



# EMENAI NEWSLETTER



## The new Newsletter from Shanda Consult

EMENAI – Europe, Middle East, North Africa and India, the regions of activities of Shanda Consult. Our newsletter, published every four to six weeks, informs about business and investment related topics from the markets that we are focusing on. Being well established in the wider Middle East and in Germany and neighbouring countries, our firm and its associates focus on the following competences:

- Consulting and localisation services for European industrial investors regarding their industrial investments in the Middle East and India;
- Consulting and localisation services for investors from the Middle East, India and China regarding their investments in Germany, Austria and Switzerland (share and asset deals);
- Setting up regional and global headquarters in Cyprus, company registration, corporate and fiduciary services, localisation, accountancy, setting up funds (mainly AIFs).

Besides information and news about Cyprus, the EMENAI Newsletter publishes a different featured focus with every issue.

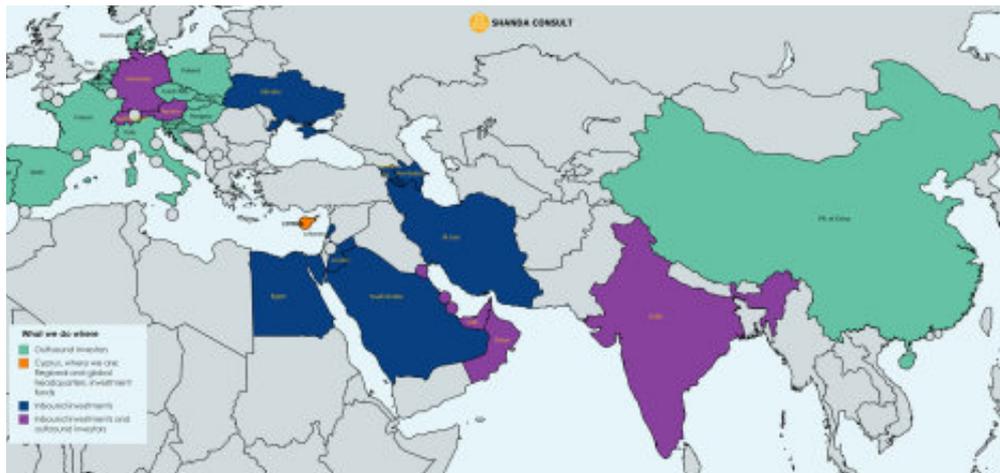
Featured focus may be on a country, and industry or any other business-related topic.

While we are focusing on Lebanon this month, the featured focus of our next issue will be the Islamic Republic of Iran.

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Check out our Individual Highlights on every page!





## Cyprus – Business Hub between Europe, the Middle East and India for 3000 years

Since more than 3000 years, Cyprus has been an economic hub between the Middle East, North Africa and India on the one side, and Europe on the other side (“EMENAI”).

The Phoenicians established trade hubs in Cyprus, at the time of the ten “city kingdoms”. The ancient Egyptians used Cyprus as a trade hub for their commercial interchanges with the Hittites, Phoenicians and other nations of the Eastern Mediterranean. Cyprus was known for its important olive oil production at that time, being a precious commodity for lamps, food and beauty. The Roman Empire further developed the olive

oil production, and Cyprus became one of the main suppliers of olive oil for Rome.

During the Byzantine period, Emperor Justinian II agreed with Abd al-Malik ibn Marwan, the famous Umayyad Caliph, to rule Cyprus together, in order to mutually benefit from its central geographical position.

At the end of the last Crusade, Guy Lusignan founded the Frankish Kingdom of Cyprus (1192 – 1489), with Latin, and later French and then the Cypriot dialect of Greek as official language, and Gothic cathedrals. Cyprus became an extremely rich commercial hub, controlling almost the entire trade in both

*In 2016, Foreign Direct Investment in Cyprus increased by 9%, and the economy grew by 3%, one of the highest growth rates within the European Union*

### Cyprus in Brief

Republic of Cyprus, constituted on 1 October 2016, divided into two parts since 1974, ongoing reunification talks failed repeatedly during the last four decades. The Northern parts is dominated by Turkish Cypriots (and Turks from Turkey), and not under the control of the Rep. of Cyprus. The Southern part is dominated by Greek Cypriots and under the control of the Rep. of Cyprus. Cyprus is a unitary presidential constitutional republic full member of the EU since 01 May 2004.

