

LEBANON

Moving beyond politics

After

years of political turmoil, which culminated in the assassination of Prime Minister Rafic Hariri in February last year, it seems Lebanon is finally on the road to economic recovery. The country's first democratic elections for decades, held last June, produced a government dedicated to national unity, with implementation of much-needed economic reforms at the top of its agenda.

Although this mountainous country, independent from France since 1943, has a long trading tradition and was once a prosperous investment hub, ongoing strife has made sustained growth impossible. A civil war from 1975 to the early 1990s, where battles between Israel, Syria and the Palestine Liberation Organization took place on Lebanese soil, coupled with a lack of political consensus on modernizing reforms, have left Lebanon on the fringes of regional growth.



Fouad Siniora
Prime Minister

Rafic Hariri's assassination and the subsequent withdrawal of Syrian troops proved something of a wake-up call for the multicultural, 3.8 million population made up of Christian sects, Sunni Muslims, Shia Muslims, Druze and others.

As World Bank country director Joseph Saba notes: "Suddenly, people believed things should move forward from now on." There is now a growing confidence that Lebanon can sustain a stable future. As Fouad Siniora, Prime Minister, says: "Lebanon might be a small country, but it is a model of democracy, tolerance and openness for the region."

Lebanon has also received a vote of confidence from the international community. In December 2005, the World Bank endorsed a Country Assistance Strategy for the next four years to help the country address its macroeconomic, governance and social challenges. A donor's conference, dubbed "Beirut 1", is also imminent. The government hopes this will attract long-term soft loans to propel the country forward.

Saad Hariri, son of the former Prime Minister, has played a strategic role in the country's unification by opening up a national dialogue among all the political parties, which, for the first time, he



The emblematic Municipality of Beirut City Hall

says, "has allowed us to talk together openly and work towards our common goal: to serve the national interest of Lebanon."

A successful businessman, Saad Hariri represents a model for the country's youth and is keen to see his country become "a truly free-market economy, based on law, justice and free enterprise."

Minister of Economy and Trade, Sami Haddad, is also hopeful. He says: "Our immediate priority is to present a strong, coherent and comprehensive reform agenda to the donor's conference."

While the service sector makes up around 60% of gross domestic product, there is plenty of untapped potential in the country's highly educated and multilingual workforce. The cabinet is therefore keen to push on with privatization initiatives, particularly in telecoms and electricity, to create an investor-friendly environment that will ultimately integrate Lebanon into the global community.

As Jihad Azour, Minister of Finance, says: "Our strategy is to increase future partnerships with Europe and to reposition Lebanon as one of the economic leaders of the region."



Saad Hariri
Head of the Future Bloc
in Parliament



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Banks ready to partner up

Banking

is the motor currently driving the Lebanese economy and has a long and admirable history. Before the civil war, for example, the country had earned a reputation as the "Switzerland of the Middle East."

With ten years' growth behind it, the sector was able to avoid an economic crisis when events following Prime Minister Hariri's assassination threatened it once again. Thanks to the prudence of Banque du Liban (BDL), the central bank, high levels of liquid reserves allowed the sector to ride the storm during a run on Lebanese pound deposits being converted into foreign currency. Some U.S.\$2 billion was withdrawn from the banking system within weeks and taken out of the country.

Having initiated a liquidity preservation mechanism, whereby the banks could sell Lebanese Pound Treasury Bills to the central bank in exchange for local currency, the BDL was able to save the local currency and thus avert a potential confidence crisis. This successful strategy received international recognition.

Just over a year on, there is optimism within the sector, which has swelled to represent three times the size of the economy. Inflation has been below 4% for the past eight years. Riad Toufic Salamé, governor of the Banque du Liban, says: "We have been promoting price stability and assuming control of banks for over 40 years in order to have a banking system that promotes a positive reputation for Lebanon. There is a proper legal environment and we have a pro-business approach."

"The price stability of the Lebanese pound is an anchor for confidence and an essential base from which to promote the right environment."

Salamé's economic prowess and care have earned him the "Best Central Bank Governor in the Middle East" title from Euromoney for three years and it is widely believed he runs one of the most efficient central banks in the region.

