماركت



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Knowing well that the situation in Beirut is not the best, we are trying as much as we can within our financial limits and with the assistance of the CCIA to make the most of events abroad and I can tell you I am proud and satisfied with what we are doing with our small budget.

E You mention the budget from the CCIA. How big a budget does the UVL have and where does it come from?

Well, we have three kinds of income. The first income comes from the winemakers themselves as we pay a contribution to be members of UVL and for each event. The events are never financed 100 percent by X or Y; we contribute to them [ourselves] and this is very important because every member has to feel that they are contributing. For example, at Megavino the common budget paid for the stand but every member also paid for their travelling expenses and their wine shipments. When we send a speaker abroad, he or she is paid for by the common budget but every member handles their other expenses alone.

Occasionally, we get financial assistance from the Ministry of Agriculture which covers an event. In 2013, we had a big event in Paris and in 2014 we went to Berlin and both were covered by the ministry's budget. This year, due to the paralysis of the government, we couldn't get any financing.

The third budget, which we have been receiving for three years now, is an amount of \$15,000 from the CCIA for the activities I mentioned earlier.

E To what do you attribute this increased interest in and support of the Lebanese wine industry?

First of all, wine is on top of the list of products which are comparable to the best production on an international level and Lebanese wine is easily comparable to the good wines of Spain, Italy, Chile or any other wine producing country.

Second, there has been political awareness regarding this product. A year and a half ago, Minister of Foreign Affairs and Emigrants Gebran Bassil requested that the embassies, ambassadors and heads of mission give more importance to the economic development of Lebanon abroad and one of the products which they can work on is certainly wine.

Third, there is a common desire from the industry and from wine pro-

LEBANESE WINE IS EASILY COMPARABLE TO THE GOOD WINES OF SPAIN, ITALY, CHILE OR ANY WINE PRODUCING COUNTRY

ducers to work together and perform to the highest degree possible. Lebanese entrepreneurs are the best in the world and Lebanon is a unique attraction. We just need security, stability and peace and we will sell and produce 10 times more wine than we do now.

E Which brings me to my next question. Lebanon produces roughly 8 million bottles per year which is a very small number when compared with even neighboring wine producing countries. What is needed to grow this number further?

The production is very small. We can grow it but it will be expensive; Lebanon is expensive. Land is extremely expensive and the equipment is brought from abroad: all that we call *habillage* from bottles to labels and corks are imported from abroad.

We have excellent knowhow and a microclimate which is ideal for wine production but we are expensive and that's why we target quality and not quantity.

E So do you think Lebanon can market itself further as a boutique wine producing country focusing only on quality?

Well it is a fact that we are a boutique producing wine country and we hope to be able to grow and we should increase production somehow but we need stability and we need cheap land values. It's no secret that Cyprus is producing 30 million bottles of wine per year. Certainly we can never be a huge producer like that but we can increase the level of production we have today.

E Now that the National Wine Institute has finally been formed, when can we expect it to start its work and what is its added value to the industry?


The loss of [wine-maker] Serge Hochar affected the development of this institute and also the lack of budget for the institute to begin operating. The government could not meet to allocate its budget and so they are handicapped by a lack of funding.

It has a lot of added value. I always compare the institute for wine producers to the central bank for commercial banks. It has a controlling role which it has to play and it has to adapt and adjust Lebanese regulations to conform with international standards.

E Could you share some of the UVL's plans for 2016?

The UVL will continue to do its best and increase its activities, to raise its budgets and be present whenever and wherever possible.

We are already committed with the Consulate General in Dubai for March 2016 where he will open the [Lebanese] embassy for professional wine tasting, and this is very important as we are not alone there selling our wine. The ambassador in Abu Dhabi suggested that we do the same event there the next day and we will.

The UVL's name has certainly developed a lot recently and Lebanese wine as a whole is much more known than it used to be. We have a lot of opportunities which are not costly and we make the most of them to be present as Lebanese wine. 

Executive

LIFE

> ARCHITECTURE . *A skyline steeped in history*

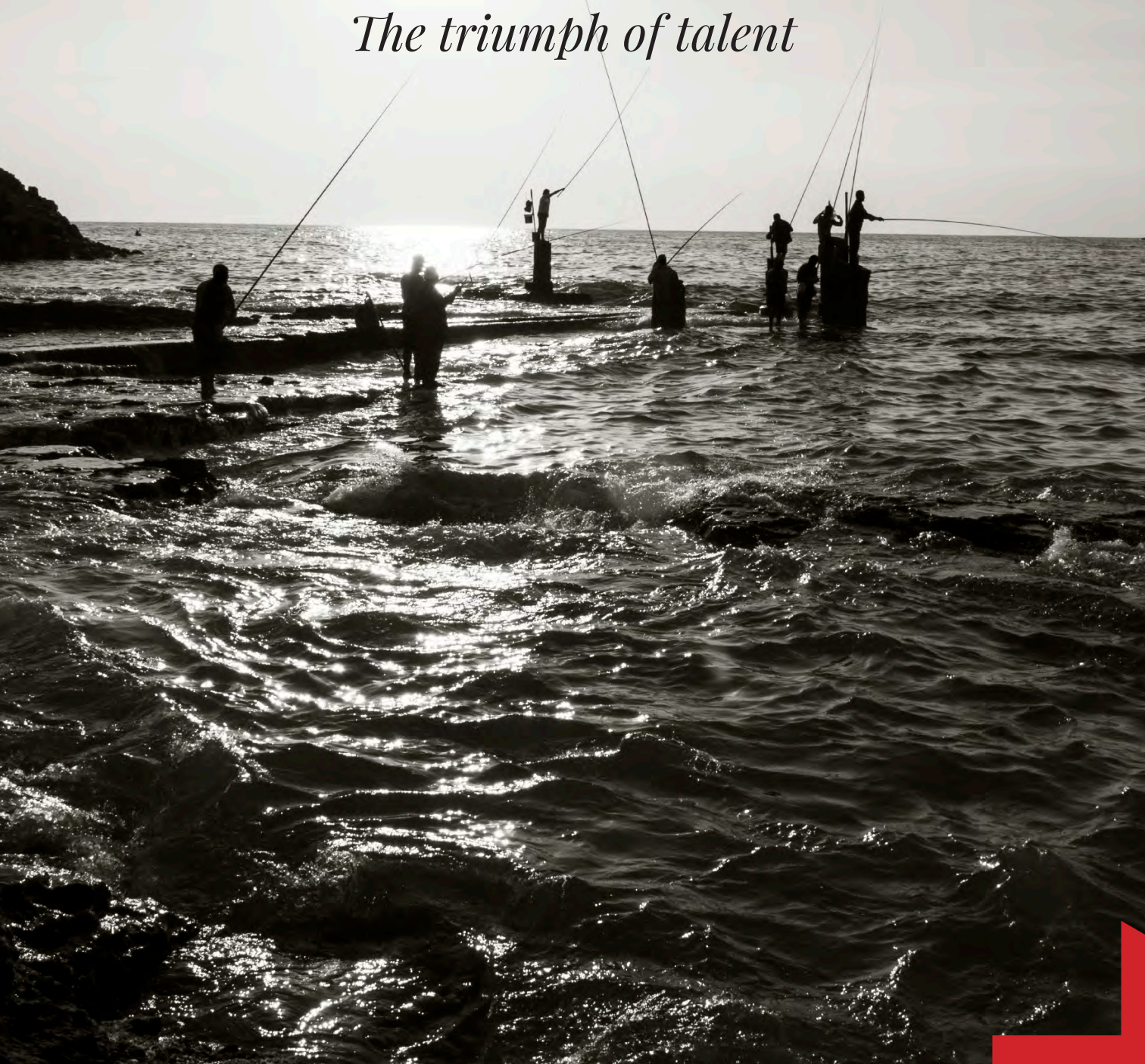
> MUSIC . *The Lebanese Philharmonic Orchestra*

> GOURMET . *Chef Wael Lazkani*



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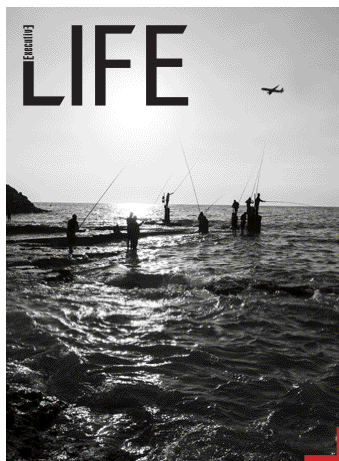
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EDITORIAL . *Executive Life 2015 - 2016*



W

e're tucked into the pages of EXECUTIVE but we stand out from the rest. This is a manifesto of life, beauty and faith.

