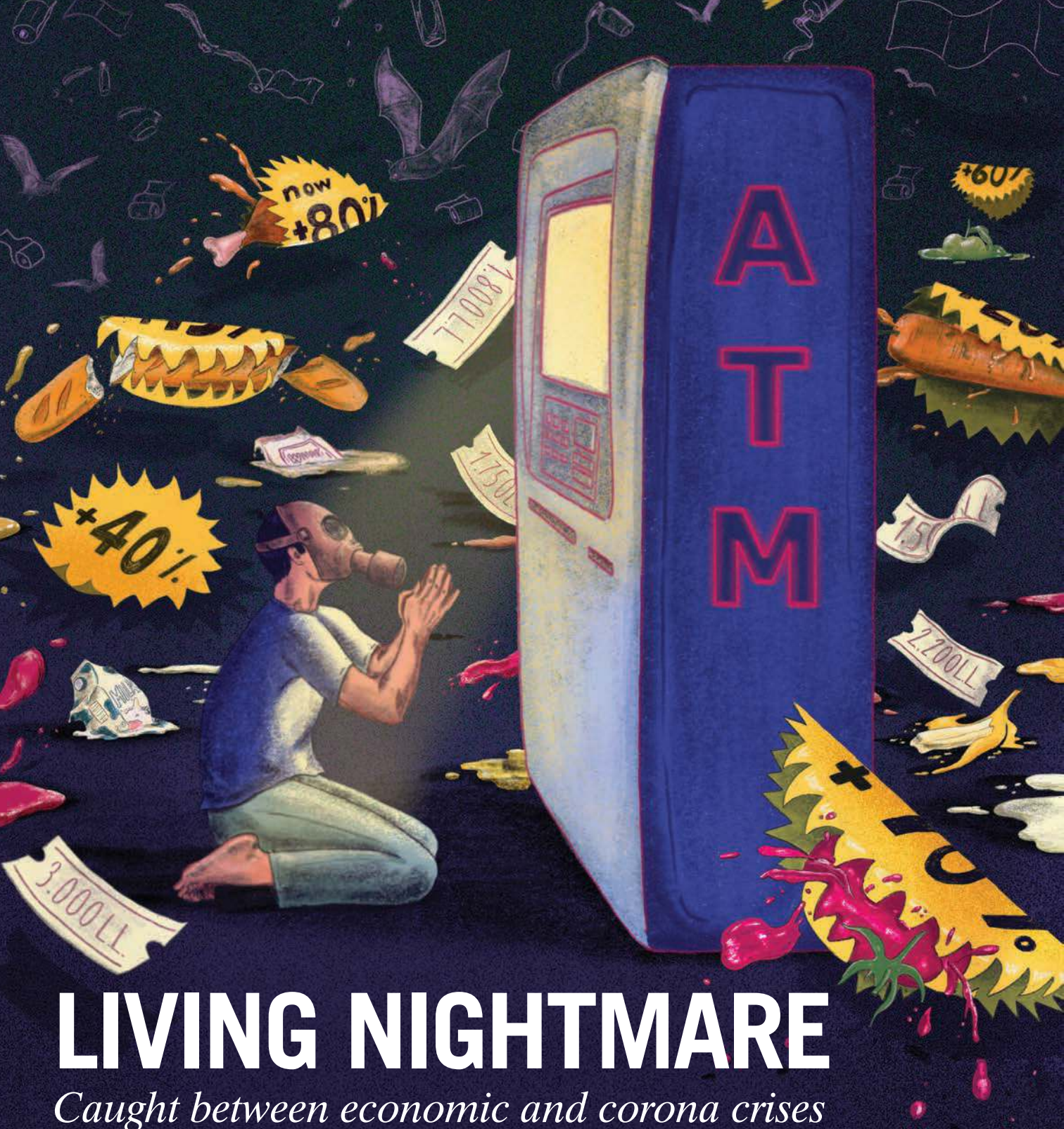


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LIVING NIGHTMARE

Caught between economic and corona crises

NEW INTERIOR



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EDITORIAL

#245-246

Dystopian nightmare

These are worrying times for all of us. In April the lockdown in Lebanon was extended for a second time. It has since been extended to May 10, though with accompanying easing measures that will see the staggered reopening of the country. On a global scale, our lives have been disrupted *en masse* in a way in which many people will have not experienced in their lifetimes. People are anxious, anxious over their health and that of their loved ones, but not just that, over their jobs, over the bills still piling up while savings dwindle. The brutal reality is that for many, missing one paycheck was enough to push them below the poverty line. People are scared.

Here in Lebanon, it is as if we are living in a nightmare. Already suffering under an economic crisis that had cost many their jobs at a time when access to money was curtailed and prices were rising, many Lebanese had already been pushed past breaking point and others were teetering at the brink—all while our politicians continued playing the game as if people's lives were not dependent on them getting their acts together. It seemed as though things could not get worse: Enter the coronavirus.

It would be easy to give over to despair in times such as these, where challenges seem insurmountable, and the human solidarity needed to overcome them is fractured by our imposed distance from one another. But this too will pass. And now, more than ever, is the time to be thinking of the future. Because the world will change. That is a given. Whatever path we were on before the coronavirus swept over the globe has been altered. A new future lies ahead, and it is the decisions we make now that will shape it.

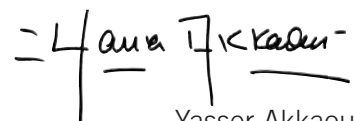
What does that mean for Lebanon? On the most basic level, this crisis has shown us that our overreliance on the outside world is a vulnerability that can and must be addressed. Increasing numbers of Lebanese are struggling to afford the food they need for themselves and their families. In the short term, we need to band together and look after each other, fill in the gaps left by the state—as we always have.

But looking to the future, now is also the opportunity for us to focus our attention on developing our agriculture and agro-industry sectors and to ensure those working in them have the support they need to succeed. To date, these vital sectors have been neglected and overlooked, with no steps taken toward their improvement other than those of social entrepreneurs utilizing design thinking to solve individual problems. But these are not national programs, nor at the scale at which we need.

Agriculture works on a cycle of 21 weeks, investments in it will pay off fast. We need to start strategizing now, not just because of the coronavirus crisis but because our own home-grown economic crisis was already putting tremendous pressure on imports—imports that we rely on to a dangerous degree. What do we need to produce locally to secure a higher level of food security in this country? These are fundamental questions that we need to address. Now more than ever, there is a public need for affordable local produce, and we have to develop an agriculture industry capable of addressing this need.

Our eroding purchasing power is gnawing away at us as these crises drag on, and there is little sign that our local currency will regain its previous value. The day-to-day supplies that each Lebanese needs to feed themselves and their families are only going to be available and affordable in the coming years if they are locally produced and sold in the local currency.

Now is the time to look inward for change, to work together in these most difficult of times to secure the best future for our country.



Yasser Akkaoui
Editor-in-chief

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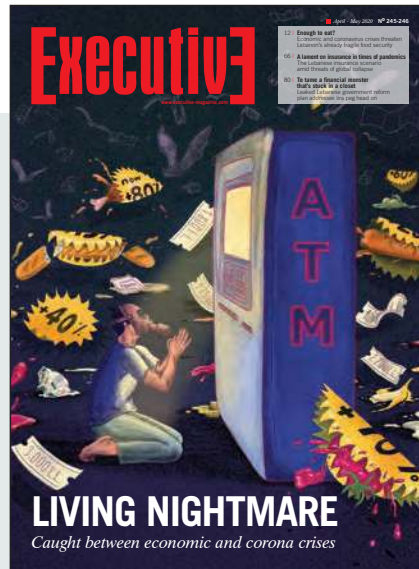
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LEADERS

MEDIA

Brave new world

Pandemic brings needed media self-reflection

What is in a magazine? From the perspective of us who write and edit the content of EXECUTIVE, it is a striving for truth, meaning a constant quest and never-ending chase for an elusive public good of the first order. In times of crisis, this striving for truth is often the most valuable contribution that critical thinkers, constructive troublemakers, and professional skeptics can make to a society, but in the immediate moment—it is often thankless. And yet, despite it being known to not be financially rewarding, the real prize of the writer is a long-term and intangible hope to make a difference. All that and more is being confirmed to editors of EXECUTIVE and our magazine's entire team during this time of global and local challenge.

In operational terms, EXECUTIVE Magazine is both fortunate and deeply challenged by the circumstances. We decided in March as the lockdown got underway to reorganize our workflow, shifting from a monthly magazine format to an online-first approach. This has not meant a decrease in our output. On the contrary, these last seven weeks, through the immense efforts of our in-house writers, have seen multiple weekly analyses and the production of not the usual one, but three special report focuses: on Lebanon's food security, on the impacts of coronavirus, and on what this all means for the insurance industry.

Moreover, following passionate deliberations and soul searching, we have decided to double up our online content choices by creating a full PDF

version of the magazine. You can now pour over EXECUTIVE pages online as you would go through pages in the print edition, or continue to enjoy our stories in our web format. It goes without saying that our expert online team of one (enhanced by lots of willing collaboration from our wider

■ Financial pressures come with the territory of journalism and are exacerbating during the coronavirus recession.

team) will keep you alert on what we do, through our social media channels on Facebook, Twitter, Instagram, and LinkedIn.

From perspective of professional journalism, a social media presence helps spread our content but does not do much to solve the challenges



of providing top, trustworthy content in conjunction with economic viability. Financial pressures come with the territory of journalism and are exacerbating during the coronavirus recession for media organizations around the world, let alone for twice or thrice burdened Lebanon. EXECUTIVE is not immune to these pressures; our team is working hard in these difficult circumstances to produce the best stories and analyses that we can, knowing that now more than ever is when Lebanon needs committed, investigative, and honest journalism.

Lebanon's experience of compounded crises is a painful but essential reconfirmation: A country cannot survive without the people's quest for truth. This is always thus but never a more obvious and blatant need than at a time when leaders are lost; when they cannot find a way out of misery without turning to the outside and begging strong nations for costly aid; when they are in danger of giving up their people's sovereignty; when they are unable to climb out of a hole of corruption that they have dug for their political class and for the state.

Talking globally and about moving forward, media and journalism will be in need to reboot after the pandemic. This will involve not just the reignition of the economic engines of media outfits but also a review, rethink, and refocus on conceptual levels. There can be no business as usual under lockdown, even for the online design Picassos, frantic teleworkers, heroes of home office labor, and executive multitaskers that are constantly hopping around between simultaneous Zoom gatherings or confidential Webex board meetings—but going forward, there also will be no business as before.

The preparation phase for all that new business is commencing now when the seed of the post-corona

world is still covered by the calming soil of economic inactivity that has been forced by our medically mandated responses to the pandemic. In the news business—that to some who love it has long been like no other business—the restart of money-making business in a world with more digital media competition over fewer advertising resources will involve taking further and faster steps in digital reengineering of business models, something that has been going on for decades, albeit far too slowly until the 2010s (and with too little vision and lacking of moral compasses throughout).

Media in times of pandemics already have become a hot research topic in online academic journal publishing. Social networking is jumping into a new dimension of its short history, becoming by some observations more socially connective but also more burdensome and intrusive. Observing this and embedding it into a narrative on the problematics of “neoliberal capitalism” (the 21st century edition), American academic Martin Filsseder asks if we could imagine “social media networks and apps designed for the public good?”

In the social networking realm that is a democratization of what once was the profitable communication domain of yellow journalism and digitization of bad gossiping habits, the reality is now turning against that what was the old normal not even a quarter year ago. Social media has for years “incentivized controversy, outrage, and half-baked contrarianism” with the effect that there were many people who “correctly internalized those incentives,” but this is changing, says Andrew Marantz, a tech and social media journalist at The New Yorker. During the coronavirus pandemic, what was seen as good in

terms of clicks—getting people's attention at any price, under total disregard of ethics—even if it was a “bad tweet, morally speaking” is no longer just repulsive from the quaint observation point of looking for truth in media but potentially destructive of lives (it always was, but in a more indirect and less alarming way).

It would be idiotic to believe that this destructiveness of lies and attention will eliminate the human temptations to tell lies or suddenly liquidate and reverse the patterns of propaganda journalism and deception that have been embedded for ages in media cultures of tyrannies, totalitarian states, revolutionary societies, and proud republics that are self-proclaimed homes of their peo-

■ This time of crisis is proof of the need to strive for truth.

ples. For all who care about journalism and communication while living in imperfect societies in the best of all available worlds, this time of crisis is proof of the need to strive for truth.