#### Republic of Cyprus:

- Population: ~ 853.100, 21% foreigners
- Off. languages: Greek and Turkish, English is spoken very widely
- Currency: Euro (since 01 May 2004)
- Main economic areas: tourism, real estate construction, financial services, shipping
- Incoming tourists in 2017: 4 Mio.
- Nominal GDP 2016: €17,9 billion, €20.985 per capita,
- Economic growth in 2016: 2,8%, expected for 2017: 3,1%

directions between the East and the West.

The Frankish period came to an end with the influence of Venice, which ruled Cyprus from 1489 to 1571, utilising Cyprus as a commercial base for their trade between East and West, and vice versa.

After the rule of Venice, the Ottoman Empire ruled Cyprus 1570 to 1878, when Cyprus became a British colony. Both the Ottomans and the British benefited from Cyprus as a commercial hub.

The Republic of Cyprus is independent since the foundation of the Republic of Cyprus in 1960. Yet today, Cyprus benefits from its central location in the Eastern Mediterranean, being the most Eastern EU Member, closed to the Middle East and North Africa. Cyprus attracts both companies from Middle East and from Europe, as well as the USA, which chose Cyprus as regional headquarters. Recently, Chinese companies started to set up Cyprus Companies and bringing in their own staff.

Companies from the USA and Europe prefer Cyprus as a business location, or a business hub, to oversee and to manage their Middle East and North Africa (MENA) activities.

Companies from the Middle East and from China are mainly benefiting from Cyprus as an “Entrance Gate to the EU”. Such compa-

nies are generally managing or operating their business activities in the European Union from Cyprus, taking benefiting from the advantages of Cyprus.

Operating a regional hub from Cyprus provides a lot of advantages. One advantage is without any doubt that Cyprus is a very safe place, compared with many MENA countries, and it is a member of the EU, yet close to the MENA region. Some more advantages are listed below:

Daily maritime feeders connect Cyprus with the ports of the Mediterranean Sea.

Cyprus offers frequent direct flights to many airports of the MENA region.

14 Arabian banks from various MENA countries do have subsidiaries in Cyprus.

The business language of Cyprus is English.

Cyprus provides a simple tax system with business-friendly tax rates.

Cyprus does not tax the profit from the disposal of securities in its widest sense, including company shares.

Cyprus enjoys political stability and security.

Cyprus provides very good infrastructure, including communication infrastructure.

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## Setting up business in Cyprus – company registrations increasing

After the crises in March 2013, Cyprus company registrations increased moderately but steadily every year, a clear sign for returning confidence of international businesses, financial companies and investors.

The annual number of Cyprus company registrations reached 13.645 at the end of 2016, up from only 10.847 in 2013. Based on the number of company registrations until 31 August 2017, the total number of Cyprus company registrations is expected to reach 14.200 at the end of 2017.

The return of confidence of international businesses in Cyprus since the crises in March 2013 is well reflected in the annual amount of company registrations in Cyprus. The above green bars are showing a continuous upward trend of Cyprus company registrations since the sudden decrease in 2013. The polynomial trend line shows a further increasing trend for 2018.

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## Cyprus Alternative Investment Funds (AIF)

Cyprus is currently the fastest growing fund centre in Europe, thanks to its modern funds legislation fully in line with all relevant EU Directives and its well-established network of financial and professional service providers. Alternative Investment Funds (AIF) are new investment instruments as per the Alternative Investment Fund Managers Directive of the EU (2011/61/EU).

Compared with other forms of funds, Alternative Investment Funds (AIF) are a more flexible investment vehicle especially suitable for the purposes such as equity funds, venture capital funds or real estate funds of private investors or smaller groups of investors. The minimum paid up capital of Cyprus Alternative Investment Funds (AIF) is EUR 125.000.

Cyprus Alternative Investment Funds with a Limited Number of Persons (AIFLNP)

Cyprus Alternative Investment Funds with a Limited Number of Persons (AIFLNP), registered as per the AIF Law (2014) of Cyprus, are restricted in the max. number of unit holders to max. 75, and they may only be marketed to professional and/or well informed investors. The maximum portfolio of assets managed is EUR 500 million if unleveraged or EUR 100 million if leveraged. AIFLNPs can be self-managed, are not obliged to report to the Regulator, and there are no restrictions for Cyprus Alternative Investment Funds (AIF) regarding the type of investments. **Read more...**

## EBRD Signed SME programme with Cyprus

EBRD President Sir Suma Chakrabarti and the Minister of Energy, Commerce, Industry and Tourism of the Republic of Cyprus, Mr George Lakkotrypis have signed a €2.2 million agreement to strengthen small and medium-sized business (SME) support to increase their competitiveness and growth potential.