The following pages are encounters with the best and most beautiful that Lebanon has to offer. Our land is heritage and hardship and hope and happiness. Scratch below the surface and it's full of hard-working women and men building a future, creating potential and inspiring others.

If you need a reminder of why Lebanon is worth your while, read about these dreamers and high achievers that are toiling every single day for their passions and designing their own possibilities. Take a thoughtful trip down memory lane with our architectural greats, listen to classical melodies, enjoy a fun chat in a steamy kitchen, have a quick peak into a concept store and take a walk in the park.

Lebanon is full of courage and labors of love which enlighten us through the arts, offer us solutions and indulge our fancies. These are the people slowly but surely piecing together a shattered foundation of national pride for a country that has struggled, but whose spirit has not been broken. We hope our cause will rekindle your belief in the bright side and plant seeds of optimism in 2016.



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A SKYLINE STEEPED IN HISTORY

THE REMAINS OF BEIRUT'S PRE-1975 MODERNISM

Words by **OLGA HABRE**

Beirut has always been loud – not just in terms of sound, but also in its sense of self. There's lots of extravagance, sometimes snobbery. There's history, heritage and the remains thereof. And yes, at street level you're bound to encounter a symphony of noise: honking (ranging from the musical blares of 16-wheelers to the squealing yelps of deteriorating taxis), street vendors broadcasting, neighbors gossiping, children playing and of course the deafening, unyielding spectrum of construction sounds.

It seems like Beirut is in a constant state of construction. Through its various epochs, the city has undergone cycles of building, demolition and revival. In modern times, beginning in the 1920s when concrete first made an appearance in the country, a new Modernist Beirut began to rise. Modernist architecture emphasizes the quality of interior space (so exteriors are often neglected), natural lighting, ventilation and public spaces, though critics accuse it of being a "copy-paste" style that disregards local tradition.

By the 1950s, post-independence, the new nation was advancing as the regional capital of avant-garde. It was the scene of urbanization, industrial development and a rapidly expanding economy. Modernism was in full swing

and internationally renowned architects as well as a new generation of local architects were leaving their marks on the cityscape – especially on a number of remarkable office and administrative buildings. The nascent government commissioned buildings such as the International Fair of Tripoli to Oscar Niemeyer, the Banque du Liban headquarters and the presidential palace to Addor & Julliard, and more. The country was a cosmopolitan hub and design was a reflection of the times.

It all came to a screeching halt in 1975 with the jolt of civil war. Many golden era gems were pummeled with bombs and pierced with bullets; others were altogether demolished – there are countless sad stories of architectural ingenuity reduced to dust. Some of those still standing today have faces scarred by shrapnel, but the once-greats are not have-beens. Rather, they are permanent reminders of Lebanon's heritage and pre-war greatness. If their walls could talk they would tell you – loudly, in true Lebanese fashion – that this is what Beirut was preparing to become, what it could have been and what it was robbed of. Take a virtual walk with EXECUTIVE LIFE through Beirut's most notable Modernist office spaces.



GEFINOR CENTER, CLEMENCEAU (*Victor Gruen, 1969*)

Pioneer architect Gruen is known as the “inventor of malls” in the United States. In Lebanon he left his mark with the giant Gefinor Center, a 55,000 square meter business complex with five blocks and a large area for retail and restaurant spaces on the ground floors (two ground floors because it’s on a slope). It was one of the first structures of this size in the Middle East and is equally impressive today.



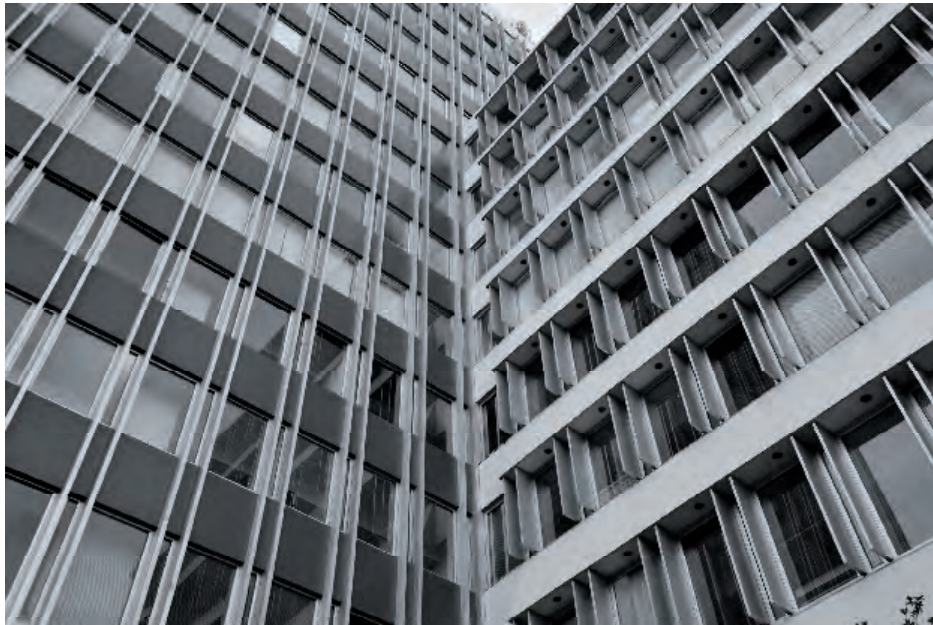
ELECTRICITÉ DU LIBAN HEADQUARTERS, MAR MIKHAEL (*CETA, 1965-72*)

Lebanon's electricity may be a national joke but the building housing the institution's offices in Mar Mikhael is a serious work of architecture. This progressive design by CETA (J. Aractingi, J. N. Conan, J. Nassar and P. Neema) was chosen in 1965 as part of a competition – a popular practice that gave rise to many young architects. Two years later, construction began on the well-thought-out winning entry, which boasts sea-views, an urban space for the public and large claustra veils that block direct sunlight on the south side.



STARCO CENTER, DOWNTOWN BEIRUT (*Addor & Julliard, 1955-61*)

Before they designed the government's central bank building in Hamra and the presidential palace in Baabda, the celebrated duo was commissioned to create this massive multiplex on the western end of downtown Beirut. Its location is surprising for its time, as it was not a business hub. The center is designed so that a street runs between the towers, and like Gefinor it's set on two street levels, which increases ground-floor commercial space.



CENTRE SABBAGH, HAMRA (*Alvar Aalto & Alfred Roth, 1967-70*)

The L-shaped multipurpose complex was designed by the famous Finnish and Swiss architects and is remarkable in the way it creates an inviting urban space with a fountain, benches and greenery. Standing on the corner of Hamra and Rome streets, today it is the headquarters of Fransabank.



MURR BUILDING, HAMRA (*Karol Schayer, 1957-58*)

Today a graffiti mural of Sabah garnishes this once-avant-garde building in the middle of bustling Hamra. It's often called the Horseshoe building, referencing a famous intellectuals' café once on its ground floor – years before Costa Café occupied the space. The building itself, designed by Polish architect Schayer, was the first in Lebanon to have a glass curtain wall, a then-new technology where exterior walls consist of an aluminum frame filled with glass.