It is an urgent time us at EXECUTIVE Magazine to keep our deception detectors on high alert, and also fact-check our own assumptions and all narratives as diligently as we can. For publishers, media types, writers, visualizers, bloggers, online influencers, and communicators of all stripes, it is time to rethink business and coverages. In the honorable profession of journalism, this virus-induced chance for personal reflection on existential essentials deserves to be a time of return to emphasizing media ethics and refocus professional journalism, remembering that we should and can be indispensable contrarian cogs in the digital machines of post-pandemic economic and social life.



ENOUGH TO EAT?



Economic and coronavirus crises threaten Lebanon's already fragile food security

For almost anyone residing in Lebanon, trips to the supermarket have become laced with a vague sense of apprehension. The more privileged may wonder how much the price of their favorite brand of imported cereal is now (as prices have been inflating since the last quarter of 2019), or if indeed it is still found in the Lebanese market. Those at a low income level worry that they will no longer be able to purchase the basics needed to feed their families, as prices of even staple items are rising—not to mention the requirement to wear a mask at many supermarkets now, retailing at pharmacies at LL2,000 a pop.

The ongoing economic crisis in Lebanon—and now coronavirus-inspired trade restrictions—have led to inflated prices on imported goods, which, according to the Food and Agriculture Organization (FAO), account for 85 percent of Lebanon's food basket (a list of basic food commodities calculated according to the minimum daily diet of 2,100 calories per the World Food Programme). This has led to questions about our food security, defined by the FAO as when “all people, at all times, have physical and economic access to sufficient, safe and nutritious food that meets their dietary needs and food prefer-

ences for an active and healthy life.” It has also made many question Lebanon's lack of food self-sufficiency, defined by the FAO as when “a country produces a proportion of its own food needs that approaches or exceeds 100 percent of its food consumption.”

The size and scope of global food supply chains today has made nations largely interdependent on each other for food security. According to FAO's Food Outlook Biannual Report on Global Food Markets 2019, an estimated 168.2 million tons of wheat was traded in 2018/2019 and 172.1 million tons are expected to be traded in 2019/2020, an increase driven by larger expected imports from drought affected Morocco and higher purchases by

■ “Before we talk about food sufficiency and decreasing our dependence on imported foods, let us first talk about supporting and strengthening our local production.”

several countries in Asia (the report was compiled before the coronavirus crisis). This year-on-year increase in trade of a key staple food is just one example of the importance and common practice of global food interdependence.

A high dependency on imports for food supplies, however, makes a country's food security vulnerable to external factors such as lower production in source countries due to climate change-related factors or when trade routes are disrupted because of political tensions or strife in an exporting country. An example of this is the coronavirus-related trade restrictions and food hoarding being witnessed in many countries, which has a potential negative impact on global food supplies, according to an article by Reuters published on March 26, 2020. While the article assures readers that, according to analysts, global supplies of the most widely consumed food crops are adequate, it still gives several examples—such as surging prices of soymeal in Argentina—where closed borders and reduced workforces are “putting a strain on the usual supply routes.”

These potential disruptions to trade routes are why most countries aim for a balance between food self-sufficiency and trading within the global food supply chain to ensure high levels of food security. One of the categories used by FAO to measure a country's food security is “stability,” under which falls indicators such as per capita food production variability and cereal import dependency ratios (the higher the dependency ratio, the less food secure the country).

Lebanon falls on the lower end of food self-sufficiency as it imports 85 percent of its food basket. This makes its food security highly vulnerable: the liquidity crisis—which cut off traders' credit lines—and the more recent restrictions on global trade brought on by the coronavirus crisis both indicate the extent to which this is true.

AROUND THE WORLD

For Lebanon to strengthen its food security, it needs to begin with a better strategy for securing its food imports, says Rabi Mohtar, dean of the faculty of agricultural and food sciences at the American University of Beirut. Mohtar is critical of the fact that information regarding where Lebanon imports its foodstuff is not easily accessible through government reports, and that deciding on sources for agricultural imports does not appear to follow a strategy or plan set by the responsible ministries such as agriculture, industry, and trade.

According to Mohtar, the concept of food security has evolved from when a well-stocked silo of

grain at the village entrance meant a happy and well-fed population to become “more complex and akin to portfolio management.” Just like it is considered prudent to diversify investments when managing a stock portfolio—or else risk losing all money invested if one stock plummets—it is wise to have more than one import source for staples. Mohtar gives the example of Saudi Arabia, which he says is one of the most food secure countries in the region because it

■ The ongoing economic crisis in Lebanon—and now coronavirus-inspired trade restrictions—have led to inflated prices on imported goods.

imports the same staple from multiple countries, therefore diversifying its portfolio of agricultural imports and minimizing the risk to its food security.

Lebanon, by contrast, tends to opt for the cheapest source country for importing a staple foodstuff, meeting all its demands from it. For example, all of

Lebanon's wheat imports are from Ukraine (the 6th largest exporter of wheat in dollar value), according to Mohtar. “Our criteria were to import at a low cost and so we were not looking at that from a robustness of the food system and diversification perspective but I think moving forward we need to be looking at these issues and the tradeoffs,” he says.

MADE IN LEBANON

Regardless of how much Lebanon diversifies its sources for imports, however, its food security will remain weak if 85 percent of its food basket comes from external sources. To decrease this dependency on global food supply chains, Lebanon needs to work toward increased food self-sufficiency. On aggregate, Lebanon is most self-sufficient in fruits (147 percent) followed by vegetables (93 percent) while it imports 83 percent of its total cereal consumption, as per ESCWA and World Food Programme's 2016 Strategic Review of Food and Nutrition Security in Lebanon.

The first and most basic step for Lebanon to become more food self-sufficient is to further develop its agriculture and agro-industry sectors, according to Kanj Hamade, assistant professor of agricultural economics and rural development at the Lebanese University. “Before we talk about food sufficiency and decreasing our dependence on imported foods, let us first talk about supporting and strengthening our local production, our local agro-industry,” he says.

The ongoing economic crisis in Lebanon and the more recent trade restrictions due to the global coronavirus pandemic have made clear the importance

Food security

of productive sectors to the economy (see Q&A with Nadine Khoury page 16) and more attention is now being given to improving the country's agriculture and agro-industry sectors (see page 10). Strengthening agriculture and agro-industry is easier said than done, however. Four years ago, in 2016, EXECUTIVE covered the Lebanese agricultural sector and its limitations, which back then included a problematic and traditional irrigation system, limited availability of irrigated land, and lack of planning and coordination at the ministerial level, coupled with a lack of regulations and weak implantation of existing ones. Sadly, not much has changed since. According to FAO's website: "Agriculture plays a relatively minor role in Lebanon, contributing about 5 percent of GDP." In terms of the number of Lebanese dependent on agriculture to make their living, however, the picture is slightly different. Both the FAO and ESCWA estimate as high as 25 percent of employment in the country is through agriculture and up to 80 percent of economic output in rural areas is agriculture-based. On agro-industry in Lebanon, the FAO says it accounts for an additional 5 percent to GDP and "constitutes a major and growing employer in the economy."

It is often said that opportunities lie in every challenge for those who know where to look. To Hamade, the difficulties in getting food products into Lebanon nowadays and their increased prices (caused by both the economic and coronavirus crises) creates an almost golden opportunity for import substitution in agro-industry. He sees the most potential for import substitutions in dairy production but says goat meat, pasta, and wheat-based breads—if we expand our wheat production—are all areas to consider. "In agro-industry, you can easily use existing production lines to produce and substitute items like pasta and other hard wheat products," he says. "We have an opportunity in almost all food products to first try and get raw material from local markets—so we can support them—and if [the local supply] is not enough or not available, then import raw material to develop any part of the agro-industry sector so you can substitute imports and meet local demand."

THE BEST LAID PLANS

Both Hamade and Mohtar told EXECUTIVE that increasing self-sufficiency is not a zero sum game—no country in the world is a 100 percent self-sufficient. Decreasing our percentage of imports, however, is still an important goal. "Because of the

economic crisis and now the corona crisis, we have an opportunity to decrease this figure, which is very good," Hamade explains. "We don't have to be fully self-sufficient, however—which is hard anyway because we are a small country with limited resources such as water and land that are needed if we want to raise livestock, for example—but we can move the percentage lower." Doing so, he says, will help Lebanon reduce its balance of trade deficit and move toward having a productive economy instead of being dependent on remittances.

Mohtar believes that any plan for Lebanese food security should first take into account the modern day Lebanese diet and then concerned ministries can set a strategy for what can be locally produced and

what should be imported.

"The need is not to make [the percentage of agricultural products that we import] zero because at some point it becomes a tradeoff—if it is too expensive to produce locally, then it is better to import—but we need to have a national plan for food security," he says. "A

■ Lebanon falls on the lower end of food self-sufficiency as it imports 85 percent of its food basket. This makes its food security highly vulnerable.

plan would say, 'Ok, this is my food basket, I am going to import this much wheat from multiple sources because I don't want to be dependent on one country and I am going to produce my vegetables, eggs, and chicken. I will import some of my needs for red meat but I need to reduce my consumption of it and return to the traditional Lebanese diet where red meat was not consumed daily.'" Mohtar explains that the balance between import and local production would be a function of water, land, and technological availability, which, when combined would dictate the cost of local production against importing these commodities. "A national plan to protect, invest in, or to promote certain food products will guide this balance," he says.

As it stands today, Lebanon's food security is highly vulnerable due to the challenges facing food imports, which our national food basket depends on, and due to years of neglect toward the agro-industry and agriculture sectors. This cannot continue as is. Lebanon is now in serious risk of seeing a significant percentage of its population go hungry, as prices of basic imported commodities increase with limited viable locally produced options. If there ever was a time for the state to have a food security plan, then it is now. ■





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REAPING NOT WHAT YOU SOW



Lebanese agro-industrialists discuss challenges and opportunities in times of crisis

Gibran Khalil Gibran's poem *Pity the Nation*, published in 1933, could almost have been written about lockdown in modern day Lebanon. Most prophetic is the line “pity the nation that eats a bread it does not harvest.” Lebanon is indeed far from harvesting its own bread, given that we import 85 percent of our food needs and that even what we produce locally is reliant on imported items, be it in the packaging or raw material.

Amidst the ongoing economic crisis, now compounded with coronavirus crisis, prices on a wide range of imported and locally produced food items (based on individual and collective observations)—including basics like potatoes, pasta, and rice—are on an increasing trajectory, while consumers' purchasing power is simultaneously decreasing.

Back in November 2019, the World Bank warned that, if the economic situation continued to worsen, 50 percent of Lebanese could be living below the poverty line. With the situation showing no signs of improvement anytime soon, a growing number of Lebanese are worrying about how to feed their families and collectively we have all been reminded of the importance of well-developed agriculture and agro-industry sectors. Unfortunately, the agriculture sector in Lebanon is underdeveloped and contributes a mere 5 percent to GDP, with an additional 5 percent coming from agro-industry, according to the UN's Food and Agriculture Organization (FAO).

It is this reality that is facing local stakeholders in food production who tell EXECUTIVE, via telephone interviews, about the challenges of operating under the existing crisis and how the



L'Atelier du Miel

■ Agriculture and agro-industry had been struggling long before Lebanon's economic woes accelerated in the last quarter of 2019.

agriculture and agro-industry sectors can be supported in order for Lebanon to meet more of its food demands locally, and so decrease its dependency on imports.

A MALNOURISHED SECTOR

Lebanon's compounded crises have created new challenges for local food production sectors and brought them to the forefront of public debates on social media and news programs. However, agriculture and agro-industry had been struggling long before Lebanon's economic woes accelerated in the last quarter of 2019. "Before we talk about the crisis, we have to know that the agro-production sector was facing many problems even before the economic crisis," says Marc Antoine Bou Nassif, founder of L'Atelier du Miel, a honey production company that has been in operation since 2012.

One of the problems facing agro-industry, according to Bou Nassif, is a lack of government imposed regulations and control over food production, which creates a chaotic local market and regulatory barriers to exporting Lebanese products in external markets (he gives EXECUTIVE the example of not being able to export honey to European markets because a test for a certain enzyme is not available in Lebanese government labs).

The regional export market is another area where the food production industry has been suffering since the onset of the war in Syria in 2012 and the subsequent closure of land borders (the impact of which was felt starting 2015), says Mazen Khoury, production manager at Khoury Dairy. Because of the longer routes refrigerated trucks had to take to reach Iraq, in the example Khoury gave, the cost of transport increased from 10 percent of overall production cost to 40 percent. The regional market, according to him, is still suffering from many of the same factors today.