The agreement was signed on the last day of the 2017 EBRD Annual Meeting and Business Forum, which took place in Nicosia, Cyprus.

This is the first of its kind of agreement which the EBRD has signed with one of its countries of operations within the EU.

The €2.2 million funding comes from the EU Structural and Investment Funds with the aim to extend and expand the EBRD Advice for Small Businesses programme in Cyprus for further three years. **Read more...**



## Cyprus is rapidly developing as a centre for Information and Communication Technology

### Cyprus Information and Communication Technology (ICT)

The Government of Cyprus has announced ICT as one of the island's priority growth sectors, a Digital Strategy and Action Plan has been developed for immediate implementation. The capital Nicosia has been identified as the future centre of Cyprus for ICT and Research & Development.

Main reasons for international software companies to choose Cyprus: securing software developers, serving the region and the business-friendly environment of Cyprus.

Especially Western countries and Australia are suffering from a shortage of software developers in their countries. This shortage increased the salary levels of software developers in many countries, making them often even unaffordable. Outsourcing might be one solution to the problem. However, security is often an issue, especially when new products or technologies are under development.

Cyprus is one of the top jurisdictions for international software companies, to secure software developers, thus providing thousands of jobs for software developers.

*Cyprus has invested heavily in state-of-the-art systems and has a fully digital national network, with high-speed connectivity via satellite and fibre optic submarine cable systems...*

## Lebanon-Cyprus cooperation on high speed internet connection

Lebanon's share in the submarine cable 'Alexandros' will be increased from 310 GB/sec to 1,920 GB/sec. The initiation of the fiber optic project is expected in the following weeks of October 2017. The USD 300 million project will help to boost Internet speed; thus, the Lebanese people will soon have access to internet speed of 50 megabits per second.

A memorandum of understanding (MoU) has been signed between the Ministry of Telecom of Lebanon and the Cyprus Telecommunications Authority (Cyta) regarding the increased share.

Telecoms Minister Jamal Jarrah said in a press conference that Lebanon's current capacity will be increased tenfold, from 60 GB/sec to 600 GB/sec. at no extra cost to the Lebanese state. The cost of the relevant equipment for expanding the capacity will be assumed by Cyta.

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Cyprus is the first choice for many software companies from the USA, Europe, Russia, Australia and other countries for running their regional headquarters from Cyprus, typically serving clients in the Middle East and North Africa, in case of European software companies, or serving entire Europe, in case of non-EU software companies.

### Cyprus Research and Development (R&D)

Research & Development activities are mainly carried out by the universities in Cyprus, with a strong focus on applied research projects. However, there are private Cyprus companies as well dedicated to R&D, for applied research, for independent research and for project management as well.

The flagship of private R&D companies in Cyprus is CyRIC - Cyprus Research and Innovation Center Ltd, which participates in more than 40 research projects worth more than EUR 40 million, largely funded by the EU. Currently, CyRIC coordinates several FP7 and Horizon projects with overall budget exceeding 20 million Euro. CyRIC is the only private company in Europe that was ranked 1st in European Research Ranking for 2014 in Cyprus. This is a very unique achievement since in all EU countries the leader is always either a public body or a University or Research Institution.

CyRIC is mainly, but not only, active in the following three areas:

- Mechanical Engineering and Prototyping (MEP)
- Information, Communication Technologies and Electrical Engineering (ICTEE)
- Biomedical Engineering and Medical Informatics (BEMI)

CyRIC recently set up the first innovation startup incubator in Cyprus.

CARDET (Center for the Advancement of Research & Development in Educational Technology) is an interesting organisation, aiming to inspire next generation education, and to promote research, innovation, and development through evidence-based practices, cutting-edge research, and empowered people.

The Oceanography Centre of the University of Cyprus operates the Cyprus Coastal Ocean Forecasting and Observing System (CYCOFOS) near Limassol, which is one of the few members of the Network of European and Mediterranean Operational Oceanographic Forecasting and Observation Stations.

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## The FinTech sector in Lebanon

Lebanon has a well-developed financial technology (Fintech) sector. Due to its advanced fintech ecosystem, 14% of the MENA region's startups are hosted in Lebanon. Lebanon is the 4th most served market by fintech companies. The Lebanese population is open and adaptive to new innovative technology solutions.

According to IDAL, the Investment Development Authority of Lebanon, 54% of the people having bank accounts adopted to digital banking. Lebanon ranks 3rd after the UAE and Egypt for the Adoption of Digital Banking Services.