The country's banking landscape features 54 commercial banks and 10 medium- and long-term credit banks, the former of which have more than U.S.\$66 billion in assets. With the "Basel II" capital accord due to be implemented in 2008, the sector is likely to see a flurry of mergers and acquisitions and a need to increase capital in line with the regulatory 12% imposed by the Banking Control Commission.

As Salamé notes: "Lebanon has made a big step in its desire to reach international accounting standards and we are encouraging the banks to increase their numbers of shareholders. As ownership becomes more public, the governance and transparency will become much more secure."

With an eye on the currently booming Gulf region, Salamé is keen to establish his country as a financial hub, which will mean expansion and diversification on a grand scale for some of its banks. BankMed, established more than 60 years ago under Groupe Méditerranée along with Allied Bank, Saudi Lebanese Bank and Banque de la Méditerranée (Suisse), has already embarked on a hands-on expansion drive.

The group, formerly headed by Lebanon's Prime Minister Siniora, appointed Mohammed Hariri as chairman and general manager last year. Mohammed Hariri says: "Since I joined the bank a year ago, we have issued two public offerings: one in July for U.S.\$150 million in Euro bonds, for which we received commitments of U.S.\$452 million—it was oversubscribed three times with half of these subscriptions coming from investors in Europe and the Middle East—and another in December for U.S.\$300 million, where subscriptions came in at U.S.\$650 million."

Soon after his appointment, Mohammed Hariri sought out Neme Sabbagh, former managing director of the Arab National Bank in Riyadh, as executive general manager. He says: "I began to



Riad Salamé
Governor
Banque du Liban



Banking hub for the Middle East

The Lebanon Central Bank (Banque du Liban) is stepping up its campaign to develop Lebanon as a financial hub for the Middle East region. Its pro-business governor, Riad Toufic Salamé, is working with the government on liberalizing reforms, with a view to exporting the country's banking sector.

Established more than 40 years ago, Banque du Liban has successfully targeted price stability to help promote growth and investment. Inflation has sat below 4% for the past eight years, while the Lebanese banking sector has grown to three times the size of the economy.

Mr Salamé says: "We have been improving good governance within the sector for many years, to allow group participation in the decision-making process and apply international accounting standards. We are now encouraging the banks to increase their numbers of shareholders."

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Mohammed Hariri
Chairman & GM, BankMed

centralize the management structure of all the banks in the group, thereby establishing a common policy and decision-making structure." Next came the bank's conversion to an independent commercial entity, which has set the tone for the planned merger of the four banks later this year and the group's subsequent public listing in the first quarter of next.

The new "BankMed" brand clearly means business. Mohammed Hariri says: "We are moving ahead aggressively, changing our image and expanding into retail banking. We are also recruiting internationally with the intention of re-establishing our commanding position as Lebanon's premier bank. We have the means to do this. We have the professional capability, the financial resources and a strong client base. We expect to make our mark in the near future."

BankMed hopes to become a flagship for Lebanon's growth within the region through its international operations. "We have played a leading role in arranging and underwriting the government's long-term bond issues, the last one being a U.S.\$2.6 billion bond, which we are currently managing with Credit Suisse and BNP Paribas."

Mohammed Hariri has no desire to follow his predecessor's career path. He says: "My interest is purely focused on business, not politics. These are critical years for the group as we move towards new challenges. It is my job to make sure the financial growth of our operations is maintained, strengthened and developed."

Credit Bank is also staking a claim within the region. A family-oriented business, the bank was established 25 years ago and has

grown into a multinational operation, with a presence in Jordan, Syria and the Gulf. Chairman and GM Tarek Khalife says: "We are gearing up for a series of mergers and acquisitions and are keen to talk to potential partners that could benefit from our knowledge."

"The Lebanese banking sector used to have around 30 international banks in what was known as the Wall Street of Beirut. These bankers trained the Lebanese people to become seasoned bankers themselves. We need to capitalize on this. Lebanon is the hub of private banking and we have the potential to do more."

Other banking entities in the midst of expansion are Banque Audi, which manages assets of U.S.\$13.8 billion globally, Blom Bank, Byblos Bank, Fransabank, Banque Libano-Française, Lebanese Canadian Bank and Al-Mawarid Bank.