LAZARIEH BUILDING, DOWNTOWN BEIRUT (*Andre Leconte, 1954*)

Also referred to as the Azarieh building, this is a prime example of urban design with a central plaza. Though it's rather simple, it was one of the first modern structures in the city and is quite a departure from the gal-leried spaces and ironwork just steps away on Allenby and Foch Streets. Award-winning French architect Leconte was also commissioned to design the Beirut International Airport at Khalde (1948-1954).



SNA ASSURANCES BUILDING, TABARIS (*Antoine Romanos, 1970-73*)

A young Romanos won the competition to design the headquarters just after graduating from the Ecole des Beaux Arts in Paris. Its façade is minimal, and one of the most interesting things about the building is actually the interior, which is based on a grid that allows for the freedom of partitioning of spaces.



INTERDESIGN SHOWROOM, CLEMENCEAU (*Khalil Khoury, 1975-97*)

Not quite an office building in the traditional sense, instead this is a showroom – and a smart one at that. Renowned Lebanese architect Khalil Khoury began construction on the Interdesign Showroom at the outbreak of war, pausing during the conflict, and finishing years after its end. The Brutalist exterior intelligently blocks direct sunlight at peak hours while flooding it with natural light and its interior space is the epitome of functional space, optimizing the view of showcased objects.



BEIRUT CITY CENTER, MARTYRS' SQUARE (*Joseph Philippe Karam, 1965-68*)

Better known as “The Egg” and sometimes “Sabouneh” (soap), this structure was actually a cinema theater, notable in that it is not underground like the rest of the cinemas at the time, and planned as part of a complex. Another part of the center was developed as an office space and met its fate with a bulldozer in 1997. The cinema part of the Le Corbusier-inspired structure, typical of Karam, still stands but its future is uncertain. Plans range from destroying it to make room for new developments to preserving it as a somber reminder of the war. □

Special thanks to Dr. George Arbid and the Arab Center for Architecture for their contribution to this feature.

A GREATER, GREENER BEIRUT

HORSH BEIRUT

Words by **OLGA HABRE**



If you look at Beirut on Google Maps you'll see a visibly green and brown triangle in the middle of all the grey. This patch is Horsh Beirut, a 300,000 square meter (sqm) pine forest wedged between Badaro, Chiah and Qasqas. It's colossal by local standards and by far the largest of the city's 24 public gardens.

Also known as Horsh El Snoubar and the Green Lung of Beirut, the pine forest once stretched over a much larger area estimated to be over 1.25 million sqm in the 17th century. It was slowly chopped down to make room for the Ottoman Casino (later Pine Residence), the Beirut Hippodrome,

several cemeteries and increased urban development. By 1969 it was said to have decreased to 800,000 sqm, and today is a mere oasis. During Lebanon's civil war it was a battleground, and it was severely burned down during the 1982 Israeli invasion – leaving only a reported 300 trees standing. Rehabilitation began in 1992 and left the park closed for a decade to ensure vegetation was able to recover. When it was ready to be used, authorities were worried that people weren't ready to use it, and so the opening was postponed for a decade more.

In September 2015 Beirut's biggest plot of green finally reopened to the public after 22 years, thanks to the lobbying of non-governmental organizations such as Nahnoo, which continues to work with the Beirut municipality to make sure the park is preserved. Since its reopening it has only been accessible on Saturdays, which was done in an effort to help everyone adjust to the new situation; park workers need to be able to cope with the influx of people and visitors must follow guidelines. Volunteers have been present every Saturday to guide, educate and hand out fliers with friendly rules. Nahnoo Director Mohammad Ayoub says the infrastructure of the park, including benches, bathrooms and security cameras, will be complete by January 2016 so the park is set to be open every day starting then.

Over the past few months Horsh Beirut has started to regain its former glory. A steady crowd has been visiting the park, holding children's birthday parties, having picnics and playing music on the grass. There have also been organized events like painting and yoga sessions. Even brands are engaging in the public space – Sohlat had a stand at the park for a time, handing out free water. It used to be called Horsh El Eid, the Holiday Grove, and many people from older generations have stories of times they used to spend there. Some of those stories are the theme of a new digital story-mapping initiative by Nahnoo and YouCitizen, where the park's neighbors tell their stories on an interactive online map.

The park's location has been a source of worry, causing the continuous delay in its reopening. Horsh Beirut is at the crossroads of three religiously diverse communities and sits on the former demarcation line that divided Lebanon during the civil war. But what was once the Green Line is today a green space that can serve as so much more than a beautiful break from city life. Public parks can be places of cohesion and interaction. They can play a significant role in bringing people together and creating dialogue, something desperately needed in diverse, volatile Lebanon. The Lebanese have become more aware of the environment since the start of the garbage crisis so the park's opening comes at a good time, when people are seeking greener lives. Change is possible, and Beirut can become greener – and greater. □



THE LEBANESE PHILHARMONIC ORCHESTRA

HITTING THE RIGHT NOTES

Words by OLGA HABRE

*"Music is moral law. It gives soul to the universe,
wings to the mind, flight to the imagination and charm
and gaiety to life and to everything." – Plato.*

R

perhaps the most instinctive of the arts, music is a universal language that transcends culture, language and time. All societies have music just as they have language, making it a cornerstone of the human experience. Even if you don't like a certain type of music, chances are you can detect the emotions it conveys through pitch, rhythm and tempo.

"Music is the most natural of the arts to human beings," says Maestro Harout Fazlian, artistic director and principal conductor of the Lebanese Philharmonic Orchestra (LPO). He explains that of all the art forms it is the one that can directly affect your emotions; it doesn't need to be processed to be understood. "With music you just feel and automatically understand and react. Some people say they don't understand classical music, but everyone feels," he says. "Classical music has always been the underdog," he admits, but says it survives because "it's art and not just entertainment. That's why there's no fear about [losing] classical music. We won't forget The Beatles, Pink Floyd and Miles Davis either. This is really art."

In Lebanon, classical music is alive and well. The LPO plays music every Friday from October to June at the St. Joseph Church in Monot for the public for free – and they've been doing so consistently for 15 years. The concerts became popular gradually; with crowds initially small but growing to fill out the venue and sometimes spilling out.

Created in 2000 by Dr. Walid Gholmieh as part of the Lebanese National Higher Conservatory of Music (a government body), the LPO now has 98 professional musicians, 40 of them Lebanese and the rest foreign nationals, playing 15 varieties of instruments. In addition, they are all music instructors at the conservatory, which has a total of 250 teachers and currently caters to approximately 5,000 students.

Led by Fazlian, the LPO has over the years made impressive musical strides with culturally significant and historic performances. They've accompanied world-renowned legends including Plácido Domingo, José Carreras and An-

gela Gheorghiu. In 2011, for the first time in Lebanese history a live orchestra accompanied a live musical play, "From the Days of Salaheddine". Held at the Baalbeck International Festival, it was a complicated production, difficult both technically and artistically. "Everything was live, and no one had ever done that before. There was no precedent so there was nothing to learn from," Fazlian explains, adding that he is very proud of this accomplishment, but is also humbled and honored to have been on the stage where Russian cellist and conductor Mstislav Rostropovich, Austrian conductor Herbert von Karajan and Russian pianist Sviatoslav Richter once played, and history was made. "People were against the idea [of holding the festival in Baalbeck that year]... but it was such a big message. There were 4000 people there. The message was louder than the music," he says.

The following year, he conducted the orchestra with Caracalla Dance Theater's "Once Upon a Time" at the Beiteddine Art Festival, another national first where a live orchestra played alongside live dance. "These are things that make you, as an artist, feel like you're doing something for Lebanon," he states. "I want people to see my country for its great artists." 2013 saw a completely different kind of collaboration. Fazlian – who in Montreal was part of the rock band "The Dirty Dolls" – was asked to join the Lebanese band "Who Killed Bruce Lee" on stage at the Red Bull SoundClash concert with orchestra members for a fusion song. In fact, he says that rock has always been an inspiration. "There's a lot of rock in my music; it's intense and edgy and I like adding this edginess to classical music," he says.