Lebanon has a highly educated and cost competitive labor force. According to IDAL: the country ranks 19th for the quality of its educational system and it ranks 6th for the quality of its math and science education globally. The number of university graduates in ICT is high as well. Approximately 2000 graduates join the ICT sector annually.

Lebanon does not lack in incubators and accelerators as well. According to IDAL currently there are 8 incubators and accelerators providing mentoring, training, technical and financial assistance to fintech companies in Lebanon. **Read more...**

## EBRD will operate in Lebanon as its new shareholder

EBRD's shareholders approved the membership of Lebanon to become a recipient of EBRD investments and advisory services. They expect to start the operations in the second quarter of 2017. EBRD's shareholders approved the membership of Lebanon to become a recipient of EBRD investments and advisory services. They expect to start the operations in the second quarter of 2017.

According to an unnamed official, Lebanon will benefit from EBRD's financing in projects of public sector as well as private sector. Providing support for private sector can be through loans or acquisition of shares in the capital of local companies.

Lebanon is the most welcoming country in MENA region to invest and doing business. Lebanon location provides easy access for companies to the regional and international markets. **Read more...**



## Lebanon investment opportunities and incentives

Lebanon is strategically located at the crossroads of Europe, Asia and Africa. Due to its preferential geographical location, it provides companies with easy access to regional and global markets and as a gateway to the Middle East countries.

Lebanon offers financial and non-financial incentives to national and foreign investors. Exemptions and tax benefits are offered by various ministries and government agencies as well in diverse (from agriculture to Information Technology) fields to support business people and companies in the set-up and operation phase of their businesses.

The Investment Development Authority of Lebanon (IDAL) introduced two incentive schemes, one for larger investment projects and one for SME-s operating in 8 economic sectors, with a set of investment incentives.

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## Lebanon - Economic and financial market overview

Despite the global and regional economic challenges Lebanon has maintained its financial stability over the past quarter century. The financial sector, especially the banking sector has grown rapidly over the past years.

The Lebanese banking sector could maintain its profitability and growth despite the domestic shocks and surrounding turmoil. In 2016 the total assets of the Lebanese banks were exceeding USD 204 billion, securing stability to the Lebanese pound and to interest rates. Deposits of commercial banks increased by USD 10 billion at the end of

2016. Deposits of non-residents rose by 12% to USD 31 billion in 2015.

The Lebanese financial model - designed by the Banque du Liban - has managed to inspire confidence in the Lebanese Financial System. Financial soundness indicators of the Lebanese banks are stable and strong as well. According to the World Competitiveness Report 2015-2016 the Lebanese banking sector is ranked as 23rd (among 139 countries) preceding Japan, the US and Germany.

Remittances from Lebanese immigrants

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*The Central Bank of Lebanon successfully manages a low inflation rate as well. The average inflation rate from 2008 until 2017 is 2,12% only*

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### Three-days State visit on highest level

The President of the Rep. of Cyprus, Mr Nicos Anastasiades, visited Lebanon for three days in June, where he met the President of Lebanon, Mr Michel Aoun. Anastasiades was accompanied by a large business delegation from Cyprus, including Stefan Nolte, MD of Shanda Consult.

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played an important role in supporting the solvency of the banking sector. According to the Migration and Remittances Fact book 2016, in 2015 Lebanon was the 17th largest recipient of remittances in the world and the 2nd largest in the Arab world with USD 7.5. billions of remittances.

Lebanon has a low inflation rate as well. The average inflation rate from 2008 until 2017 is 2.12% only.

The highly liquid banking sector, confidence in the financial markets and in the Lebanese Pound and as well as the inflow of remittances played an important role and enabled the Lebanese economy to maintain its financial stability.

The outlook for 2017 is positive as well. With the election of President Aoun and the formation of a new Government, many several new reforms have been introduced in order to further boost the economy.

The highly liquid Lebanese banking sector enables commercial banks to financially support governmental and private sector projects.

Various credit incentives provided through the commercial banking sector contributed a lot in boosting and fostering the traditional sectors; developing the knowledge economy and supporting the creative media

industry.

Banque du Liban, the Central Bank of Lebanon has introduced unconventional monetary policy packages to sustain the country's growth and job creation potential. The stimulus packages of 2013 and 2014 have contributed approx. 50% of real GDP growth.

Recently BDL placed special focus on supporting the country's knowledge industry as well. Special focus lies on the country's human capital and the potential to turn Lebanon into an innovative hub. Lebanon has a highly educated and qualified population, which has the potential to turn innovative ideas into successful business, thus creating new job opportunities and eventually expanding the country's GDP. In view of this BDL has issued Intermediate Circular 331 to encourage local banks to support startups and other companies in the knowledge economy.