Al-Mawarid Bank's general manager Marwan Kheireddine sums up the optimistic climate. He says: "As our local market develops and becomes more mature and competitive, we are looking at the future with great enthusiasm and confidence."

François Bassil is president of the banking industry's Association of Banks in Lebanon (ABL), a professional group that defends the interests of Lebanese and non-Lebanese banks. He has reinforced the sector's willingness to participate in any privatization program, through partnership or financing, and believes that trimming the public sector and restructuring the electricity sector should be top government priorities.

Speaking in response to the government's reforms, he suggested the government should seek help with implementation from the IMF. He says: "We cannot afford to miss the chance of cutting the budget deficit as we did in the past." With a nod to the failed "Paris II" reform plan, which fell by the wayside in 2002, Bassil says: "The IMF can be very instrumental in enforcing the plan."

Banking on Growth: The banking sector drives Lebanon's economic expansion

Banks in Lebanon are playing the traditional role of society's financial go-between in an open and liberal financial market that promotes competition.

Since peace was re-established in 1991, concerned officials at the Association of Banks and the banks themselves have made considerable efforts to improve the industry's competitive structure and means of operation.

With 54 active commercial banks and 10 specialized medium- and long-term credit banks, Lebanon's banking sector employs more than 16,000 people in 825 branches conveniently spread throughout the country, and manages the equivalent of U.S.\$70 billion in assets nationwide.

Prudent banking practices have shown the sector's resilience and, thanks to high levels of liquidity reserves in foreign currencies, it remained strong even after events following the 2005 financial crisis.

Consumer banking growth: Retail banking, electronic banking and bank assurance services are currently growing among Lebanese banks. New products and services range from Internet service packages to insurance policies to Islamic banking services.

Consolidation of the banking sector: Monetary authorities strongly support the consolidation process of the banking industry and the creation of special financing schemes and instruments to channel savings into productive sectors. The issuing by the Cabinet of a new decree on the revised merger law will accelerate the consolidation and the implementation of "Basel II" banking standards, which in turn could trigger a further consolidation of the sector.

"Basel II" Agreement and implementation: Upon Circular no. 104, issued by the Banque du Liban on April 1st 2006, Lebanon will implement the "Basel II" Agreement from January 2008. The banking sector, regulator, supervisor and the industry have once again opted to implement and comply with all important codes and standards of the international banking industry.

Expanding internationally and going public: In order to grow and diversify their operations, banks are aggressively expanding in the region, particularly in neighboring Syria, Jordan, Egypt, Algeria, Sudan and Qatar. Meanwhile, six commercial banks are currently listed on the Beirut Stock Exchange, with other large banks preparing to go public in 2007.

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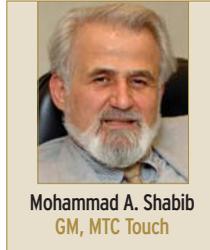
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The cellular revolution

Leading telecom player MTC Touch has its sights set on the Lebanese market

E 2004, the Lebanese government chose two companies to manage the state-owned GSM network operators, one of which was MTC Touch, a subsidiary of the MTC Group holding company based in Kuwait. Decisive to MTC Touch's successful bid was the experience of the parent company in telecom development and services throughout the Middle East and Africa.



Mohammad A. Shabib
GM, MTC Touch

With a 23-year history as a mobile operator in Kuwait, MTC started its expansion strategy three years ago and now operates in 20 countries. It serves over 21 million customers and has a market capitalization of over U.S.\$13 billion. The growth potential of countries like Lebanon has set MTC on the path to becoming a reference point within the global telecom market. Backed by a three-phase expansion strategy based on mergers and acquisitions, MTC hopes to consolidate itself as the leading operator in Africa and the Middle East before going worldwide.

The company's experience has led to a clearer understanding of the benefits modern communications can bring to a society, or, in the words of MTC Group CEO Saad Al Barrak: "It is not only the technology that is revolutionary, but also the many and varying effects that cell phones can have on people's lives."