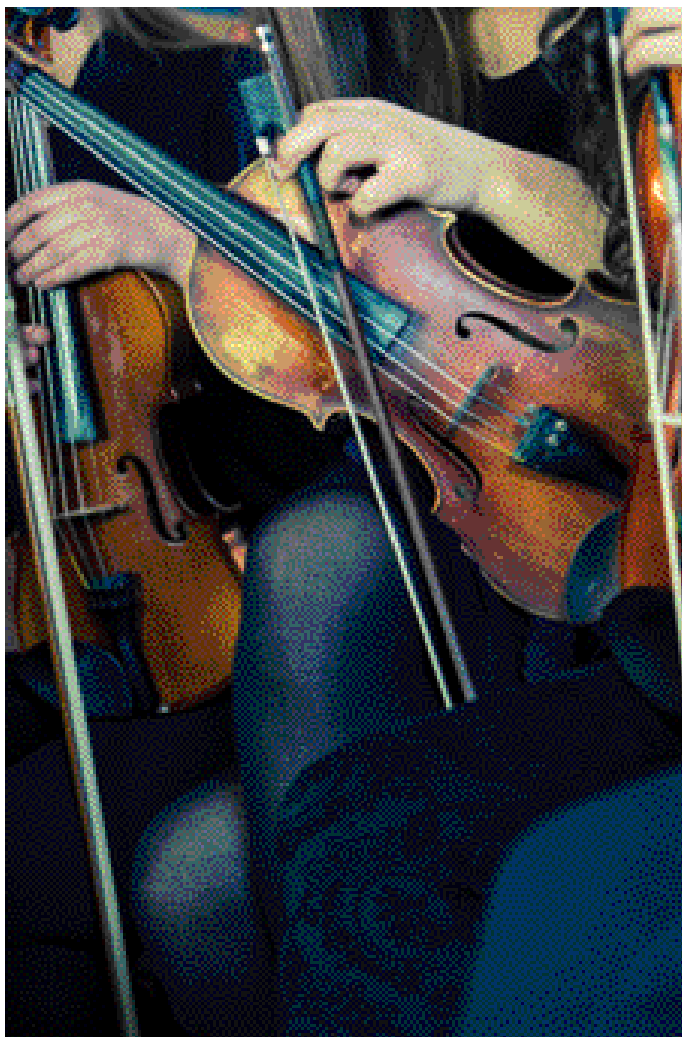
The LPO holds 30 concerts per season, which are conducted by Fazlian as principal conductor, as well as by guest conductors, both Lebanese and foreign. They regularly cooperate with embassies to invite conductors and soloists, and play music from the respective country, working with around 20 embassies to date. The 2015-16 season line-up features performers from China, Germany, Australia, Mexico and France, among others. Inviting these guests introduces

the Lebanese public to foreign music styles, helps the orchestra improve by learning new music and also sends a positive message to the outside world about Lebanon. To Fazlian, an orchestra can serve as a country's ambassador. "When they go back they will say that we have a great orchestra. Art does great PR for a country," he says.

The LPO has a lot of plans, met with an equal number of challenges. While the orchestra does not yet tour during the summer (as is common among international ensembles), Fazlian aims to start soon, hopefully in summer 2016. Budgetary constraints have been a problem, as the LPO is a government entity and is not allowed to receive donations. For that reason, Fazlian recently set up an external NGO called Friends of the Lebanese Philharmonic Orchestra (FLPO), which facilitates the donation of financial and material gifts (such as instruments), and would help the orchestra travel and grow.

The LPO is becoming increasingly popular in Lebanon, as evidenced by the continuous, Friday night flow of music-loving masses into the St. Joseph Church; people who go for the first time are often surprised by the diverse crowd. That means it might be time to expand. "We are working on a concert hall, which is badly needed. Hopefully we will achieve this idea soon. There have been challenges but we are working on this very hard," Fazlian assures.

Fazlian says it's important to serve culture to the masses. Having an orchestra at all is already an achievement. "My country has a philharmonic orchestra, and that's something to be proud of," he says. He explains that awareness is vital too: "Not everyone in Lebanon knows we have an orchestra. This cannot happen, especially in a country this small. Everybody should know we have a philharmonic orchestra, that we are doing amazing things with a minimal budget. This should be the pride of our country." □





Maestro Harout Fazlian awarded France's Ordre des Arts et des Lettres

In 2015 Harout Fazlian was awarded the prestigious Ordre des Arts et des Lettres Officier medallion; the ceremony was held on December 10. The Order is given in recognition of significant contributions to the arts, literature or the propagation of these fields.

Born in Beirut, Fazlian studied the piano and violin as a child and essentially grew up in the Piccadilly Theatre where his father was a director. He moved to Canada in 1976 and later traveled to Armenia to continue his formal music education, receiving Bachelor's and Master's degrees and a PhD in Music Education. In 1996 he moved to Lebanon and began working alongside Dr. Walid Gholmieh at the Lebanese National Higher Conservatory of Music. Today, in addition to his work with the Lebanese Philharmonic Orchestra, he is a university lecturer, the principal conductor for singer Julia Boutros and has also conducted for Fairouz.

Other notable Lebanese with the award include vocalist Majida El Roumi, director Roger Assaf, president of the Baalbeck International Festival Nayla De Freige and novelist Alexandre Najjar.

STAGE FRIGHT

WHAT'S TO BECOME OF LEBANON'S THEATER SCENE?

Words by **OLGA HABRE**



Once a theatrically rich nation where performance art flourished, Lebanon today is floundering – and it's not Lebanon alone. “We have competition,” says Monnot Theater’s Ziad Halwani, and he doesn’t mean other theaters. “When the play starts and you look down from the control room you can see audience members on their phones, playing, chatting – this is our competition. People get more enjoyment from their phones than the effort exerted on stage. Previously it was the television, then it shifted to movies, but now it’s even more readily accessible. It’s a worldwide problem,” he explains. He says the situation is a reflection of a decreasing interest in culture. People question, why go to the theater?

So productions have to be worth watching. Halwani says he warns young directors about this, saying, “That’s why productions should be really good.”

Lebanon was once home to 20 theaters and ciné-theaters, an impressive number for its size. The theater scene was at a peak in golden era Beirut, but with the civil war came a gradual decline that has continued post-conflict into the 1990s, 2000s and today. Only a few theaters in Beirut still operate. Monnot Theater is one of the most active; over 40 plays were staged during their 2014 to 2015 season, and it’s fully booked until the end of 2017, which Halwani admits is “really weird in a country that works at the last minute.”

Some years have been even busier, with up to 60 productions, but he admits they are lucky. “I don’t think we, as a theater, are representative of the whole scene in Lebanon. We are one of the few still working,” he says, lamenting theaters that have shut down over the years.

Staged in Monnot, Betty Taoutel’s “Masrah Al Jarima” talks about exactly that. Taoutel is sad to see the theater scene deteriorating but her message in the play is one of hope. By just staging the play, and focusing on this theme, she highlights the situation. She explains that by making the play highly entertaining, she gives people more incentive to watch. Indeed her plays are among the most popular in the country.

Most of the productions at Monnot are Lebanese but they also stage performances from France, Egypt, Canada and other countries – which total almost 10 percent of their shows. Large-scale commercial plays like “Venus” by Jacques Maroun ran for 48 weeks – a record for the theater. Meanwhile other plays only have 3-4 showings. The types of plays that run are worrying, according to Halwani. In the past the theater had many more smaller and student productions, which are the performances that take the most artistic risk. “We lost a lot of the smaller productions and that means there’s a problem,” he warns. If fewer of the younger artistic generation are staging plays now, this is a problem that will only show up in the long term, endangering the future of theater. There’s some relief in that Madina Theater hosts a special open-platform event for mostly student films every summer: Mishkal Festival. University theaters are also quite active, many hosting regular major productions on campus and at some of the active venues.