Indicative of a weakening economy, and another detrimental factor for local agro-industrialists according to Khoury, was the closure of regional (in 2017) and local (in 2018) supermarket chains. "These closures, in addition to the smaller markets who were also struggling with paying back the credit they owed us, caused us an estimated annual loss of \$500,000," he says.

FIRST CAME THE ECONOMIC CRISIS

It is in this fertile ground of challenges that buds of Lebanon's ongoing economic crisis made their first appearance. As the agro-industrialists interviewed for this article explain, Lebanon's food production industry is a value-added one, in the

Food security



Picture provided by Biomass

sense that almost all raw materials are imported, paid for with foreign currency, and are used in Lebanon to make the final product.

Food producers were faced with a severe cash flow problem when, after the banks reopened on November 1, 2019 (following almost two weeks of closure), their credit lines were cut and access to their dollar accounts severely restricted. “It’s like somebody opened a new company on November 1 and they have zero cash flow,” says Youssef Fares, general manager of olive production company Olive Trade, which owns Lebanese olive oil brand Zejd. “Our only cash flow is the stock we have at hand and so we are trying to sell that and use the money to buy our supplies, because the money we have in the bank has no meaning anymore. This is the big problem.” Fares tells *EXECUTIVE* that he only imports the bottles and containers for his olive oil because Lebanese glass production factory Soliver shut down in 2017.

The increased parallel foreign exchange (FX) rate coupled with the restrictive banking policies led to both financial and access related difficulties across the sector. Speaking for Biomass, a company which produces an organic line of fresh produce, dairy products, and pantry items, its executive manager Mario Massoud says: “Most of the organic raw material we use in farming [from the seeds and animal feed to the greenhouses and equipment] is imported. This has dramatically increased in cost

and became more scarce, making it more costly to operate than before October 2019, because of the halting of the credit lines and the issues with the FX exchange.” He says that buying from local agricultural distributors is also costly since their prices have increased as well (the price of organic seeds has increased threefold, for example) and they ask to be paid in cash dollars.

Khoury also tells *EXECUTIVE* about the increased costs from local suppliers, saying that even the price of the milk they use as raw material—which they buy from the local farms they control to supplement their own supply—has increased from LL900 per liter to LL1,350 (which was the amount set by the Ministry of Agriculture on March 4 to support farmers, who have had pay the increased cost of imported cattle feed). Khoury says their cost of production has increased by roughly 50 percent because of these factors.

Another major consequence of the economic crisis, according to Nadine Khoury, CEO of Robinson Agri, is that the halting of credit lines means the company can no longer extend credit to farmers, who are dependent on that support. “The problem with the agriculture sector is that banks do not give loans to individual farmers—you need land or assets as collateral, when most farmers rent the land—so what usually happens is that private sector agriculture companies lend to most farmers,” she explains. “The economic crisis cut off our

credit limits in the banks so we were no longer able to lend to these farmers and started asking for payments in cash.” Robinson’s Khoury explains that since the spread of COVID-19 and increased fear about possible food shortages and limited imports during the crisis, several NGOs, in collaboration with agriculture companies, have launched campaigns to support small growers and sustain the agricultural sector. “These interventions could help in alleviating the hard times we are going through, although they are not enough on their own,” she says.

THEN CAME THE CORONAVIRUS

The coronavirus has largely made matters worse for Lebanon’s food producers—although some have seen sales pick up with Lebanese in lockdown looking for healthier options.

Local sales of Taqa, a Tripoli-based wholesale bakery that produces healthy snacks, had decreased by 35 percent since the start of the economic crisis in October 2019, but Soumaya Merhi, founder of BreadBasket sal, which owns Taqa, says they have stabilized since the beginning of 2020 with the start of the coronavirus lockdown. “We have experienced a positive shift in our product sales because people are looking for healthy products to consume at home,” she says.

Massoud has also noticed this increased demand on health-conscious products since news of the coronavirus hit Lebanon, although he says it is too soon for him to quantify it. “Also, people are now experimenting with cooking in their homes like never before,” he says. “For farmers and sellers of fruits and vegetables or healthy foods, this is opening a bigger market for them [as those looking to prepare healthier meals at home source fresh produce].” According to Massoud, demand for Biomass products has “increased tremendously in the past month,” both regionally and locally, to an extent that he is worried they won’t be able to keep up in the supply side (these observations are based on feedback at points of sale, when asked for a percentage increase he told EXECUTIVE no figures had been finalized yet). “If we want to increase the production of lettuce, tomatoes, and cucumbers, we should have done so three months ago,” he says. “We are starting to do this now and expect the augmented harvest in August. We expect the demand to remain high because people are now more aware of the benefits of eating healthy, fresh, and organic foods.”

Those EXECUTIVE spoke with have attributed the desire to cook at home and eat more healthily

as behind consumer decisions they have witnessed during the lockdown period, though caution it is too early to determine the longevity of these trends or their impacts on their businesses long term. Increased interest in eating healthy and home cooked meals aside, the coronavirus crisis has caused disruptions to the food production business. Besides making imported goods even scarcer and costlier to secure, Massoud says coronavirus has had a negative impact on their exports. “We used to export via air freight with Middle East Airlines but today the airport is closed,” he says. “We do have a few cargo planes, such as DHL, but they are not enough and so everyone is fighting for cargo space in air freights. Because of the corona lockdown, export is kind of limited or more expensive.”

A big percentage of Zejd’s clients are in the hospitality sector, from caterers to restaurants and hotels, according to Fares. With hospitality outlets across the country shut down because of the coronavirus pandemic, Zejd’s local market demand is

■ “Our only cash flow is the stock we have at hand and so we are trying to sell that and use the money to buy our supplies, because the money we have in the bank has no meaning anymore. This is the big problem.”

down to almost zero. While Khoury admits that agro-industry is faring better under the coronavirus lockdown than other sectors that have been completely shut down, he tells EXECUTIVE that, despite it being too early for exact numbers, he has

noted a drop in consumption of dairy products that he attributes both to a decrease in consumer purchasing power and to people being more conscious of food waste (buying only the quantities they need and avoiding wasting food).

MAINTAINING THE PRICE

Food producers’ struggles with the increased cost of production, and the other operational pressures they are dealing with, makes it increasingly difficult for them to sustain their businesses without increasing their prices. Producers are in full knowledge, however, that most consumers are struggling financially and cannot afford excessive price hikes, and so tell EXECUTIVE they are trying to maintain a balance between managing their costs without pricing out their customers.

Most of the agro-industrialists interviewed mentioned relying on their export markets to intro-

Food security



Taqa

■ “Most of the organic raw material we use in farming is imported. This has dramatically increased in cost and became more scarce, making it more costly to operate than before October 2019, because of the halting of the credit lines and the issues with the FX exchange.”

duce fresh money into their local accounts, which, in turn, are used to pay their suppliers. “With the high conversion rates, it’s almost impossible for you to continue without guaranteeing fresh money so, for me, it’s become essential to keep my good books with my export partners in order to sustain my purchasing power,” says Merhi, who imports 20 percent of her raw material and now exports almost 50 percent of her production to Qatar, Canada, and very recently to Saudi Arabia.

Merhi says she has been able to keep Taqa’s price as is not only by relying on exports but also through producing less quantities, trying to access raw material locally when possible, negotiating the best possible deals with her suppliers, and creating synergies with local producers who use similar ingredients as her.

Khoury says that, despite a long resistance to doing so, those in the dairy production sub-industry could no longer absorb the compounding cost increases and so hiked their prices by 8 percent in January 2020, followed by another 8 percent increase in March. He explains that while Dairy Khoury’s prices have increased by 16 percent so far this year, their cost of production has increased by around 50 percent. Biomass also only recently, in early April, introduced an average price increase of 15 percent on some products, although they are trying to keep their prices in check by leveraging both their export markets and stocks and attempting to negotiate better deals with their suppliers, according to Massoud.

This increase in the price of food, in a time when a big percentage of Lebanese are losing their jobs or experiencing reductions in their salaries, has scary implications. “The potential problem is bigger than a factory closing or companies going bankrupt,” says Khoury. “Today, if people can no longer afford to feed their children, we will be facing a social problem where people might steal or commit crimes before they allow their family to go hungry. The problem started with an economic crisis and corona but it is heading to an even worse direction of a problem of famine.”

SHORT-TERM SUPPORT

Given this scenario of increased prices on imported foodstuffs (and the upward creeping prices of locally produced ones) it has become clear that if the Lebanese government wants to avoid the looming threat of hunger among the country’s population, then one of the immediate and more effective ways of doing so is through supporting local food producers. “Today the crisis is an opportunity to solve the key problems facing beekeeping and agro-industry in general,” Bou Nassif says. “It is forcing us to give importance to our local production since we can no longer import at the same rate as before. We also have to export agro-industry products to get fresh money into the country so that’s another reason to support the sector.” Supporting local food production, according to Merhi, also has the added benefit of employing Lebanese, decreasing dependency on imported

foods, and therefore benefiting the local economy through generating a circular economy.

Both Fares and Robinson's Khoury tell EXECUTIVE separately that the government should subsidize some of the food production industry's imports. "A new strategy should be placed by the government who is the body responsible to provide real solutions to the current economic collapse," Khoury says. "What is needed in the short is an immediate action plan to assist the agri input companies by subsidizing their import needs just like they are doing with fuels, grains, and medical supplies. We still only need \$75 million till the end of 2020." She explains this figure is based on the cost estimations made by the association of the distributors of supplies for agricultural production in Lebanon, and was presented to Riad Salameh, the governor of Banque du Liban, Lebanon's central bank, and the agriculture minister separately a couple of months ago. For Mazen Khoury, the short term measures the government can take in support of the sector are subsidizing the difference in the currency exchange or, if that is not possible, supporting agricultural businesses with exports so they can sustain themselves with the fresh money accounts.


UP BY THE BOOTSTRAPS

While short-term measures such as subsidies are vital to offer immediate support to the sector, it is also important to keep the lessons learned during these crises in mind and foster long-term measures to develop the food production industry. The aim, according to those interviewed for the article, is not to have food production be the sole, or even the strongest contributor to GDP—as there are too many obstacles in the way for that (see article page 6 on food sufficiency)—but rather to develop it enough to at least meet local demand and be less dependent on imports. "I hope now we understand that the economy should be built on a multitude of factors, such as a well-planned agriculture sector that can contribute 8 percent to GDP, good industry (including agro-industry) that is 20 to 25 percent GDP, and also services and tourism," says Atef Idriss, CEO of MENA Food Safety Associates. "That way, if one sector is hit the other sectors can support it. We got to a time when our economy became too dependent on services and tour-

ism and we spent a big portion of our budget to develop infrastructure, real estate, and tourism in urban areas, forgetting that we have citizens in rural communities such as areas of the Bekaa who can only live from their land, or in the south who want to export their olive oil—one does not cancel the other. We need a minister of economy who can look at the big picture and develop an interconnected economic model for Lebanon."

The need for a long term vision and plan developed by the public sector that would guide the development of the food production industry was stressed by all those to whom EXECUTIVE spoke. The plan would have, as its main pillar, the reduction of dependency on imports (see comment page 26) both for needed ingredients in the agro-industry and the supply chain materials for agriculture. "For local consumption to [help improve Lebanon's trade balance], it is important to produce locally and try as much as possible to meet local demand in some products, such as wheat or potatoes, through local production," Fares says. "There needs to be a strategy to provide food for people at lower costs, so that means with reduced imports."

To Merhi, any plan to support the agro-industry sector through the production of raw material should follow through the production process until the end product. "To invest in agro-industry, you need to have the supply chain buckled," she says. "To simply plant something is not enough, you need to think of distribution, supply, and workers [employed] under good working conditions." She adds that, in order for this to succeed, it needs private sector initiative from individual companies with the support of the public sector, the latter of which she sees as having failed agro-industrialists to date.

We are living in unprecedented times globally, where nothing is certain and the future is obscure. In Lebanon, this is compounded by an ongoing economic and financial crisis. Lebanese are dealing with the very real worry of going hungry, having lost parts of their incomes or their jobs and seen prices of food increase. This should not be a time to panic and give in to despair, however, it should instead be the time for the government to take immediate measures to support local food production. Lebanese food producers were succeeding prior to these crises, despite all the obstacles in their paths—all they are asking for now is for some support to be able to feed the nation. 

FOOD IN THE TIME OF CORONA



Q&A with Nadine Khoury, COO of Robinson Agri, on how COVID-19 has impacted agriculture

Lebanon's ongoing economic crisis has highlighted the importance of well-functioning productive sectors—namely agriculture and industry—to a country's GDP and economic well-being. This was further emphasized with the COVID-19 global pandemic significantly slowing down trade, disrupting food supply chains, and forcing each country to think of its own supply needs first.