MTC Touch, with a 51% market share in Lebanon, is ideally situated to place a competitive bid for a forthcoming privatization of the GSM cellular network operators. Mohammad A. Shabib, general manager of MTC Touch, outlines the company's advantages: "We know the market, we understand its needs and we know the potential of the Lebanese telecom sector on a first-hand basis. Thanks to our presence here in the past two years, we know what needs to be done to improve mobile services in Lebanon."

2006 is the year that many expect to see private telecom operator licenses come to tender. "Lebanon is one of the last countries in the region not to have privatized its telecom sector, although now it understands more than ever that it must do so to meet the demands of its people," says Shabib. While the sector is a major source of revenue for the government, contributing a notable 38% of its income, the privatization is expected to open new investment opportunities, which in turn will uncover other sources of revenue and further economic progress.

The telecom privatization will also bring needed investments to modernize and increase the capacity of the network, which is currently struggling to meet growing demand. "The network has not been upgraded in the last four years, and with over 20% continuous subscriber growth per year, new investments have to be made to modernize the network and cater for this increase in demand. Also, we need to increase the network's capacity in order for it to achieve the potential it deserves, especially with regards to new services," says Shabib.

According to the Lebanese Ministry of Telecommunications, the sector provides one of the biggest opportunities for investment in Lebanon because the country's potential is set to reach three

million customers within a few years, taking into account neighboring Jordan, which, the Minister says, has an almost identical socio-economic environment and already has more than three million subscribers.

MTC Touch subscriber growth rates tend to support this scenario, having jumped from 10% in 2004 to 23% in 2005. Shabib predicts that, should the network privatization finally take place this year, subscriber base rates could rise by 30 or 40%. Such is the impact

the government hopes to make with the concession of operating licenses, a reduction in telephone rates and the provision of services such as DSL Internet access and other vital technologies.

Since its arrival in Lebanon, MTC Touch has kept a long-term view, adapting to the local situation as manager of the public operator and preparing for the opening of the market to real competition. The challenges have been met, progress has been made and professional rapport has been established between the company and the Ministry of Telecommunications.

It has been a valuable learning curve, according to Shabib: "Managing a network you do not own is a challenge. We have a management contract with the government and, just like any other two-party contractual relationship, there are challenges to both parties that are mutually resolved in the end.

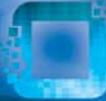
"I have learned a great deal in the past two years, but my greatest satisfaction is that we have achieved positive results and developed a good relationship with the government and the Minister of Telecommunications, Hon. Marwan Hamade. We understand the situation and hope we can continue to work together in the future."

"We know the market, we understand its needs and we know the potential of the Lebanese telecom sector on a first-hand basis."

The revolution of cellular telephony is an issue of major interest to MTC, as proven by a report commissioned by the company to investigate the social and economic impact of cell phones in the Middle East/North African (MENA) region. Among the main points made within the report is the fact that the cell phone industry has contributed to both the development of GDP and the employment rate, and has become a key enabler on even the micro-business level in each of the countries consulted.

However, as Shabib points out, sector reforms are indispensable and must continue apace with developing opportunities. "Reforms cannot be partial; they must be total. To work, they require three basic factors: government willingness, private sector contribution and public acceptance. All of these are required because, without any one of them, the reforms will not work properly," says Shabib. As for Lebanon, the jewel of the Middle East, Shabib describes the business potential as "extraordinary", adding: "I truly expect Lebanon to become a dynamic regional business hub in the very near future."

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Privatization is "pillar of economy"

According

to the World Bank's country manager in Lebanon, **Omar Razzaz, 2006 will be a milestone year. Although the government has been praised for its efforts on fiscal reform and debt restructuring, delays in privatization and the need for a consensus to bring in further reforms have caused some concern.**

Razzaz says: "[2006] needs to be the year of decisive management and the decisive management takeover of public assets, whether it is total privatization in the case of telecoms or bringing in a corporate approach to managing electricity and water. This will mean having balance sheets for certain state-owned activities or enterprises."

Minister of the Economy, Sami Haddad, agrees. He says: "Privatization is the key pillar of our economic reform agenda that we will propose at the donor's conference. It is important in many respects: First, because of the government's objective to shrink the size of the public sector and also because the private sector provides better services."