Side by side in Hamra, the related Madina Theater and Metro al Madina are also very busy with a wide variety of multidisciplinary activities. This year, one of Madina Theater’s most successful plays was “Butsan El Karaz”, an adaptation of Anton Tchekhov’s “Cherry Orchard”, but the majority of their performances are small and don’t run for more than

a few shows. Next door at Metro al Madina, various performances run every day. Since the theater’s launch in 2012, its program has become more diverse. Their record-breaking Egyptian-style cabaret Hishik Bishik has been running twice to three times a week since 2013, drawing in an astonishing 120 people nightly according to the theater’s production manager Sarah Nohra. The show even traveled to Belgium and Alexandria. In 2016 they plan to launch another cabaret-style show called Bar Farouk, which premiered at the 2015 Beiteddine Festival.

Other active members of the country’s theater community include Hamra’s Babel Theater, the Dawwar Shams (Sunflower theater) in Tayyouneh, the relatively new Theater Gemmayze, the Der Melkonian theater in Burj Hammoud (which mostly focusses on Armenian productions) and a newcomer south of Beirut: the Istanbuli Theater (previously the Al-Hamra Theater) in Tyr, which has been active in trying to revive the city’s once-great theater culture.

The theaters are trying hard, many of them employing only a handful of industrious staff members. But all this effort is met with what Halwani calls “a restaurant audience that consumes theater as if they were at a restaurant, standing up, speaking and answering phones.” This lack of respect stemming from disinterest can be remedied by engaging the public in more culture. Halwani says the government needs to get involved and propose a strategy. “It should be approached more seriously by the Ministry of Culture. This is their job,” he says, adding, “there are many things to improve. Censorship is another problem. It’s a shame to tell an artist they have to send their text to be censored by the General Security, which is actually a military authority. You shouldn’t have boundaries in fields of creation. What’s the use of censorship?” he asks.

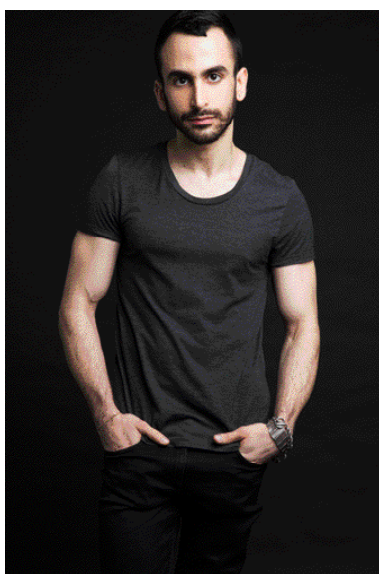
Despite it all, he says the theater is doing well and remains optimistic. “I think there’s always hope, there will always be a place for theater,” he asserts, adding, “It might shrink but it will survive because it’s human expression, and as long as we are human, theater will stay.”



CLIMBING TO THE TOP

THE CHRONICLES OF KRIKOR JABOTIAN

Words by **OLGA HABRE**



Krikor Jabotian is one of those rare types that instantly give off an aura of warmth and positivity – effortlessly magnetic, unusually humble and remarkably talented. His flourishing business is beginning to outgrow his zen white atelier in Tabaris, a gorgeous space with high-ceilings, understated opulence and giant windows that flood the room with natural light. This is where he welcomes clients and dreams up his breathtaking creations (which retail for upwards of \$18,000). He calls his dresses dramatic – but they are dramatic in all the right ways, weaving unlikely elements into striking silhouettes, creating structure that manages to appear ethereal and

amplifying embroidery. “Couture is like magic; you’re selling a dream,” he says.

While it hasn’t always been smooth sailing, the optimist attributes his success to two things: luck and hard work. “Each of these on its own is not enough. I believe I was born lucky, blessed – things have happened effortlessly in my life and I feel very thankful. At the same time I work hard. Sometimes I’m harsh on myself and I always want to do things better and evolve. I want to become a better version of myself,” he says. This is the story of how the 29-year-old Lebanese-Armenian haute couture designer has evolved, and slowly but surely designed his way to the top, one exquisite gown at a time.

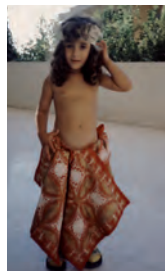


1986

Krikor was born in Beirut to a jeweler father and a homemaker mother. His father's craft has been an inspiration for his often structured gowns, and he calls his mother his best friend.

1990

Young Krikor was an artistically inclined, quiet child who, according to his mother, began to draw as soon as he could hold a pen. His family sensed he would end up in an artistic profession.

1993

Krikor began to use his little sister as a model, draping her in fabric as well as making dresses for her dolls. He would also observe his mother's dresses and ask about their fabrics.

1996

At around the age of 10 Krikor began taking art more seriously, enrolling in classes and practicing his landscapes. With time he shifted his focus to one main theme: women in gowns. Around then Krikor also remembers creating forms out of tissues and sketching all over his school books while daydreaming in class.

1998

Until the 7th grade Krikor attended a strict Armenian school, St. Hripsimiantz College, where he learned to be disciplined and detail-oriented. Teachers recognized his talent and were very supportive. At the age of 12 he was forced to leave his comfort zone and change schools – a turning point in his life. For the introvert, it was a very difficult period; he didn't fit in and felt isolated from his classmates. Ultimately, he says this adversity shaped him into a stronger person – it became a source of motivation and made him want to prove himself.

2004

When he graduated from high school Krikor momentarily questioned what to do with his life. His mother, however, asserted that he was born to work in fashion, so he enrolled in the fashion program at Beirut's Esmod University. He describes those three years as a dream come true and a lot of fun.

2007

After a break that lasted only four days, the fresh graduate began a new job at Elie Saab's creative department, a stint that lasted seven months. He describes the experience as inspiring and fruitful, but explains he didn't feel comfortable working in the company's competitive environment. After quitting, he went through another period of doubt, and was set on track again by his ever-encouraging mother.

2008

Krikor was chosen by Starch Foundation (launched by avant-garde designer Rabih Keyrouz, whom Krikor had met while at Esmod) as one of the organization's first batch of designers. The program helps local designers develop collections and invites them to showcase their work in a centrally-located boutique in Beirut. Krikor believes he was at the right place at the right time, and managed to leverage the connections he made to propel forward and gain clients. His most memorable moment: the very first jacket he sold, which was equivalent to a full month's salary at Elie Saab.

2009

The young designer left Starch to open his own atelier in the Abdel Wahab district of Ashrafieh, which marked the first step in his independent career. Although the business was growing organically, he says he made some naive business decisions at that time, but is grateful to have learned the lesson early in his life.

**2012**

Queen Rania of Jordan wore one of Krikor's designs to Queen Elizabeth II's Diamond Jubilee Lunch – the start of an ongoing relationship. She recently wore another one of his creations to host a special tour of Petra on Google Maps.

2011

He partnered with his family to open his current atelier, and has since acquired more space in the building to accommodate his company's growing needs. Today his mother is his business partner, he employs close to 50 staff members and he takes up to 25 orders a month.

**SEPTEMBER 2015**

TV actress Regina King wore a striking white Krikor Jabotian gown to the Emmy Awards and won her first ever award for Outstanding Supporting Actress in "American Crime". It was a first for Krikor too – his gowns had until then never made it to a Hollywood red carpet. King's persistent stylist insisted on one of his gowns (plus an after-party dress) and even flew all the way to Beirut to collect them herself – not a common practice. Other actresses had previously asked for his dresses, but they were last-minute requests impossible to accommodate.