EXECUTIVE spoke with Nadine Khoury, chief operating officer of Jbeil-headquartered Robinson Agri, a greenhouse producer and provider of agricultural and irrigation products and services with customized turnkey projects, to learn about how COVID-19 is impacting agriculture in Lebanon and what potential opportunities can be gleaned from this challenging time.

E How has COVID-19 impacted Lebanon's farmers and the agriculture sector in general?

In Lebanon, the agriculture sector was already suffering from the severe economic crisis and now their challenges have been compounded with this crisis.

In his March 22 statement, the minister of interior placed the agriculture sector on the list of exceptions [that can continue to operate under certain conditions, despite the lockdown] and the minister of agriculture also stated (in a decree issued on March 23) that farmers and agricultural companies can continue to operate, but under reduced hours.

This is important because agriculture companies are an essential part of the food supply chain and we should make sure that our country's food supply is not disrupted by unforeseen events. For example, at Robinson Agri, our skeletal warehouse is open only on schedule for the delivery of materials and the receiving of orders, although now it is the growing season and the whole sector is usually busy.

Another problem is that growers need workers to sow seeds and seedlings and do other tasks, as most farms are not yet mechanized in Lebanon and we don't have the machinery whereby one employee in a plant machine can plant the whole field. Because of COVID-19, farmers have reduced the number of workers on the field and are following precautionary measures so the growing phase is taking a longer time.

In times like these, it is very important for us not only to give tribute to healthcare providers but also growers and food suppliers who are working daily to bring food and fresh fruits and vegetables to our plate.

E Do you think that this crisis will serve to foster more value and consideration for the agriculture sector?

We cannot take the agriculture sector for granted anymore. Lebanon's economic crisis opened our eyes to the importance of productive sectors, especially agriculture. Studies from the Food and Agriculture Organization (FAO) indicate that 65 percent of the land in Lebanon is arable and yet only 25 percent of that is planted.

So the potential is huge.

Yes, it is. What is happening today is that because of the corona crisis, we are no longer able to import [foodstuffs and agriculture supplies] as much as before. In Lebanon, we already had difficulties importing because of the liquidity problem, and now, because of corona, each country is taking care of its own needs first. What is affecting the world is also affecting us and here we are talking about decreased productivity, decreased transport etc.

To give you a simple example, I am now being asked to place orders from European companies five months in advance whereas before orders needed a maximum of 20 days to be processed. This is because globally all companies have reduced their working hours and are under a lot of pressure.

E What will be the impact on this season's harvest and our supply of locally grown vegetables and fruits?

We had already received seed varieties for some families of products before the corona crisis had started but were too late for the irrigation equipment and some fertilizers.

Because of the economic crisis, many growers had already planted roughly half the amount they usually do. Even if, let us consider that, consumers will stick to the bare minimum of food needs because of their decreased purchasing power, the produce we are talking about are considered basics. In Lebanon, can you live without tomatoes when a big portion of our cuisine is based on tomato sauces? There are some vegetables and fruits that are considered luxuries and one can live without them, but a lot are necessities and less of them has been planted this year.

Also, because of the corona related closures, the season has been disrupted in that many growers delayed planting by up to three weeks (since warehouses decreased their working hours, it takes more time for the farmers to secure the needed seeds).

E Will this delay affect the produce?

Yes of course. When you delay planting, it shortens the season and reduces the amount of fruits or vegetables that you harvest. Also, if after planting growers don't have access to quality fertilizers, plants will not grow properly which will impact the produce.

Agriculture engineers are no longer able to physically visit farmers anymore. Sometimes growers do send them pictures of the plants and agriculture engineers address the issue remotely but it is not the same [as being physically present].

E When will we consumers feel the impact of these scenarios?

Starting June or July when it is harvest time. Fruits should be OK because they grow on trees and this year, the weather was favorable for them. Some types of vegetables will also not be affected at the consumer level because big growers had already stocked up on needed seeds and equipment. The problem will be with the small and medium farmers who constitute up to 50

percent of farmers in Lebanon. Their income will be reduced because of their decreased production.

E How have you adapted your working environment in light of the government measures taken to reduce the spread of COVID-19?

We are having online meetings via Zoom with our line managers and sales engineers to keep business on track. We are trying to keep our warehouse open as much as possible. We in the agriculture domain are used to work in uncertainty and difficult circumstances—because we work with nature which is unpredictable—and so we are trying to see what we can offer to mitigate this crisis so that Lebanon doesn't face a food security problem down the line.


E Anything you would like to share in that regard?

We are thinking of ideas that don't need a lot of investment, since there is a financial problem these days. We are also thinking of how we can support people in planting in their own gardens, about what crops grow best in this scenario, especially for those that have homes in rural areas. We are using our online platforms to promote this idea, encouraging

■ “In Lebanon, the agriculture sector was already suffering from the severe economic crisis and now their challenges have been compounded with this crisis.”

people to visit our nurseries to receive vegetable seedlings and grafted seedlings that are resistant to soil borne disease and climate change and produce more.

When it comes to the farmers, we are trying to support them, regardless of whether they are paying us or not, so they can still plant on time. We also introduced crop varieties that are naturally resistant to diseases so they can decrease the usage of pesticides, if not enough quantities of that are available.

We are also promoting hydroponics, which is a way of planting that produces healthy clean produce with more yield and 90 percent less water and minimum fertilizers. A well-trained farmer or a new investor could seize this opportunity to meet consumer demands and improve the local market. 

Food security

By Nabila Rahhal

BACK TO BASICS



Growing trend of individual or community planting in Lebanon

As prices of both imported and locally produced food items continue to increase and Lebanon's food security is potentially threatened (see articles on agro-industry and food security, pages 6, 10, and 22), the old Lebanese proverb "*fellah mekfi, sultan mikhfi*"—which roughly translates to "a satisfied farmer is really a sultan"—rings true. Knowing how and being able to grow one's own consumption needs of fruits and vegetables, is a wealth in these economically challenging times we are passing through.

This awareness of the significance of a productive sector like agriculture was close to zero prior to 2019. Ramy Boujawdeh, deputy general manager at Berytech—an ecosystem that fosters innovation technology and entrepreneurship, initiated in 2002 by Université Saint-Joseph, recalls (in an earlier interview with EXECUTIVE) that when they launched the first edition of accelerator program Agrytech in 2017, they struggled to attract participants. After a lot of efforts to drum up interest in agriculture, targeted mainly toward universities, this was slowly beginning to change and their third accelerator round—launched on October 16, 2019—attracted 110 participants (up from 65 in the first batch).

As indicators of bleak days to come over Lebanon showed their first buds toward the end of 2019, this emerging interest in agriculture was heightened as more Lebanese felt the need to be food independent (being able to provide food for one's self and community). This interest was manifested at individual and community levels, with more people showing interest in growing their own food. Kon, a neighborhood growing initiative in Furn el-Chebbak that was developed in early 2020, is one example of community efforts revolving around agriculture.

Also born out of this awareness of the value of producing one's food were volunteer-based movements or initiatives aimed at supporting those interested in becoming more food independent. The popularity of these movements can be viewed as an indicator of the growing interest in agriculture. A Facebook group called Izraa, developed by agricultural engineers to answer all agriculture-related questions (whether urban or rural, high or low tech) and to share expertise through tutorials, exceeded its admin's expectations by reaching 1,000 members barely two days after it was launched in mid-January 2020, according to Salim Zwein, one of Izraa's founders. The group has 14,500 members at time of writing, an increase of 2,200 from the same time last week, and receives an average of 15 questions per day, per this writer's observation.

Similarly, a talk on food sovereignty that was held in Tripoli's Nour Square early in December 2019 took three hours instead of the planned hour

and a half due to the high level of engagement, with a larger than expected 150 attendees. The talk was organized by the Socio Economic Action Collective (SEAC), a

■ Awareness of the significance of a productive sector like agriculture was close to zero prior to 2019.

coalition of individuals and organizations working on agriculture-focused sustainable development projects with refugees and vulnerable communities in Lebanon, members of which formed Haraket Habaq as a media and public engagement platform for the SEAC. One of Haraket Habaq's founders,

Mourad Ayyash, tells EXECUTIVE that the platform came to being just two days after the talk while a group of SEAC members were planting in Nour Square and distributing seeds to protestors. “We saw the need for us to organize this momentum that had developed around the importance of agriculture and food sovereignty,” Ayyash says. “So, we went across Lebanon (Hemmanah, Majdal Anjar, Saida, Sour, Akkar, Tripoli, Beirut, and the Bekaa) engaging with whoever was interested in this subject. From these talks, other initiatives were born.”

There is also increased interest in agriculture from private sector individuals, according to Shady Hamadeh, director of the Environment and Sustainable Development Unit (ESDU) at the American University of Beirut’s Faculty of Agricultural and Food Sciences. “Many are expressing interest in investments in agriculture,” Hamadeh says. “So we would like to take this opportunity, through Ardi Ardak [NB: a national food security initiative launched in December 2019 as a collaboration between ESDU, the Lebanese League for Women in Business (LLWB), the Food Heritage Foundation, and Zico House] to link these investors and big land owners with small farmers and rural women. Rural women are at the center of Ardi Ardak.”

THE FACE OF THE MODERN DAY FARMER

Those interested in individual and community planting nowadays span a wide range of people in Lebanon. “We have professional farmers who ask us a question related to crop disease and also individuals asking us how to best care for their gardenia or what vegetables to plant next to their olive trees, so we cater to everyone,” says Izraa’s Zwein.

Although the interest in agriculture and being food independent was born out of Lebanon’s economic crisis—proof being that a big percentage of the initiatives promoting agriculture were developed by the end of 2019—the COVID-19 crisis gave people enough time on their hands to do something about it. Izraa receives daily comments from members who had no prior background in agriculture but say they have developed a passion for planting after having first tried their hand at it during the lockdown, according to Zwein. Although he cannot yet quantify it, he also says that based on interaction within the group since the start of the lockdown there has been an increase in both high-quality rooftop garden installations, complete with raised beds, and in youth returning to rural areas and planting in the neglected land of their grandparents.

Asmahan Zein, president of LLWB, also believes that the coronavirus crisis has made people with no background in agriculture realize its value as a productive sector. “People are looking toward alternative productive industries that would help

them survive and they no longer assume that everything will arrive to them while they are at their office in Beirut,” Zein says, explaining that this thinking has allowed her to gather several organizations they work with around Ardi Ardak.

■ Emerging interest in agriculture was heightened as more Lebanese felt the need to be food independent.

Because the quarantine measures limit gatherings, growing efforts are more at the individual level rather than the community level nowadays. Souad Abdallah, founder of Kon, says that some neighbors have expressed their interest in the initiative but have shied away from actively participating because of the restrictions; she expects this to change once the lockdown is lifted. For now, there are four active participants in the rooftop garden of her building and they communicate online with representatives of another rooftop garden two minutes away from her and three balcony planting projects, also in the area.

THE ABCS OF PLANTING

The beauty of planting is that anyone interested can find a surface to grow something in. When it comes to food, herbs are ideal for those planting on small balconies, says Zwein, while potatoes and tomatoes are more suitable for rooftop gardens and those with access to land can plant wheat alongside a variety of fruits and vegetables, depending on the land’s specifications.

Abdallah says they have assigned different produce for the participating neighbors depending on the specifications of their planting area: One neighbor grows lettuce for the community because his garden gets a lot of shade and that is favorable for lettuce, for example.

The initiatives EXECUTIVE spoke to all promote sustainable agriculture, which Hamadeh explains as environmentally friendly agriculture that is resources efficient, or permaculture, defined as “an agricultural system or method that seeks to integrate human activity with natural surroundings so as to create highly efficient self-sustaining ecosystems.”

This type of agriculture does not use chemical fertilizers or pesticides, which has the benefit of

Food security

driving down gardening costs. The latter two, according to Zwein, are the highest costs for farmers, especially nowadays when the price of chemical fertilizer has gone up because of the foreign exchange rate. Instead, permaculture uses organic fertilizer or compost instead. This can either be homegrown—Abdallah says Kon makes its own compost out of egg shells, coffee grinds, and organic material such as fruit peels—or bought from local producers. In this case, the cost of compost for a 200-square meter rooftop garden would be an average of LL50,000, Zwein says, speaking out of personal experience.

Abdallah says permaculture uses less soil than conventional planting, explaining that in Kon they use layers of dead matter (dead leaves), green matter (grass), horse manure, and soil to plant the seeds in. “This decreases the weight on the roof and the usage of soil and creates a healthy environment for plants,” she explains. Other ways Kon is decreasing costs is by using donated recyclable items for planters and pots, and relying on exchange of services to get some gardening tasks done (neighbors help her plant in exchange for seeds or seedlings, for example).