The government's primary focus is on telecoms, ICT, energy and the aviation sector. Prime Minister Siniora says: "We are working with each and every stakeholder in this process in order to implement these reforms."

Meanwhile, while the pressure is on to play catch-up with the rest of the region, the successful privatization of both the Beirut Port and Beirut Container Terminal Consortium (BCTC) has shown that it can

be done. This initiative has helped to develop the sector, set competitive prices, enhance the quality of both equipment and services and attract more traffic through aggressive marketing.

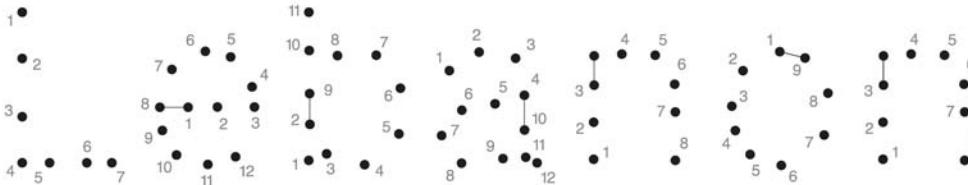
Lebanon's excellent potential as a gateway between the Middle East and Europe has spurred the Ministry of Transport and Public Works into making Tripoli Port as efficient as its Beirut-based sister, thereby fully exploiting the country's potential as a logistical platform for the region.

Reforms are also underway to prepare the management of ailing public utility Électricité du Liban (EDL) for privatization. Minister of Electricity and Water Resources, Mohammed Fneish, points to a timescale of around two to three years. He says: "First, we need to secure the electricity current and reform our administration. Our new reforms will reduce the level of political interference and the cost of electricity production. We have two state contracts, with Kuwait and Algeria, which will also help us lower costs and stabilize the process."

It is, however, the telecoms sector that is creating the most buzz. Although political reticence has hampered market developments in recent years, the will now appears to be there, with efforts to privatize and establish an independent regulator moving forward. Prime Minister Siniora has stated, albeit cautiously: "We are moving



Marwan Hamade
Minister of
Telecommunications



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towards the reform of the sector in order to ensure that it can be modernized and open for investment. It is a process that takes time to implement but we are confident that the privatization will now move ahead."

The two incumbent mobile companies in Lebanon, MTC and Alfa, manage the government-owned networks. Since 2001, international investors have been waiting expectantly for the government to open up the sector in what is slated to be an extremely lucrative offering. A study undertaken by international consultants KPMG on behalf of the Telecommunications Ministry in 2003, for example, projected revenues from both networks to reach U.S.\$24 billion over the next 20 years. "We receive more than U.S.\$800 million a year from both mobile phone networks," says Minister of Telecommunications, Marwan Hamade, who is keen to make this sector an "engine for the development of Lebanon."

Hamade's agenda for this year is nothing if not ambitious. The creation of a Telecommunications Regulatory Authority appears to be imminent, with advertisements for senior positions declaring "the sector is a milestone of the knowledge-based economy that has become critical to Lebanon's comparative advantage."

There are also plans to create Liban Telecom, a government-owned company that will be run like a private enterprise. Hamade says: "Liban Telecom will own the entire Ministry of Telecommunications' property, including all the fixed lines, as well as GSM licenses and any kind of third generation mobile licenses."

Two firms looking at regional expansion are MTC Touch and Oger

Telecom, a subsidiary of Saudi Oger Limited. Oger is currently issuing an Initial Public Offering, while MTC Touch hopes to become an operator in the telecoms sector's new era.

Despite its outdated ICT infrastructure, Lebanon does have the building blocks necessary for it to become a regional center for technology. The workforce is highly educated and multilingual, there is a competitive private sector and Lebanon is a hotbed of world-class advertising firms, multilingual media content providers and web portals.

Next on the government's "to-do" list therefore is the launch of ADSL broadband. If the telecom sector is privatized this year, it will herald a reduction in call rates and lower business costs, which is good news for private providers who are preparing for the boom.