**OCTOBER 2015**

Krikor Jabotian was one of eight international designers chosen to present at the Vogue Fashion Dubai Experience. Earlier that year, at the 'Origins, Passion & Beliefs' Fiera di Vicenza exhibition in Italy, Vogue Italia's Sara Maino had invited the fashion designer to take part in the event, immediately after spotting his work. Participants typically apply to be selected for the prestigious Vogue event.

2016 AND BEYOND

Jabotian promises another red carpet appearance during awards season this spring, but can't disclose which Hollywood star(s) he'll be dressing. He's also working on a surprise collaboration with internationally renowned fashion blogger Miroslava Duma. □

FOR THE LOVE OF FOOD

CHEF WAEI LAZKANI TAKES ON BEIRUT'S CULINARY SCENE

Words by OLGA HABRE



Jai is an Asian kitchen in Beirut. An entire continent on one menu? Founder Chef Wael Lazkani doesn't see it that way. "I always find it weird. Why do we have to define restaurants nationally? Considering my background – half Lebanese, half Egyptian, lived all over the world – the rules have been broken, so I just picked my favorite dishes and put them on the menu," he says.

Another thing, Jai is literally a kitchen. "The official name is Jai but we add the word 'kitchen' because we need people to understand we are not a restaurant," he laughs, recounting anecdotes of people showing up in front of the hole-in-the-wall, scratching their heads. "We get a lot of confused reactions from surprised people. Some of them leave, and I understand – they want an outing," he says, unfazed.

When he opened Jai in 2013, it was an instant success. "We set out to make the best food we could – I didn't know how the Lebanese would react but they reacted really well. There's no extra cost for décor and service and I think they were hungry for real experiences. The purpose here is just food," he says.

And that's how it's going to stay. Lazkani refuses to expand or open another branch because he doesn't want to manage – he just wants to cook. "I would lose control of my cooking. I'd rather stay small and focus on the quality. It's enough," he says. But there are other delicious projects up his rolled-up sleeves: Lazkani just launched the high-end Jai Catering. Perhaps even more exciting – he plans to open another eatery with Chinese and Korean cuisine within the next year.

What's with the love affair with Asian food? After studying and working for years as a chef in London, Geneva, France and Montreal, he almost quit the field. But then he discovered Asian cuisine and accidentally landed a gig as a chef on a yacht. For the next eight years he was forced to get "painfully creative", coming up with 27 different dishes daily for his clients. During his six-month long winter breaks Lazkani spent his time in Southeast Asia. "I fell in love with Asian food in London. It's the food that took me to Southeast Asia – it's food that takes me everywhere. All food, all the time!" he quips, explaining that the philosophy of Asian cuisine is different from the European tradition. "It's much more layered; they push flavors to the extreme. They're not trying to reduce a carrot to its essence, for the best carrot flavor to come out. Instead, they're trying to add as many spices as possible and make it as interesting as possible," he says.

Lazkani insists he wakes up eager to get back into the

kitchen every day. Food has been his passion since the age of 10, and it's taken on many forms. Lazkani along with Anthony Rahhayel (of "No Garlic No Onions" blog fame) and founder of Souk El Tayeb Kamal Mouzawak launched a weekly street food market in summer 2015, aiming to make food more accessible. Exhibitors range from established restaurants to experimenting chefs. "I feel that a big part of the industry is very investment oriented. The people opening restaurants are hiring chefs and chefs are not opening restaurants," he laments. Souk El Akel is a testing ground and platform for new ideas. "We need restaurants that look like their individual owners – not photocopies of something. We need people's quirks and Jai is proof of this," he says, adding, "Jai looks like me. The kitchen is just like my brain, messy but efficient." Though he has since dropped out as an organizer for Souk El Akel because things got too managerial, Lazkani continues to exhibit weekly. "We need more public things in Lebanon. We need the public to engage with each other – and [doing so] around food is a great idea."

Like that's not enough on his plate, the chef announces he's launching a preserves company in summer 2016, using local produce to make new preserves. More than a set of products, it's a solution to a problem. Lebanon has an agricultural surplus where farmers grow the same crops simultaneously, so prices drop. "The idea is to find ways to sell by creating new products. For example, since apples are not selling well, I'm working with an apple farmer to make cider and apple chutney. We are re-valuing apples," he explains.

Another problem in Lebanon is communication. "I think a big part of why food is suffering is because chefs are not connected to farmers. We have suppliers in between so farmers don't know what ends up on the table and chefs don't know what the farmers are planting," he says. Lazkani works with Souk el Tayeb's capacity-building program in conjunction with the International Rescue Committee and United Nations High Commissioner for Refugees, helping connect farmers to the industry. The program helps train refugees, women and others in cooking and preserves.

While Lazkani says the logistics of working in Lebanon are "insane", from water and electricity problems, to difficulties in keeping a reliable supply chain, he remains an optimist: "It makes us better, tougher, nothing shocks us and we just know how to deal with problems now." He says of Lebanon that "it is amazing, it's very difficult to operate but once it gets going there's a lot of room for playing, for creating new things. There's a lot of opportunity." □

HOLIDAY SPIRITS

FOR EVERY OCCASION

Words by **OLGA HABRE**



It's the most wonderful time of the year – the winter holidays. Family comes together, friends visit from abroad, decorations and festivities abound. Whatever you're celebrating and whoever you're spending time with, one thing is certain – there will be food and drink. This winter, make the most of the holiday spirits for all your special occasions.

OFFICE HOLIDAY PARTY

This is the one party where you really need to behave if you want to avoid embarrassment for all of 2016. Be responsible and stick to something light and fun. Beer is a good, safe option and there are plenty of Lebanese varieties to choose from. You can't go wrong having an Almaza with your boss while striking up a conversation about their latest clever advertisement.

CHRISTMAS EVE

Every year it's another episode of my big, fat Lebanese Christmas, so in the spirit of bonding and sharing, why not make a big friendly bowl of punch. It's easy, delicious, entertaining – and makes for a beautiful centerpiece. Rum – a dark one like Bacardi Carta Negra or one of the spiced varieties of Captain Morgan – is the perfect spirit for a punch. Many classic recipes call for seasonal fruit like oranges and pomegranate, while other punches are served warm with cloves, cinnamon and even melted butter. It's the perfect cup to cozy-up with next to those you love.

CHRISTMAS LUNCH

The presents have been opened, excitement fills the air and hunger is upon you. Whether you're out for lunch or the chefs of the household are cooking up a storm, undoubtedly one of the best drinks to have at Christmas lunch is wine. You can start with a light white, like the trendy, much-talked-about Ixsir Altitudes and progress to a lovely red like Ksara's award-winning Cuvee du Troisieme Millenaire.

DRINKS WITH VISITORS

Wintertime in Lebanon is filled with double – maybe triple – the traffic as usual. It's not only the rain and growing potholes we've got to blame, but also the floods of visiting

friends and family. Happy singles from the Gulf, couples with their newest babies and cousins from different hemispheres flock in for their much-needed dose of Lebanon. Treat them to a drink and a chat over some superb whiskeys. The Macallan needs no introduction as one of the most exquisite whiskeys on the market, but Japanese whiskey seems to be all the rage in recent years so you could also try the award-winning Yamazaki.

FAMILY FEAST

This year both Christmas and New Year's eves are on a Thursday, so that leaves the Sunday between the two holidays for one of those famous family feasts. There will be mountains of food and unrealistic expectations as to how much you can eat, and there's only one drink to have on a Sunday with Jeddo: arak. Try the outstanding Arak Brun by Domaine des Tourelles.


NYE –1

The “–1” night-before-New-Year's-Eve parties have become wilder than NYE itself, so one must oblige. Your visiting friends and family are probably joining, so find the biggest, loudest, funnest party, and since you won't be doing much talking, it's drinking time. Lebanese hospitality demands bottles on the table and an array of shots: “doo-doo”, Jägermeister and Patrón Cafe, to name but a few. But remember: lots of water in between, and take an Uber home.