Zwein estimates that a 6 meter by 3 meter raised bed (for rooftop gardening), with a depth of 60 centimeters, would need a maximum investment of LL1 million when using the best soil (a mix of 80 percent peat moss and 20 percent compost). Those who already have arable land would have an understandably smaller investment, since the soil is already there.

WHY PLANT?

There are many reasons why Lebanese are more inclined to spend more time with a shovel and soil these days. A main driver for promoting agriculture among the movements and initiatives EXECUTIVE interviewed is to promote food independence. “Food sovereignty among urban dwellers is a main goal for Kon because we are passing through an economic crisis when it is very easy to produce our own food and also very healthy since we know we are putting into the soils,” Abdallah says.

Ayyash also speaks of the importance of food sovereignty and people’s right to nutritious food. He adds that providing refugees with employment opportunities is another goal for Harkat Habaq, since Lebanese labor law restricts the

fields which they can work in. He gives an example of a project in Tripoli that Haraket Habaq is collaborating on with another organization called Hajjar w Bashar (Stones and People) where the municipality donated a 13,000 meter square garden to be planted by the two organizations—produce from the land will be distributed by them to vulnerable communities.

■ A main driver for promoting agriculture among the movements and initiatives EXECUTIVE interviewed is to promote food independence.

Aside from being able to feed one’s self and community, planting in rooftop gardens and small plots of land, if done at a very large scale, could conceivably free up Lebanon’s already limited agricul-

tural land. “When people can feed themselves from these ways, it will decrease the pressure on the land used for vegetables nowadays and so it can be used for more interesting projects such as growing wheat or animal feed, for example,” Zwein says.

One of the main goals of Ardi Ardak, according to its concept document, is to “promote food security at the rural producers’ level by promoting small scale producers’ access to markets; and urban consumers level by providing them access to healthy local produce.”

For Abdallah, community growing in urban areas has the added benefit of improving air quality, an element which she feels is very important in Beirut, where air pollution exceeds World Health Organization recommendations over threefold. Abdallah also says that neighborhood planting initiatives such as Kon nurture a sense of community among neighbors and she hopes to see this initiative eventually replicated across many of Beirut’s communities. “It shows that people can work together on a common interest without having a political umbrella or identity,” she says.

Whether this individual and community growing trend is a temporary fix to lockdown and economic hardships or whether it will remain in the long term remains to be seen. What is clear, for now, is that people have realized that they can no longer take for granted their access to food, and that the effects of the economic and coronavirus crises has had and will continue to have impacts.



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THE CHANGING FACE OF VULNERABILITY



Food insecurity in Lebanon

As Lebanon weathers through an economic crisis and COVID-19 outbreak, food insecurity has become a major concern across media headlines and in society. More stories are surfacing on how many families can no longer afford to meet their food needs, raising questions on the future of Lebanon's fragile food sector.

What is food security, and what does it mean for a country to be food insecure? For the United Nations World Food Programme (WFP), the world's largest humanitarian agency concerned with food security and food assistance, these questions are essential in today's Lebanon. Access to food is a basic need and a basic right, with serious and far-reaching human and economic consequences when under threat, especially since the poorest and most vulnerable groups in society are usually those first and most affected.

At the 1996 World Food Summit, the United Nations' Committee on World Food Security defined food security as people having at all times "physical, social and economic access to sufficient, safe and nutritious food that meets their food preference and dietary needs for an active and healthy life." It is not just food availability that determines the food security status of a certain country, group, or person, but also the stable and constant access to food, and how this food is used. How do these definitions apply to Lebanon in the present circumstances?

FOOD AVAILABILITY

Food availability derives from domestic production or from imports, with Lebanon relying heavily on the latter as a net food importer. The recent scarcity of US dollars and capital control

measures have put food availability at risk as food importers have been facing increasing obstacles to make payments on the international market.

Between 2015 and 2019, Lebanon imported about three million tons of food products each year to meet the demand on the domestic market. Less than 20 percent of the consumption needs of cereals was covered by local production.

FOOD ACCESS

Food availability on the domestic market, however, does not guarantee that consumers will be able to afford and to access, in sufficient quantity, the various and adequate food products necessary for a healthy diet. Even prior to the COVID-19 outbreak and the resulting lockdown of economic activity, WFP has been concerned that access to food was threatened by the steady inflation in food prices that commenced in the latter months of 2019 and the economic recession causing large-scale job losses and salary reductions.

Between September 2019 and March 2020, WFP research recorded an increase of 40.1 percent in the price of the basket of eight basic food commodities (rice, bulgur, pasta, white beans, sugar, sunflower oil, salt, and canned meat) which serves to determine the cash transfer value for food assistance programmes benefitting vulnerable Lebanese and Syrian refugee families. This food basket is known as the Survival Minimum Expenditure Basket (SMEB), as it is required, in sufficient quantities, to cover an individual's minimum survival food needs for a month. The inflation observed for the SMEB can be compared to the inflation reported by Lebanon's Consumer Price Index (CPI), derived from a much larger basket of food and non-alcoholic beverage products, which stood 18.4 percent for the period September 2019 – January 2020.

This high inflation of food prices, unprecedented in Lebanon in the last ten years, is strongly correlated to the unofficial devaluation of the Lebanese lira against the US dollar, which made food imports more expensive and also more difficult to get due to capital control measures. Food price inflation combined with inflation affecting non-food products and services, and with loss of income resulting from rising unemployment and salary cuts, has undoubtedly and drastically reduced Lebanese households' ability to afford adequate and sufficient food, especially for the poorest and most vulnerable.

Since 2014, WFP and its partners, including international donors and Lebanon's Ministry of

Social Affairs (MoSA), had already been reaching out to almost 150,000 Lebanese and Syrian refugee families (close to one million individuals) with cash-based food assistance to cover their basic needs (SMEB). Estimates, however, indicate that almost twice as many additional households are currently unable to meet their minimum food needs and would require assistance until economic recovery enables them to afford the cost involved.

THE FACE OF VULNERABILITY

The economic crisis has changed the face of poverty and vulnerability in Lebanon—it has made it significantly more acute.

Even prior to the current economic and COVID-19 crises, poverty levels were high in Lebanon, hovering just above 30 percent according to the World Bank. Based on negative GDP

■ Between September 2019 and March 2020, WFP research recorded an increase of 40.1 percent in the price of the basket of eight basic food commodities.

per capita growth projections for 2020, the World Bank estimates poverty prevalence will rise to 45 percent in 2020, up from 37 percent in 2019. Likewise, extreme poverty (also known as food poverty) is expected to affect 22 percent of the population, up from 16 percent in 2019. According to

these estimates, Lebanon could count as many as 335,000 poor Lebanese households in 2020 (out of 4 million Lebanese residents), including 163,000 households (close to one million individuals) under the food poverty line.

Significantly, Lebanon's Ministry of Education and Higher Education reported last January that 40,000 students previously schooled in the private education system had enrolled in public schools, as their families were no longer able to afford tuition fees. This represented a 15 percent increase in students enrolled in the public education system, at a time when the government's fiscal capacity is severely challenged. This example is emblematic of a sudden and rapid impoverishment affecting even the middle class, while the impact on the poorer strata of society is undoubtedly much more severe.

Syrian and other refugees as well as migrant workers residing in Lebanon have also been seriously affected by the economic downturn. WFP estimates that between 2019 and 2020, the pro-

Food security

portion of Syrian refugee households unable to meet their minimal survival needs, including food, has increased from 55 percent to 83 percent (WFP estimates that Lebanon is host to 1.2 million Syrians). Only half of these extremely vulnerable families are currently receiving basic assistance.

THE NEED FOR CHANGE

This sudden and significant rise in poverty and food insecurity comes at a very critical time and in a very challenging context in Lebanon, where targeted social safety nets are the lowest in the Middle East and North Africa region (at less than one percent of GDP), and when public debt and fiscal challenges severely undermine the government's capacity to mitigate the impact of the crisis, even on the poorest and most vulnerable.

The government and partners, including WFP and international donors, are acutely aware of the situation and are urgently seeking to protect the most vulnerable in the short term, while looking at sustainable solutions to improve social safety nets as well as economic and fiscal policies impacting poverty and food security in the medium and long term.

The MoSA's National Solidarity Programme launched in early April to assist 200,000 vulnerable households through cash-based transfers puts food security at the center of its objectives. Likewise, reform and expansion of the National Poverty Targeting Programme (NPTP), which could benefit as many as 150,000 extreme poor Lebanese households as an emergency social safety net, are being actively discussed. The main feature of the current NPTP, supported by WFP, is to ensure that food needs of the poorest Lebanese families are covered through a food "e-card" that can be used as a means of payment at food retailers. WFP also commends and supports initiatives from civil society and non-governmental organizations to address urgent food needs across Lebanon.

Availability and access to food at affordable prices have emerged as major issues in Lebanon in recent months. As they are closely associated to basic human and social rights, if not to social justice, and as their contribution to health and economic indicators is highly critical, they deserve priority attention.

The measures and programmes discussed above are only part of what is needed to address urgent needs and to build efficient social safety nets to protect food security. Food security in Lebanon,

sustainable and affordable to all, will require all actors to engage in a wider range of reflections and reforms, touching on domestic food production and transformation, agricultural policy, food value-chains and markets, terms of trade issues, and the environment. In this sense, food security as a central social and economic determinant should also be seen as a critical starting point and catalyst for reform in general.

Lebanon is facing a period of many unknowns, yet in the current state of emergency at national and global levels the provision of enough food at affordable prices for all Lebanon's residents, including refugees and migrant workers, must be secured. Failing this, the country's food security situation will rapidly deteriorate, both in terms of food availability and access to food.

Diminishing food imports will lead to increasing food scarcity, while the agricultural sector is also bound to suffer from the higher prices of imported inputs such as seeds and fertilizers. As for access, if food prices continue to increase and if families continue to lose their income, there is a high risk that residents will no longer be able to afford their daily meals.

This highlights the need to undertake not only appropriate and urgently needed fiscal and structural reforms, but also to address the immediate

food and essential needs of the most vulnerable households. Lebanon should also explore cost-effective methods to increase its domestic food production, which would decrease its reliance on food imports and increase job opportunities. It would also

■ The economic crisis has changed the face of poverty and vulnerability in Lebanon—it has made it significantly more acute.

relieve the pressure on Lebanon's scarce foreign currency reserves, and ultimately reinforce them through increasing exports from the food sector.

Lebanon's food sector must reach stability when it comes to access and availability. This would considerably reduce the risks and consequences of sudden economic or health shocks such as the ones Lebanon and the rest of the world are facing now with the coronavirus pandemic. ■

Abdallah al-Wardat is the country director and representative of the World Food Programme office in Lebanon.

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HOME GROWN WHEAT



Lebanon needs to lower its import dependency

My grandfather died in 2016 at the age of 103. He survived two world wars, the Great Famine of Mount Lebanon (1916 – 1918), and the Lebanese Civil War. A few years before he died, I was with him as he read the newspaper and he turned to me and said: “Are you storing wheat? Things aren’t going well.” I remember laughing—at the time I didn’t understand why he was so worried. Then the day came when everybody started to worry about wheat and food security in general.

Based on Food and Agriculture Organization (FAO) indicators, the prevalence of undernourishment in Lebanon has been on rise since 2011, yet the issue of food security and hunger did not make it to the headlines until the economic crisis started to worsen in late 2019. With the fast deterioration of economic conditions and the outbreak of COVID-19, all pillars of food security—availability (through domestic production or imports), access (physical and economic), utilization (consumption of safe and nutritious food), and stability (of the three other dimensions over time)—seem to be at risk.

The media has been focusing on the threat of the COVID-19 pandemic and Lebanon’s economic crisis on food availability and stability—this is understandable. Lebanon is a net importer of food, with the latter accounting for 18 percent of the country’s total imports in 2018, according to the World Bank, and covering a wide range of categories from wheat to rice, sugar, fruits and vegetables, food preparations (such as spices and oils), and cattle. The reliance of domestic consumption on these imports is striking and best captured by imports to consumption ratios across food categories: these ratios exceed 80 percent for major categories such as cereals and 100 percent for others such as refined sugar, rice, and vegetable oil. This heavy dependency on imports raises concerns over the availability and stability of a large range of items, not just wheat.