Internet provider IncoNet-Data Management (IDM) has already signed a Memorandum of Understanding to provide ADSL this year. With a majority share of the market, they recorded revenues of U.S.\$7 million in 2005. The company has U.S.\$15 million invested in Internet services and U.S.\$18 million in network investments, according to company president Habib Torbey.

IDM was the first company to receive an Internet licence in 1995 and has been expanding ever since. Torbey says: "Between 1997 and 2001, the banking sector generated about 20% of the overall traffic. I believe we were the first country in the Middle East to have online banking. As a result, we have a very strong IT infrastructure in that sector.

"In terms of ADSL, we hope to have a fully-fledged connection launched in June. The telecoms market can only grow now and I believe that within the next three to four years, those in the market will be doubling their profits every year. Once the costs of international calls come down, we could even see call centers setting up here."

Sodetel is also gearing up for the anticipated boom. The oldest telecoms provider in Lebanon, Sodetel is owned by the government (50%), France Telecom (40%) and Telecom Italia (10%), and was created in 1968 to manage a submarine cable between Beirut and Marseilles. In 1991, the company introduced Libanpac, the national packet-switching data network and, five years later, set up an Internet network to become a major ISP to the multinationals. Patrick Farajian, chairman and CEO, says: "We offer excellent customer service, a high level of performance and are constantly in touch with the latest technologies. Our know-how makes us an attractive prospect for partnership."

Sodetel will also provide ADSL technology this year. Farajian says: "We are proud to be offering customers a consistent, fast and cost-effective way to optimize usage of the Internet."



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skiing, world-class hotels, a Mediterranean climate and a host of historical landmarks, it seems Lebanon has all the prerequisites for a booming tourism industry.

As Tourism Minister Joseph Sarkis notes: "The tourism industry can effectively contribute to the creation of economic and social solutions for many of the challenges we face." Until last year, the sector was growing at 14% per year, with Arab nationals making up the largest percentage of visitors.

In 2004, the number of arrivals reached 1.28 million, almost on a par with pre-war levels. January 2005 was also promising. The ensuing assassination and a spate of car bombs in Beirut over the summer may have kept some away, but as Sarkis notes, tourism figures were still well over a million in 2005, showing that "tourism could have a bright future if we properly use its economic potential."



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Local tourism entrepreneurs are now targeting niche markets. New resorts are appearing on the horizon, such as the Sannine Zenith tourist project, while beach resorts Edde Sands and La Voile Bleue are all set for a respectable summer season.

Despite occupancy rates on hotels plummeting from 70% in 2004 to 26% in 2005, Pierre Achkar, president of the Federation of Tourism and general manager of the Monroe Hotel Group believes this has more to do with Lebanon's international image than a real security threat. He says: "The political situation left little budget for promoting tourism outside of the region last year. However, during any Muslim holiday in the Arab countries, Beirut is fully booked, because they know what is really happening here."

Achkar's grandfather opened the first Lebanese hotel outside Beirut in Broumana in 1937, and in 1964, his family opened the Printania Palace Hotel, "the biggest and most luxurious in Lebanon at that time." In 2000, Achkar started the Monroe Group, which incorporates the Monroe Hotel and the Markazia Monroe Suites. He says: "We already have a new hotel in Sudan. Our target is to become the best four-star brand in the region."

Management at the newly-refurbished Le Bristol Hotel in Beirut is also locating lucrative gaps in the market. Most of the clientele are business people from within the region, attracted to the 1,000-people capacity of four banqueting rooms and the hotel's high-tech facilities. General manager Marc Doumet says: "We offer a personalized service to corporate business conferences, particularly in the medical field."

Hotel upgrades are just one part of a series of transformations happening in the Lebanese capital. A city of around one and half million people, Beirut is densely populated and alive with energy. Eager to

Photo courtesy of Beiteddine



The Beiteddine Festival will celebrate world music in a historic palace

shake off its war-torn image, the municipality has authorized a complete overhaul of the downtown area.

Work began under the late Prime Minister Hariri, who created Solidere, an entity tasked with effectively rebuilding Beirut. Abdel Mounim Ariss, the city's Mayor, explains: "Family ownership of properties for centuries, in tandem with inheritance laws, resulted in some properties being owned by up to 600 individuals. It was therefore extremely difficult for multiple owners to agree to sell or rebuild."