NYE

Nothing says New Year's Eve like champagne. This is the occasion to pop open the best bubbly and toast 2016 with a magnificent bottle of Dom Pérignon.

THE FIRST HANGOVER

This year get it right. If you're hungover on the first morning of 2016 it's time to keep partying. Make yourself a classic hangover cocktail: the Bloody Mary. The tomato juice replenishes your body with vitamins and minerals while the Worcestershire sauce and Tabasco give you just the kick you need. Use only good quality vodka, like the ultra smooth Stoli Elite, and extend the celebrations. 

THE SURSOCK MUSEUM STORE

A UNIQUE CONCEPT STORE FOR LEBANESE DESIGNERS,
INSPIRED BY SURSOCK AND ITS ART

Words by **OLGA HABRE**



b

Beirut celebrated the historic reopening of the Sursock Museum, and with it the launch of a novel concept store that serves as a platform for local designers: the Sursock Museum store. It features specially created objects inspired by Beirut, the museum and its collections and exhibits. Upon opening in October 2015, the boutique already displayed the works of 30 Lebanese designers ranging from established fashion greats like Rabih Keyrouz to younger lesser-known artists. While some items will remain as a relatively permanent collection, each new batch of designers will draw inspiration from the museum's dynamic activities at that time.

The store is run by a volunteer committee called the "Friends of the Museum" (composed of Omar Daouk, Karim Khouri, Leen Kassar, Youmana Chehab Ariss and Nour Salame), whose mission it is to curate and manage the space, proposing collaborations with valuable designers and examining the influx of those wishing to display. As a non-profit entity it returns earnings back to sustaining the free museum. So far the shop has done exceptionally well, exceeding expectations. The curators say many visitors feel compelled to peek in and often buy a souvenir because it completes the visit, but it's gaining popularity even as a stand-alone boutique for unique designs by local talent. To make sure the novelty factor doesn't wear off, they plan to host events and book-signings, create special projects and offer corporate gifts by featured designers.

In the opening collection a diverse range of items is



available, starting with \$1 postcards featuring the museum's art, to diamond pendants by renowned jeweler Selim Mouzannar. You'll find a three-in-one coaster-candleholder-hotplate by Tawlet; Margherita's concrete jewelry inspired by an architectural memory of Raouche's La Gondole building; jewelry by NounZein and Ralph Masri; and clutches by Sarah's Bag mimicking Sursock's facade. The selection also extends to pens with stylized "chewed" bronze caps by Marc Baroud (which are flying off the shelves – go figure); signature geometric bags by Nathalie Trad; a tractor sculpture by Carlo Massoud; Nayef Francis' lamps that throw a calligraphy shadow of a quote taken from the museum's wooden oriental salon room; Alya Tannous' stylish glassware; notebooks with vintage "Salon D'Automne" covers; a documentary about the revival of the museum by Bahij Hojeij; Ideo Parfumeurs' soaps; and seasonal, bespoke goodie baskets. Plus there's a lot of art books, including a large, popular selection for children. Kids can also get their hands on a 3D jigsaw puzzle by urbacraft, coloring books by Choux à la crème, Arabic letter blocks made of chalkboard painted wood by Spockdesign and more.

The idea is to have something for everyone – reflecting the museum's role as a public space that belongs to all the people of Beirut.



OF WHEELS AND WRISTS

WHAT YOUR CAR AND WATCH SAY ABOUT YOUR CHARACTER

Words by **OLGA HABRE**



A watch tells the time but it also says a lot about you. The same goes for what you're driving. Men don't have too many options when it comes to accessorizing so these two have become necessary – not just as status symbols, but as revelations of character. To some these are just a timepiece and a vehicle, but by choosing the right ones you can speak volumes about who you are and what you stand for without saying a word.



VISIONARY

Imaginative, intellectual and bold – with a daredevil streak – the Visionary doesn't just lead the way forward, he directs the future. He's a dreamer and a doer teeming with ingenious ideas. He loves to rewrite the rules so he drives a car that's done the same. The pioneering Porsche Macan is the world's first compact SUV sports car, and he appreciates the perfect synergy of its design, driving dynamics and all around assertiveness. He wears an Audemar Piguet Royal Oak Perpetual Calendar in pink gold on his wrist, admiring its craftsmanship, artfulness and function. Now a classic, the once-avant-garde timepiece was designed in just one night by the brilliant Gerald Genta in 1971, sparking a watchmaking revolution. It only makes sense that he would wear a watch by a fellow visionary.

Confident and determined, the Alpha is a leader, a victor and he's got it all. He only has time for the best, most exclusive of things – and he deserves them for the hard work he's put into achieving his greatness. Now is his time to reap what he's sown and that comes in the form of a magnificent Ferrari and a singular A. Lange & Söhne. Since he expects high standards from everyone, including himself, the natural choice for a car is the prestigious Ferrari F12 Berlinetta, with the utmost high performance and a history of excellence – just like him. His distinctive A. Lange & Söhne Datograph Perpetual in pink gold is no run-of-the-mill luxury timepiece; it's a true work of art from one of the world's best – if low-key – watchmakers. He knows how to make an impact and that's what got him to the very top.

ALPHA





PATRIARCH

The Patriarch is what happens to the Alpha down the line. He's already had his fun behind the wheel of a fast sports car and now he's a backseat driver in a car fit for a king, surrounded by all the luxury he spent his life working for. His chauffeur takes him around in a bespoke Rolls Royce Phantom Extended Wheelbase as he notes the time on his glorious, understated Patek Philippe Grand Complication – watch royalty. Of course he has an entire collection but this piece of haute horlogerie exudes power – and that makes it his favorite.

“Work hard, play hard” – that’s the motto of the Rising Star. He’s a brilliant globetrotter and leaves a sparkle everywhere he goes. An Alpha in the making, this magnetic workaholic is well on his way to the crown. His super-car is his spirit animal – a Lamborghini Aventador LP 700-4 in the color of fire. Known as the Batman car, it’s a revolutionary legend that offers a glimpse into the future – a future where the Rising Star is at the very top. He lives fast, drives fast, and on his wrist is a definitive piece of luxury: the Rolex Oyster Perpetual Sky-Dweller – even its name suits a star. It’s the perfect companion for his global escapades, making it easy to keep track of two time zones so he can keep exploring.

RISING STAR





HIPSTER

The Hipster doesn't care what you think as long as you know he did it first. He's a solution-oriented techie genius that always thinks outside the box – probably an entrepreneur or an entrepreneur in the making. He doesn't get stuck in traffic like the rest of Beirut because he rides a bicycle to work, and that alone makes him smarter than the rest of us. And it's not just any bike, it's the carefully-chosen, perfectly-engineered Specialized Sirrus Pro Carbon Hybrid city bike – a powerful ally in efficiency. He was also the first in Lebanon to own an Apple Watch, and he's since upgraded to the fancier Edition model, proudly displaying it as he strokes his mustache and adjusts his glasses. Now you all have Apple watches and in a few years' time the masses will be riding bikes – but he did it before it was cool.

The Traditionalist is a clean-cut gentleman with an air of casual nobility who holds honor, tradition and quality in high esteem. He manages to balance family and work – and looks damn good doing it. The only thing more reliable than him is his Land Rover Range Rover Special Vehicle Autobiography, a superb luxury SUV that pays extraordinary attention to detail. He doesn't need to impress you but he does, effortlessly, with his Jaeger LeCoultre Duometre Unique Travel Time, a distinguished timepiece dripping with elegance. The horological masterpiece is as functional as it is striking (a finely-crafted globe showcases time zones) and it will undoubtedly become a family heirloom, passed down from his hard-working wrists to those of his sons.