As part of its modernization plan, BDL has established the Financial Stability Unit to monitor the financial sector, the Corporate Governance and the Compliance Unit in order to ensure that banks and regulated entities are in compliance the international regulations and laws.

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## New Business Innovation Center in Amchit, Lebanon

Lebanese venture capital fund, Berytech and NGO Michel Issa Foundation for Local Development (MIF) have signed a Memorandum of Understanding for the establishment of a business innovation center in Amchit, Jbeil District of Mount Lebanon Governorate.

The new business center aims to foster innovation, economic development, entrepreneurship and job creation in the region.

According to Toni Issa, President of the MIF: "The project will attract the best talents, university students, entrepreneurs, startups and SMEs to the area thus reducing migration of young professionals to Beirut, enhancing innovation and contributing to local development."

The innovation centre will provide fully furnished modern offices, co-working space, business development services e.g. coaching, training, networking events; meeting and conference spaces.

"The center will help create a community while constantly organizing networking events, meet-ups and conferences to promote entrepreneurship and job creation ....it will focus on the ICT, smart agri-food, renewable energy, ecotourism and social entrepreneurship." said Maroun Chammas, CEO of Berytech. **Read more...**

## UK Lebanon Tech Hub receives \$ 3.2 million

The Central Bank of Lebanon provided a fund of \$ 3.2 million as an investment for the UK-Lebanon Tech Hub (UKLTH). The same amount was provided by the British Embassy in February this year, which totals to \$ 6.4 million.

The funds will be used to foster the entrepreneurial ecosystem and to improve the knowledge economy in the country, said Dimitry Papadimitriou, Acting Director of UKLTH London office.

The UK Lebanon Tech Hub is an international initiative, offering several activities to support SME-s and entrepreneurship in Lebanon with the aim to increase GDP and to create new jobs in the country. **Read more...**



## Strong ties between Cyprus and Lebanon

The ties between Cyprus and the region that is Lebanon today, stem from times more than 3000 years ago, when Phoenicians established trade colonies in Cyprus. Even the famous philosopher Zenon of Kitieus (334 - 262 BC, Kitieus being a city Kingdom in Cyprus), founder of the Stoic School, is believed to be the son of Phoenicians living in Cyprus.

During the 13th century, about 50.000 Maronites from the region of today's Lebanon migrated to Cyprus. During the civil war in Lebanon in 1975, more than 100.000 Lebanese migrated to Cyprus, many of them turned back after the end of the war.

Today, around 20.000 Lebanese immigrants and descendants of immigrants live in Cyprus, contributing substantially to the islands economy. Nine Lebanese banks are operating in Cyprus, and almost 30 weekly direct flights connect Larnaca with Beirut, the flying time being just 25 minutes.

In January 2016, the Lebanese-Cypriot Business Council was formed, aiming to further enhance the economic ties between the two countries.

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### *Building bridges...*



## Last Minute: Cyprus introduces a new filming scheme



On Wednesday, the 27th of September 2017 the cabinet has approved the new filming scheme, which aims to attract overseas filming companies to shoot their films on the island.

The new Cyprus filming scheme will offer a series of tax incentives and will focus on promoting Cyprus by highlighting its competitive advantages.

According to Finance Minister Mr. Harris Georgiades, "it is an investment scheme that combines very satisfactory and important tax incentives, tax redemptions and subsidies to encourage this very important and promising industry".

The new filming scheme was developed by the Unit of administrative Reform of the Presidency in cooperation with the Cyprus Investment Promotion Agency (CIPA) and the Ministry of Finance.

The Cyprus filming scheme includes the production of films, documentaries, TV series and cartoons and offers the following incentives for production companies opted to film in Cyprus:

Cash rebate (partial refund of the expenditure made in Cyprus)

- Tax credit
- Tax discounts on investments made on equipment and infrastructure
- VAT returns

The cash rebate may reach up to 35% of the amount invested in Cyprus, and it is limited at EUR 650,000 for each production.

The responsible body for implementing the scheme is CIPA, The Cyprus Investment Promotion Agency.

CIPA will also provide support in obtaining permits, importing and exporting equipment and dealing with the relevant local authorities and ministries.

According to Mr Constantinos Petrides, Minister of Interior and Reforms Commissioner, the Cyprus filming scheme was designed based on expert advice and by studying the best practices of other countries, like Malta, UK, France, Ireland.

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