Solidere thus set about purchasing these properties at a fair market price and either restoring them or replacing unsafe structures with new ones.

The transforming city is 45% complete and still a hive of construction activity, but the Beirut of tomorrow looks set to be a thriving business and residential metropolis that reflects the dynamism of the city's inhabitants.

The Mayor says: "Major shopping centers and retail outlets, offices, commercial centers, publishing firms, company headquarters and embassies will coexist with the smallest of enterprises as space is reserved for kiosks."

Beirut's seafront is also being revamped, with a new marina nearing completion and

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a collection of high rises sprouting up on the horizon. "These are high value properties due to the sea view and the demand for luxury apartments on the part of the Lebanese and other Arab nationals," says Ariss. With the red tape slackened, opportunities for outside investors and developers are also opening up, with projects being offered as Build Operate Transfers (BOT).

Meanwhile, Solidere's share prices are booming. Nasser Chamma, chairman of Solidere says: "Solidere is definitely a successful model that illustrates how the private sector can become a constructive player in the development of the country."

"The marina properties are high value due to the sea view and the demand for luxury apartments from Lebanese and other Arab nationals."

Ten years ago, the retail areas at Beirut's gateway Rafic Hariri International Airport were also offered to bidders on a BOT basis. The contract was awarded to Phoenicia-Aer Rianta Company S.A.L., in a joint venture between Aer Rianta International-Middle East and Phoenicia Trading Afro Asia.

Following a major revamp last year, Beirut Duty Free now has a total retail space of more than 4,500 square meters and is one of the best duty free outlets in the region. Chairman Mohamed Zeidan says: "Our main aim has been to change the image of Lebanon and offer a mix of high quality, domestic products while bringing European travel retail strategies and solutions to the Middle East. We have won many international prizes for our innovations, including the Cannes Frontier award in 2004 for our VIP cigar

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A consortium formed by **International Port Management (IPM)** has been managing the new container terminal for a year. By concentrating on employing local and ambitious staff, and through a strategy of transfer of knowledge and the development of state-of-the-art systems, the Beirut Container Terminal is now one of the most sophisticated in the region. Along with the American University of Beirut, IPM has established a center for transport research to support this strategy. IPM is now one of the major employers in Lebanon, boasts sophisticated cargo tracking systems, runs a very efficient terminal, has helped the Port in establishing itself as a regional hub, and is already exporting knowledge through training programs, planning services and the development of customized information technology systems.

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lounge, which offers a very personalized service." Now, one in every four Havana cigars sold is said to be sold in Lebanon.

Despite their reputation for entrepreneurship, it is not all work for the Lebanese people. For two months every summer, three of the country's most beautiful monuments provide the settings for a series of music festivals. Nora Joumblatt is president of Lebanon's original Beiteddine Festival, formed in 1987 during the war years to show the "non-violent side of Lebanon."

Relaunched three years ago, the festival now boasts attendance figures of between 60-70,000 with Elton John and Placido Domingo among former performers. Joumblatt says: "We have come a long way. Although we receive some financial aid from the Ministry of Tourism, it is really the private sector that drives the festival." This year's line-up includes Latino Ricky Martin, stars from L'Etoile du Royal Ballet and Liza Minnelli.

So, is Lebanon's future worth betting on? Rainier Jreissati, president of the Libanaise des Jeux lotto, certainly thinks so. Started in 1985, the national lottery has grown from 400 to 1,000 outlets, with prizes averaging U.S.\$1 million to be won twice a week. Jreissati says: "Our expansion strategy means we may be one of the first countries to do the lotto by phone and SMS, thereby attracting the Lebanon diaspora and we are also online."

Like their European cousins, the Lebanese are also known to suffer lotto fever. A U.S.\$4 million rollover in April caused a frenzy of last-minute ticket sales, for example, and brought the whole of Beirut to a standstill—which is no mean feat in the buzzing capital.

As Jreissati says, like the festivals and regeneration projects, the lotto represents the perseverance of the Lebanese people and the hope of a better future.



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