TRADITIONALIST





ADVENTURER

The Adventurer may be stuck behind a desk during the week but the weekends are his own. Full of energy and attitude, this fun-loving extrovert loves the adrenalin rush of a good adventure with his two trusty sidekicks: his unbreakable Mercedes G-Class and his heavy-duty Breitling Emergency II. The watch serves as a safety and survival instrument, featuring an emergency beacon system to search for and rescue the wearer anywhere in the world – a good idea for someone who hikes, bikes, skis, surfs, rafts, parachutes and travels to climb mountains. Trends are not an issue for him and all he wants is a piece of equipment that will serve him. That's why he's chosen a reliable and robust genuine off-roader like the G-Class to keep up with his demanding lifestyle.

This bright-eyed young gun is fresh out of college and just getting started. His challenge: he must look the part to be taken seriously by his seniors but he can't exactly afford the high-end lifestyle choices of his more seasoned colleagues. The Rookie buys a stylish, ultra-safe, 3-door Mini Cooper (with a great financing scheme) – a fun ride and arguably one of the coolest cars around. His arm candy is his graduation gift from his parents – a beautiful Longines Conquest. This unpretentious watch is elegant enough for work and sporty enough for his age, so he's not trying too hard but he's precociously suave and sophisticated. He's working his way up and he's doing it in style. 

ROOKIE



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THE FIVE SENSES OF TECH

WHERE TECHNOLOGY MEETS HUMAN NATURE

Words by **OLGA HABRE**

Technology has not only changed our everyday lives, it has also enhanced the experience of our senses – all five of them. Progressing at an unprecedented rate, the stuff of dreams is already here in forms, devices, gadgets and apps we never imagined. Since the best experiences engage all our senses at once, these innovations are shaping the digital world to be more like the real world – for better or for worse.

1 SIGHT

When it comes to visual technology, television entertainment systems are probably the most commonly used. And while every TV claims to be the best, LG's new OLED display is undoubtedly unique. This TV is unbelievably thin (less than 1 cm) thanks to its self-lighting pixels. The TV also produces vibrant colors and exceptional contrast. Each pixel can be turned off, so black has never been blacker and images are more life-like. It's also 3D so your eyes can feast on stunning images all around.





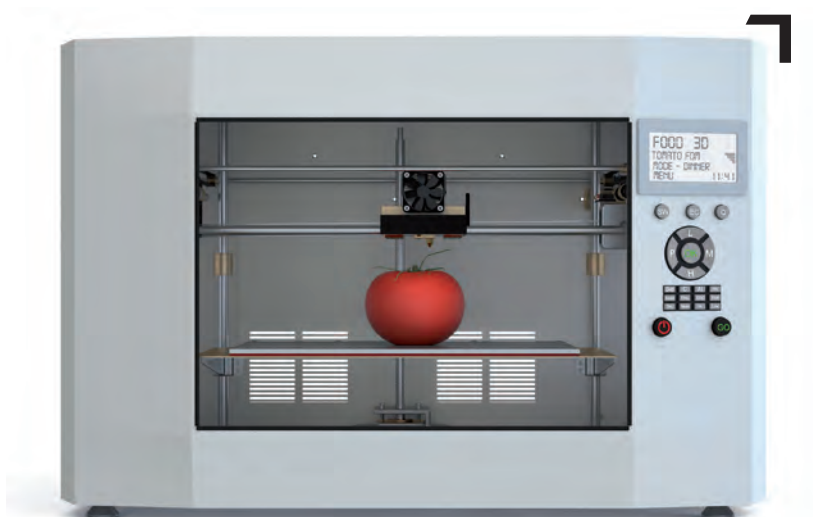
2 SOUND

Sound can be divided into two parts: quality and content. To achieve the highest possible quality sound one must understand sound waves, and it's this science that has been applied to the intelligent Bang & Olufsen BeoLab 90 loudspeaker. Containing a multitude of advancements, the 360-degree design measures acoustic effects on its surroundings to direct the perfect sound for your listening position, compensating for walls, objects and location, and allowing you to control sound for different listening situations like watching films versus having a party. The question of content has also been addressed by Bang & Olufsen with the BeoSound Moment, a smart music system that integrates your music with streaming services. It literally knows what you want to listen to. Choose your mood and it creates the perfect, customized atmosphere for you. The more you use its wooden touch interface to indicate whether you love or hate a song the more it gets to know you, and provides the right music for your sonic pleasure.



3 SMELL

Digital scent is a thing. Though in their infancy, gadgets, apps and devices that produce and send smells to other devices are already on the market – and that market is expected to reach \$1.2 billion in the next 10 years. One of its pioneers is the oPhone device (no relation to iPhone and family) and its corresponding oNote app. It's sort of like choosing a track on a music player – but for your nose. The oPhone has scent-filled cartridges that produce gentle puffs of aroma as indicated by the app. Smell is one of the most emotive of the senses, helping us wake up, calm down and feel good or bad, and with this development everything from storytelling and watching movies to sending messages will be more enriching and emotional.



4 TASTE

Food. It keeps us alive and – for the foodies – gives us a reason to live. So imagine 3D printed food. There are skeptics but the possibilities are definitely fascinating. A variety of food printers are being developed, making everything from gummy bears and cookies to potentially meat (which would have a huge impact on livestock farming and thus, climate), and personally-tailored meals for the elderly and ill. We're not sure about the actual taste component in these foods but this is a whole new world of technology in the taste-bud related sensory segment.

5 TOUCH

Haptics is the science of touch and haptic technology uses “feel” signals that create a vibration on the skin. This new frontier of user interface is communication that recreates the sense of touch, sending data from gadgets and wearables straight to the body. So instead of hearing or seeing a message, you feel taps. It's not exactly new in the gaming sphere, but the masses are being introduced to haptics thanks to the Apple Watch and other increasingly popular devices, and we can expect to see much more in the future.



6 THE 6TH SENSE

The 6th sense, of course, is the sense of style. Wearable tech is not only entering your home, it's also venturing onto the catwalk. All the famous fashion weeks got increasingly techie in 2015, from the LED-strewn “Jellyfish Dress” by Richard Nicoll, to a dress and app combo created by CuteCircuit that changes prints and colors, and Hussein Chalayan's dissolving fabrics – not to mention an off-catwalk company called BioCouture that's making biological materials using microorganisms.





92
points

2007 Chateau Musar Rouge

Drink: 2013-2030

The 2007 Chateau Musar, the flagship estate red, is the typical, roughly equal blend of Cabernet Sauvignon, Carignan and Cinsault, aged for 12 months in French oak. Adding a much needed layer of concentration to the Hochar also reviewed this issue, this also provides more focus and intensity, while still seeming to be a civilized Musar. Finishing with complexity, earthy nuances and a gamey hint, it is a relatively polished Musar that shows both finesse and flavor on the finish. After opening rather soft and reticent, the underlying power emerged strongly. There are tannins lurking underneath, of course. Add the acidity, providing some steel and intensity, and this becomes a completely different wine with three hours of decanting, up to and

including, what seemed to me to be a high-toned nuance, a hint of Amarone that, hopefully, stays under control. With the right food match, you might not notice. Like most Musars, this is a bottling that has a lot of stuff going on. Take it for what it is. In any event, if I didn't have it in front of me at home the whole time, I'd think someone had switched my glasses from start to finish. It went from "nice" to "it's Musar!" It should age pretty nicely - they always do - but this opened so well that I would not chastise anyone who decided to dive in now. That said, as this became more powerful and astringent with decanting, it certainly demonstrated that it will benefit from more cellaring.

- Mark Squires (June, 2014)



92
points

1969 Chateau Musar

Drink: 2013-2025



93
points

1981 Chateau Musar

Drink: 2013-2030



93
points

1988 Chateau Musar

Drink: 2013-2030



92
points

1989 Chateau Musar White

Drink: 2013-2020

Blend of Obaideh & Merwah



*"Without art, the crudeness of reality would
make the world unbearable."*

George Bernard Shaw



Lara

13:04

Guess who surprised me on set?!

13:06

Elizabeth

Looks lovely – bring me next time please!



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