Food access seems to be even more problematic. The pandemic may constrain physical access to food due to quarantine measures as well as disrupt distribution channels. While in Lebanon food producers and distributors have been allowed to con-

tinue to operate, this is happening under certain constrictions regarding the times they can open and the levels of staff they are able to work with. Some facilities and branches were forced to shut down, and restaurants, which are also part of the food supply chain, have closed. This has come at a time when the purchasing power of the Lebanese was already under strain due to the liquidity crisis. This could be compounded by the coronavirus, as it may also trigger price hikes if food exporting countries resort to trade restrictions and aggressive stockpiling—as has happened during previous crises and pandemics. Higher food prices in international markets would, in turn, be passed-down to domestic prices, making food less affordable.

In Lebanon, both poverty and extreme poverty are expected to rise to 45 percent and 22 percent respectively, according to the Ministry of Finance, while the World Bank, prior to the coronavirus crisis, warned that the poverty level could hit 50 percent if the economic situation continued to worsen. Inflation and unemployment are set to surge as well, with effects already being felt by many. With the vast majority of Lebanese households being net buyers of food (meaning they consume more food than they produce), these changes will alter what economist Amartya Sen calls exchange entitlement set—the “set of all alternative bundles of commodities they can acquire in exchange for what they own”—and eventually change their consumption habits. Based on a 2016 report by ESCWA, on average, Lebanese households spend 20 to 35 percent of their income on food and so any increase in food prices will translate into a further reduction in purchasing power and food access. Even before the pandemic’s effects began to be felt in Lebanon, a February 2020 report by the Central Administration of Statistics pointed to the substantial increases in price of staple foods such as rice (40.2 percent), flour (28.7 percent), and lentils (36.5 percent), as well as other food categories.

Practically, when faced with such price increases, households resort to different coping mechanisms to escape hunger or at least to mitigate the impact of the crisis. Coping mechanisms vary from borrowing money to substituting expensive food items with cheaper ones. Such substitutions may occur within the same food category from different sources, across categories, or in the quality of the same products that are frequently consumed, as explained in a 2008 paper on substance consumption by American economists Robert T. Jensen and Nolan H. Miller. Households may even drop cer-

tain categories or sacrifice on other areas of their budget, such as healthcare or education, to be able to continue purchasing some foodstuffs.

As much as these coping strategies provide a way to escape hunger, they can also be highly problematic as they hide a more serious trade-off between nutritious food and cheap food—particularly when done in absence of adequate understanding

of their nutritional implications. This is how the current crises are impacting food utilization, the third pillar of food security. Needless to say, poor Lebanese households in general, and vulnerable groups including urban poor and refugees in spe-

cific will be hit the hardest—the food crisis in 2008-2011 provides a good illustration.

■ In Lebanon, both poverty and extreme poverty are expected to rise to 45 percent and 22 percent respectively.

BACK TO WHEAT

Wheat and wheat products constitute an indispensable component of the Lebanese diet. On average, the consumption of wheat per individual is around 130 kg per year, the highest among cereals, according to a 2010 report by the FAO and the Ministry of Agriculture (MoA)—not to mention that it is a major feed for livestock. Thus, the availability of wheat is more of a necessity than a choice—a matter of food security par excellence.

Unfortunately, 80 percent of the wheat consumed domestically is imported—a good reason to be worried about its availability. Around 90 percent of imported wheat is sourced from Ukraine and Russia, making Lebanon highly susceptible to changes in these countries. Any move toward trade restrictions in these countries would threaten wheat supplies, raise the imports bill in Lebanon sharply, and most likely the cost would be passed down to the consumer through a spike in domestic prices. Thankfully, this has not been the case so far.

To mitigate such risks, the Ministry of Economy and Trade (MoET) normally keeps wheat reserves in its silos at Beirut port that would cover about three months of consumption. For years, private mills had been importing wheat and supplying the market, however, with the increasing shortage of dollars and the need to carefully manage the remaining reserves, the MoET is now considering purchasing the wheat instead. This step would save costs significantly if done properly, but also reflects how critical the situation has become.

Food security

Imports have always been a cheaper alternative to domestic production. Lebanon has been importing an average of 567,958 tons of wheat annually, while domestic production averaged about 130,000 tons only, according to the FAO in 2019. Around 77 percent of the wheat grown domestically consists of hard varieties of wheat (*durum*), according to the MoA, which are not suitable for making the typically consumed Arabic bread but is suitable for *burghul*, *frikeh*, and pasta. In an attempt to increase the production of soft varieties of wheat and lower imports, the MoA, through the Lebanese Agricultural Research Institute (LARI), distributed free seeds in 2019 encouraging farmers to grow soft wheat, though it is too early to determine the outcome of the initiative.

In principle, Lebanon can grow its wheat, but it cannot be self-sufficient for many reasons. First, the country does not have enough land to be self-sufficient. Unplanned urban expansion has reduced the amount of land available for agriculture, although increasing cultivation area is possible. Second, wheat agriculture suffers from major anomalies. Yields vary significantly with climate conditions and the amount of rainfall every year, which make them unpredictable. Under certain conditions, supplementary irrigation can help increase yield but in most cases small farmers do not have the financial means to invest in appropriate irrigation systems. Habib Massaad, an agricultural engineer and consultant whom I spoke with for this article, clarifies that increasing output does not rely solely on expanding the area cultivated but also on increasing the productivity of currently cultivated ones. He stresses on the importance of investing in supplementary irrigation systems to reduce waste, increase productivity, and extend production over more than one season.

Third, compared to high-value crops, wheat does not generate high revenues making it less attractive to farmers. Yields vary largely between 100 kg/dunam (dn) and 800 kg/dn depending on the variety grown and the characteristics of the soil, as stated in a 2019 study by a team at the American University of Beirut titled: “Challenges and Sustainability of Wheat Production in a Levantine Breadbasket: The Case of the West Bekaa.” Despite the high yield in certain areas, the study found that costs of production remain high due to the cost of labor, inappropriate irrigation tech-

niques, and expensive land rental rates, not to mention the post-harvest losses due to inappropriate storage or transportation methods.

Wheat producers have been able to secure consistent average revenues of \$150/dn according to the FAO, due to government subsidies that are managed by the Directorate General of Cereals and Beetroot with the help of LARI. The government offers seeds to farmers at subsidized prices, buys the harvested wheat from them at

a set price, and sells it to mills at discounted rates to keep the price of bread stable.

Over the years, farmers became largely dependent on these subsidies, best illustrated in the 2019 study above, which found that 42 percent of the farmers

surveyed would either possibly or definitely stop growing wheat if the government suspends subsidies—an alarming statistic given the ability of the government to sustain them is now in doubt.

■ Unfortunately, 80 percent of the wheat consumed domestically is imported—a good reason to be worried about its availability.

RESTORING PRIORITIES

What to grow, how to grow, and what to specialize in are not straightforward questions to answer. It needs careful examination and a strategy to make use of abandoned lands and available resources in an optimal way. So far, the MoA has made some good efforts but these have been insufficient and scattered. The gravity of the situation now requires a more proactive and comprehensive approach to food security and agriculture, and a massive coordination of efforts among different stakeholders including different ministries and academic institutions, as well experts from other sectors such as energy and technology.

Looking at food security in a very fragmented way is no longer plausible and self-sufficiency, as much as it sounds reassuring, should not be the aim. Lowering import dependency and improving domestic production should be the priorities now. ■

Souhad Abou Zaki is the grants and research manager at NGO Rural Entrepreneurs, which works on promoting entrepreneurship and supporting startups and microenterprises in rural areas. She holds BA in Economics and MSc in Agriculture Economics and Development from the American University of Beirut.



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How coronavirus could bring about a historic chance for change

About two months ago, the assumption was that in terms of viral speed, the only things spreading faster than SARS-CoV2—the coronavirus' official name—would be coronavirus rumors and fears. This view could pass as news of the month at the time when World Health Organization (WHO) Director General Tedros Ghebreyesus explained to the world that there was an infodemic going on, on top of the new epidemic—before the WHO's declaration of the coronavirus pandemic on March 11.

But tracking what are now the four dimensions of the coronavirus crisis trajectory—infection numbers and death tallies; data on markets and rescue budgets; social catastrophe indicators; and fixation on coronavirus news and rumors (as well as its Lebanon specific impacts)—as they speed ahead on a daily basis is the new impossible task. All four of these new dimensions, by the way, are first-class generators of pain and fear.

STAYING ON THE VIRUS'S TRAIL IN SPITE OF DATA UNCERTAINTY

The data on the virus itself, meaning its confirmed incident rate, its mortality, the time in which infections double in affected clusters or per country, its longevity or eventual seasonality, and the total count of unreported and unnoticed infections—is by now widely acknowledged to be overall uncertain, too much so to enable perfect decisions.

The least uncertainty has been assumed to exist in the mortality rate. But even in the reported deaths one encounters hidden data uncertainty. For example, the numbers of COVID-19 (the name of the disease caused by the virus) fatalities reported from G7 member country France, one of the most heavily affected nations in the pandemic's European epicenter, had a massive error margin.

It became a matter of wider awareness only in early April that the French death tallies reported throughout March did not include deaths in nursing homes but only deaths in hospitals. Under a revised reporting methodology, a retroactively amended tally in early April showed a different and substantially higher number of deaths since March 1, which indicated that over 25 percent of COVID-19 deaths were occurring in nursing homes (which according to reports in French media also have no testing capacities for the virus).

As to fatalities, question marks thus come into play under several perspectives. One emotionally unsettling, but for response planning necessary, angle is the need to consider how many of the confirmed deaths in a given cluster or country might have occurred without any outbreak of the COVID-19 epidemic. This does not subtract one decimal from the sense of total horror that is created by the increasing fatality numbers but it could have consequences for designing optimal strategies for fighting the virus and alleviating its impact.

Besides uncertainty over the accurate mortality rate in clusters of seniors in nursing homes in the developed world, it does not appear unreasonable to wonder if a deep information gap related to death tallies is to be found across poorer countries. To what degree do clusters of mortality exist in slums across the southern hemisphere that have at best informal governance, with deficient or totally absent state presences? How accurately will deaths from COVID-19 be identified and reported from human population clusters in MENA, whether in camps of migrants in North Africa, informal refugee camps in Lebanon, camps in conflict zones in Syria, or in densely populated Palestinian territories that are ostracized by the nominal national government, namely the occupation government in Israel?

Confirmed incident numbers moreover are not universally transmitted into a consolidated tally with the same rapidity, even within developed countries, which is complicating analyses of infection patterns in addition to the fact that infection numbers are rising very, very fast. Nonetheless, the big picture says that the spread of the virus will not slow down anywhere with any abruptness. No country and no individual is magically protected. This means containment measures need to be strong and lasting.

It also means that by end of March, it was a sure bet to predict that the line of one million confirmed infections and over 50,000 deaths would be crossed in the following days—in a ten-fold increase when compared with the 100,000 confirmed infections

tallied by March 6, a mere four weeks earlier. The tally of infections and deaths will continue to climb.

Venturing further into granular details does nothing to remove uncertainties. The location of the first reported coronavirus outbreak, China, was tallied to have 82,278 confirmed incidents and 3,309 deaths by March 31. Germany, France, Iran, and the United Kingdom were next in the gruesome statistics, with respectively 65,600, 45,200, 44,500 and 25,500 infections. Switzerland, Turkey, Belgium, the Netherlands, and Austria were shown as five countries that also counted more than 10,000 confirmed infections by the end of March, while earlier victim South Korea reported just below 10,000—not that the 10,000 infections line would make any difference. But as the numbers change and become more shocking by the minute, what is the value of such information for concerned global citizens by the second week of April?

From a perspective of policy-makers having to enact and adapt virus response plans, information gaps pertain to actual incident ratios in the pandemic, to existence or non-existence of seasonality, to the availability of tests, of emergency medical supplies, and to the time until vaccines and treatments will be available. Given the additional uncertainty about the effects and, inversely, potential short-term or long-term medical and economic detriments of one or the other containment strategy, the overall data insecurity and simultaneous decision-making pressure must be a living nightmare.

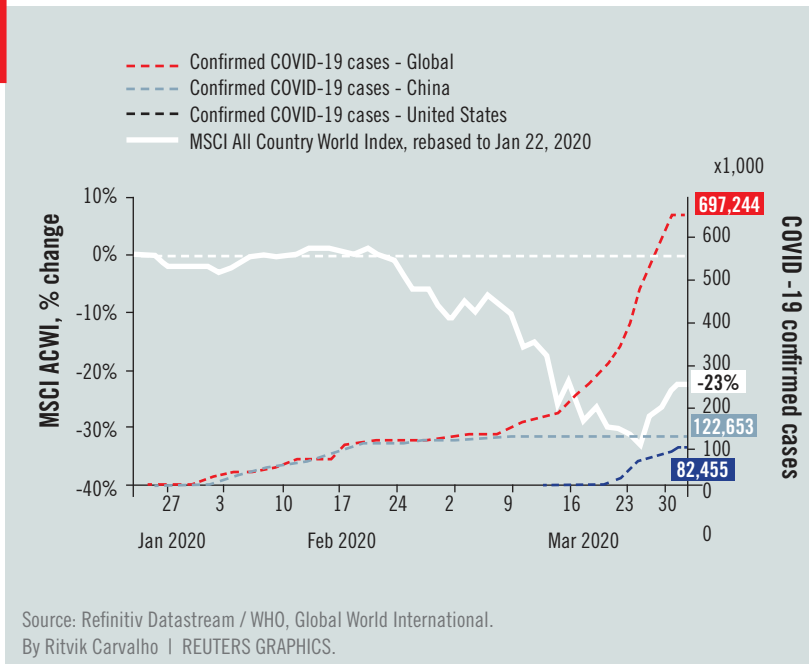
THE FINANCIAL WORLD: A FLOOD OF PAIN MIXED WITH DETERMINED RESCUE SIGNALS

The second, very powerful contender in the coronavirus race toward a global ground zero are financial market impacts, real economy impacts, and unemployment numbers. These doomsday notices are juxtaposed with signals of new governmental—meaning fiscal and legislative—measures and rescue packages, packages of monetary stimulus, bond buying and interest rate reduction by national central banks, and announcements of financing and debt relief initiatives by global financial institutions.

On the world's financial markets, stocks and their trading platforms are the most sensitive seismographs, signal givers of the first order when it comes to economic health. Beginning from mid-February and all throughout March, equities around the world were impacted by radical drops followed by uncertain movements, sideways trading, and resumption of drops.

Coronavirus

WORLD STOCKS VS. COVID-19 CONFIRMED CASES



Many noted recessions began in the financial world. By contrast, the corona recession of 2020 seems to involve factors in the real economy of production and repercussions to globalization and the complexification and extensions of supply chains.

Between record highs in American and some European stock markets on or around February 19 and market readings on March 20, lay steep drops of about 30 percent in leading US indices Dow Jones and S&P 500, 40 percent on the German DAX, a drop of over 30 percent on Italy's MIB, and more than 20 percent weakening on large Asian exchanges.

Sideways trading and minor temporary price recoveries made not only the indexes of equity markets show pictures of mayhem and uncertainty at end of March and into April. Markets for bonds, oil, commodities, currencies, precious metals, and cryptocurrencies were shaken into bouts of volatility. Many markets passed through phases of deterioration last month that in their sum defied comparisons and left it to the mind of the beholder whether to describe the various down phases in sensationalized terms as crashes or euphemize them as severe contractions.

Oil prices were caught between the rock of vanished demand due to the coronavirus pandemic and a hard place of a spat over production cuts between Russia and Saudi Arabia. Already subdued to levels below \$50 over the first two months of 2020, due to weakening demand, prices moved down by 25 to 35 percent relatively early in March under the added impact of the price war. Scratching a \$20/barrel price level that had in the oil price

cycles during the 21st Century only been recorded at a time when they were emerging from the \$10 dollar lows seen ten years earlier, oil climbed back to the \$30s by end of March and early this April. However, these signs of slight recovery were spiced with fears of possible further drops.

Dollar prices and currency exchange rates also had a wild and wily month—the latter in the fact that they were advantageous to investors who played their wiles best. For most countries in the developing world, the month was wild, as they were hit by capital flight and depreciating national currencies. In the confusing environments of fear and flight, even gold seemed less solid, swinging from gains to losses in coronavirus uncertainty. The supposed digital gold, bitcoin, had value sucked out of it as investors cashed out bitcoin positions to cover exposures elsewhere, and even as bitcoin and a few other cryptocurrencies were gaining some territory as markets moved in late March and into April, it seems crypto-hell was bent on demonstrating that virtual does not have the same tangibility as physical.

And so the sad markets stories went on and on. The data flood of bad and worse numerical signals from financial markets in March have in their volume and frequency rivaled the bad news on coronavirus infections and COVID-19 fatalities—the two crucial differences being that financial epi-

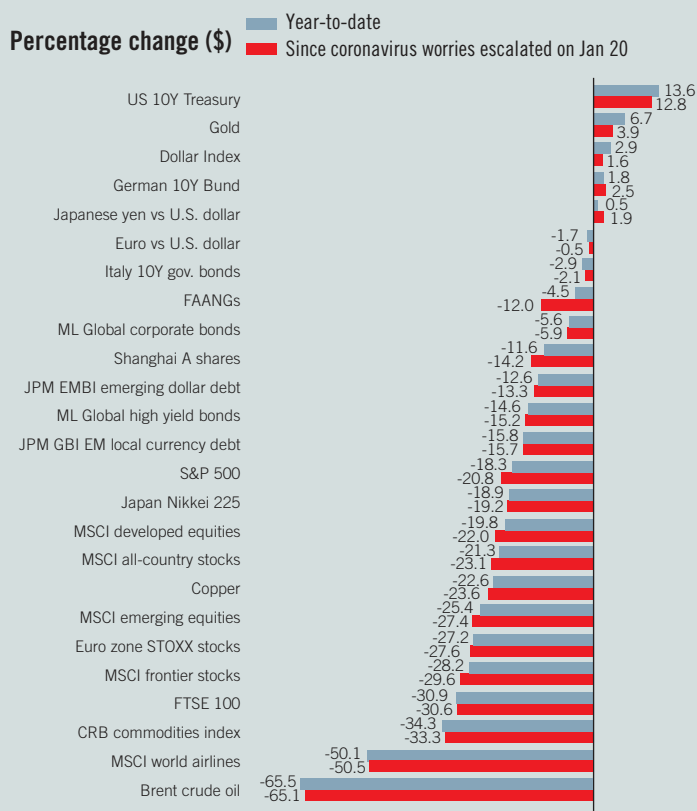
demics with inundation of deteriorating numbers do not imply growing risks of death and that the volatile financial signals reflected human behavior patterns. A crucial further element of financial signaling to the economy last month were the fiscal and monetary promises of countermeasures to the gathering coronavirus recension and ever-larger packages of support issued to themselves by leading economies.

EMERGENCY RESCUE PACKAGES IN THE RICHEST NATIONS

In money trails on the global emergency supply plains, the top developed economies of G7 status have constructed the largest virtual caravans. Their money wagons are equipped with supplies that other countries can only dream of. The United

States has legislated a \$2.2 trillion dollar package, signed into law by President Donald Trump on the last weekend in March—an upward revision of the package and addition of another \$1 trillion was later put on the table as parts of the program already looked insufficient to meet needs. Emergency packages worth double and triple digit billions of dollars were adopted by governments of the other G7 group countries. They were reported in early April as being: Canada (\$75 billion); France (€45 billion in emergency aid to companies alongside €300 billion state loan guarantee package); Germany (€156 billion euros, upping its 2020 budget by almost 45 percent); Italy (€25 billion euros fiscal package, expected to be followed by much larger package); Japan (package according to government announcement on April 6 will amount to almost \$1

CORONAVIRUS CRASHES FINANCIAL MARKETS



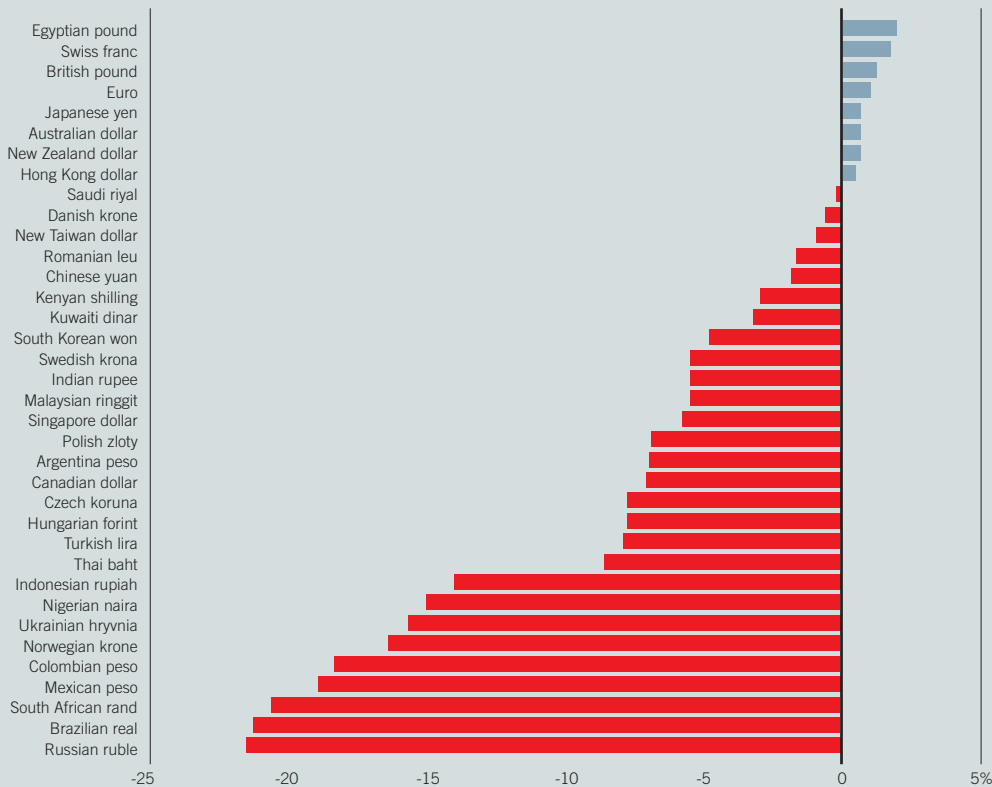
Source: Refinitiv Datastream / data to 30/03/2020.

By Marc Jones | REUTERS GRAPHICS.

Coronavirus

GLOBAL FOREIGN EXCHANGE RATES

Currencies against the US dollar, year-to-date change



Source: Thomson Reuters Datastream.

By Michael Ovaska | REUTERS GRAPHICS.

trillion); and the UK (£350 billion/\$430 billion under adjustable response framework with no limit).

On EU level, according to a statement of current European Central Bank (ECB) President Christine Lagarde on March 19, the Eurozone's central bank designed a €750 billion Pandemic Emergency Purchase Program on top of a €120 billion program adopted earlier in the same month. "We are fully prepared to increase the size of our asset purchase programs and adjust their composition," Lagarde assured.

It is predictable that these financial packages will not remain at these levels nor be nearly enough for doing what is needed, as already seen in the US context. A report in German newspaper *Süddeutsche Zeitung* said on April 5 that documents from the German finance ministry showed a total predicted cost of almost €1.2 tril-

lion for measures in the country when all public measures are included.

Using a phrase that reminds of the then-ECB President Mario Draghi's 2012 rescue assurance during the euro crisis, leaders of the G7 said in a statement on March 16 that they were "resolved to coordinate measures and do whatever it takes" to restore growth in their economies and avert downside risks.

Another early April news update: The United States' rescue armament according to the *New York Times* comes with \$454 billion in ammunition to enable Federal Reserve lending programs to small businesses, large businesses, local governments, individuals, and households. As a Treasury Department program for small business relief launched on the first Friday in April, the paper reported that over 10,000 applications for more than \$3.2 billion in loans were processed that day.

THE BIG MULTILATERAL MONEY GUNS

Multilateral development banks and international financial institutions (MDBs and IFIs) were in the first tier of engineering their responses to the coronavirus pandemic and recession. With a financing quiver holding \$1 trillion, the International Monetary Fund (IMF) signalled its readiness to mobilize all of its lending capacity, IMF Managing Director Kristalina Georgieva announced repeatedly last month, as the reality of a global recession projected at least as bad or worse than seen during the Great Recession of the 2000s dawned on international markets and global institutions.

While assuming a recovery of the global economy in 2021, the return to growth will require tremendous medical responses as well as extraordinary financial efforts, Georgieva stated on March 23 (after a regular G20 conference call), making appreciative references to efforts by major central banks and fiscal packages that had been declared by G20 countries.

After acknowledging the coronavirus-related economic relief measures taken by many G20 countries, she emphasized the continued presence of concerns over “the negative outlook for global growth in 2020 and in particular about the strain a downturn would have on emerging markets and low-income countries.” Early in March, Georgieva had announced that about \$50 billion in fast emergency IMF funding, 20 percent of it in interest-free facilities, would be mobilized toward support for low-income and emerging markets.

The IMF endeavors to facilitate better access to its emergency facilities, given that “some 85 countries” have indicated that they would need to rely on IMF emergency funding, the IMF chief said in a further, extraordinary conference call with G20 members on March 31. According to her, besides widening its emergency support umbrella the IMF is seeking to enlarge its capacities to help its poorest member nations and assist countries that experience foreign exchange shortages.

In related efforts, the IMF in March initiated measures asking member countries to replenish a special catastrophe fund that has previously been used to support Haiti in 2010 and countries affected by the ebola epidemic in 2015, to a size of about \$1 billion. Revising the catastrophe fund’s criteria enabled the granting of debt service relief for up to two years to poor nations as balance-of-payments support.

According to a World Bank press release from April 2, the group initiated a first wave of emergency support operations worth \$1.9 billion for 25 developing countries, including Yemen and Djibouti in the Middle East and North Africa (MENA) region. New operations are moving forward in over 40 countries under a fast-track process, in addition to redeployments of \$1.7 billion in already existing projects. Further redeployments of funds for countries with approved projects could reach up to \$160 billion over the next 15 months.

An earlier World Bank Group factsheet had announced in mid-February that the group’s immediate emergency response would be dedicated to life-saving operations, meaning support of healthcare needs, prevention and testing, medical research, and related development of community-based disease surveillance systems.

A list compiled by Reuters in the first week of April showed 28 countries in the developing world that were beginning to receive emergency funding in support of their efforts to fight the pandemic in these countries from the World Bank Group and IMF. Containing 13 countries in Africa, 10 in Asia, and five in Latin American and the Caribbean, the highest indicated amount was destined for the most populous country on the list, India, at \$1 billion, followed by Senegal with \$226 million.

Seven of the named countries, including India, were going to receive upward of \$100 million, five \$10 million or less. The smallest amount was earmarked for Sao Tome and Principe at \$2.5 million. The countries identified on the list were of different income levels and population sizes, without apparent correlation of either factor with the amount slated for emergency support. The Arab countries benefiting from the first wave of emergency funding by the World Bank or the IMF according to the Reuters compilation were Yemen, Djibouti, and Mauritania.

NOTABLE MDB/IFI INITIATIVES FROM AROUND ASIA AND THE MIDDLE EAST

The four-year old Asian Infrastructure Investment Bank (AIIB) announced in the wake of the March 27 extraordinary G20 summit by conference call to its directors the creation of a \$5 billion crisis facility for public and private sectors to alleviate financial pressures and support post-pandemic recovery. The flexible facility would be part of coordinated international response efforts and could be expanded, the AIDB said on April 3.

Coronavirus

Responses to the coronavirus pandemic from Islamic and Arab development institutions have come underway more recently and support announcements have been trickling when compared with the flood from global multilaterals. The Islamic Development Bank (IsDB) announced on April 1 that it would support implementation of “pioneering ideas in the fight against COVID-19” with a \$500 million fund designed to invest in startups and entrepreneurship.

Kuwait-based Arab Fund for Economic and Social Development (AFESD) on March 30 announced a \$3.2 million grant to assist Jordan in its fight against coronavirus impacts. The Kuwait Fund for Arab Economic Development (KFAED) said on March 25 that it would contribute 30 million Kuwaiti dinars (\$96.5 million) toward the country’s efforts in countering COVID-19. Kuwait announced its first COVID-19 fatality on April 4.

MULTILATERAL INITIATIVES WITH PRIVATE SECTOR SUPPORT ANGLES

The World Bank Group’s International Finance Corporation announced \$8 billion in support for private sector companies through its trade finance and working capital lines, in addition to support for clients and invested private sector companies in the agricultural, manufacturing, services, and infrastructure sectors. Commitments from the group also include \$6 billion in guarantees from credit insurance arm, the Multilateral Investment Guarantee Agency (MIGA), according to the press release.

The European Bank for Reconstruction and Development (EBRD), released a €1 billion “Solidarity Package” aimed at the countries where the EBRD is active. The measures are targeting support for private sector client companies that are in financing troubles through temporary credit problems.

In addressing the global banking system’s very specific challenges under the coronavirus scenario, the Bank for International Settlements (BIS) declared additional funding and supervisory support measures for banks on April 3. Alleviation of pressures on banks according to the Basel Committee on Banking Supervision at BIS will relate to expected credit loss (ECL) accounting frameworks and regulatory capital requirements linked to ECL frameworks, as well as margin frameworks and annual assessment of global systemically important banks.

On March 27, a preceding statement by the Basel Committee’s oversight body of central bank governors and heads of supervision (GHOS) endorsed measures to free up operational capacity of

banks and supervisors in the corona crisis by deferring introduction of Basel III standards, revised market risk frameworks, and revised pillar 3 disclosure requirements.

THE SPECTER OF A GLOBAL SOCIAL CRISIS—A CRISIS OF LABOR

What the entire relief army of fiscal and monetary initiatives in the G7 economies and the measures directed at the global economy’s countries in the “also-run” category could evidently not solve last month, was a scary momentum in the development of joblessness. The sad record in job loss news came from the United States with 10 million new claimants of unemployment benefits in the second half of March. Job losses in the first half of March,

reported at over 700,000, were high by comparison with earlier periods but paled in comparison with the latter part of the month.

This translates into a dichotomy between relatively benign US job loss numbers in the first half of March and the outlook for next month and beyond. The existing data up to March 12, while indicating that over 10 percent of the review period’s job losses actually occurred in the healthcare sector (in services not involved with the coronavirus pandemic),

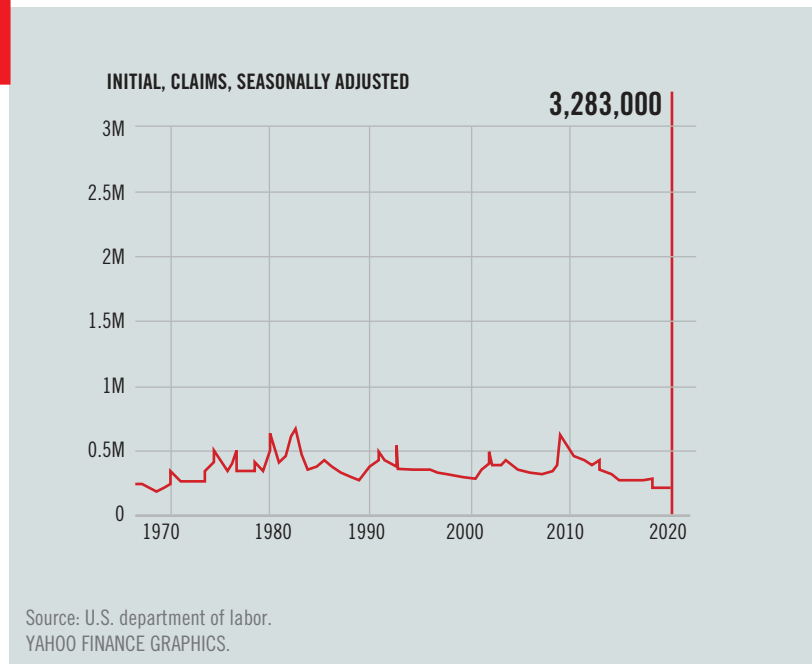
mainly showed that about 65 percent of jobs lost across the US during the pandemic’s initial social impacts were in hospitality-related sectors—most of them in restaurants—and that job losses generally affected younger and less educated employees.

The shockingly high numbers of US unemployment in late March had to be expected in view of the immediate emergency of a shut-down US economy. There also is no reason to think that employment numbers in the US will become better in the medium term where a deep global recession—with, at least temporary, history-making work paralysis—now is the dominant assumption.

Reasons why the US numbers have jumped so strongly last month and resulted in alarmed reports by news organizations might include the fact that employment preservation is less of a thing in the US than in Europe, which explains the higher spike of American unemployment when comparing these two economic areas. A perception bias is an-

■ The future is likely to experience new contributing factors to economic recession arising from natural catastrophes, including recurrent patterns of sudden epidemics and the impacts of climate change.

U.S. JOBLESS CLAIMS SKYROCKET AMID CORONAVIRUS OUTBREAK



other usual suspect. Job losses in China, which were in the millions in February, seem to be perceived in western media as a statistic, not a social catastrophe.

This is all unsurprising, and since surges in social challenges have kicked Washington into activist gear in March, the US Department of Labor in early April informed state-level authorities of a \$600/week boost to unemployment benefit payments for eligible groups and instructed them in perfect bureaucratic precision to what categories of benefit claimants these additional benefits are to be disbursed. Notwithstanding specificities of the American labor market and social response system, the indications from March 2020 as to the social groups most affected by unemployment in the US foreshadow where the enormity of social troubles is likely to be clustered in other, less affluent economies.

Overall, the outlook for restoration of labor prospects across developed markets and creation of jobs that can substitute for those lost in financially destroyed SMEs and long-term devastated sectors also appears rather dim, considering that design of emergency measures for workforces generally has been aimed at softening financial blows by compensating for losses in labor income. The most promising steps range from loan holidays, rent suspensions, and disbursement of survival cash to laid-off individuals. Regulated reduced-work ar-

rangements—Austria's and Germany's employment defense recipes via labor department substitution of a part of lost wages and salaries, if employees are forced to work fewer than their contractual hours but remain on payroll—will help, just as similar arrangements in countries where governments have announced they will be assuming responsibility for paying as much as 80 percent of wages if employers keep their staff members on even if they have nothing for them to do.

THE FUTURE LOOKS DIM

All these measures are beneficial and immeasurably superior to total absence of personal security—but they cannot negate the destruction of work in the coronavirus crisis or guarantee the creation of additional job opportunities for new labor market entrants during the interlinked national recessions that are expected to follow upon the pandemic and be unlike other cyclical downturns. Nor can the measures generate new jobs that would replace jobs lost in hard-hit sectors where, for a long time, no full recovery of pre-corona employment levels is expected, be that service jobs in travel, tourism and hospitality or manufacturing jobs in automotive and aviation industries.

Moreover, most countries in the world do not come near to the fiscal power of the US and other G7 countries. Yet it seems unpleasantly safe to as-

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sume that similar patterns to those of the March 2020 job losses in the US will be seen by the time when downward labor developments across the world will come to be analyzed for G20 countries as well as less privileged economies.

In a short-term outlook projection by the International Labour Organization, developing markets will be impacted more severely by evaporation of work than developed countries. Arab states will suffer the largest loss of labor that is being inflicted by the COVID-19 crisis on the world economy in the current quarter, the ILO said on April 7. The organization expects 8.1 percent of work hours to be lost in the Arab states, equating to 5 million full-time workers, which is 1.4 percentage points above the projected 6.7 percent rate of work hours that will be wiped out worldwide. Under the ILO projection, the global loss of work will be equivalent to 195 million full-time workers, 125 million of which will be in Asia.

Job losses beyond the current quarter are very hard to anticipate because they would, to a significant proportion, depend on the timing and speed of recovery from the expected global coronavirus recession—key open questions are if recovery would start as early as the third quarter or only later on and if the recovery will be fast (a V-shaped recession), slow (U-shaped) or marginal (as in a L-shaped recession). However, the residual unemployment that has to be expected even after the pandemic has turned into a bad memory means that repercussions from increased chronic unem-

ployment—including impaired physical health, increased emotional distortedness, and damaged mental stability—are likely to affect the entire globalized economy of the 21st century over decades.

Socioeconomic epidemics will affect countries with highly developed analytical methodologies and data on domestic labor markets but will be even more hurtful to countries where the domestic labor market is a job casino with crooked croupiers—a large group of countries that includes Lebanon, which is in no way unique in this regard.

The ultimate result of all this could be that job loss in the coronavirus crisis turns out to be a class of harmful societal bacteria prone to induce chronic illnesses in developed and poor countries alike, inflicting social pains and causing mental epidemics with unrestrained emotional infectiousness in all seasons and comparatively minor but unpredictable death rates.

THE FOURTH STREAM IN THE DELUGE

Such a social reality, unless balanced by a surge in social solidarity, looks to be no fun at all. Moreover, it links to the fourth swelling torrent that impacts and impairs daily lives in the form of a deluge of narratives.

This torrent combines several sub-streams. One is flooding the internet and social networks with inane conspiracy theories. These dystopian fantasies are too numerous and on average far too stupid but they command a lot of attention. They can traumatize listeners with artificial fears and

even lead to damages in the real world, as a brand new example from the UK demonstrates: burning mobile phone towers. Some towers were targeted by arsonists this month, apparently because of a conspiracy tale that fifth generation (5G) mobile networks have something to do with the spread of the coronavirus. Scientists were dismayed.

There are furthermore significant streams of deliberate fear mongering and disinformation. The disinformation stream's fake news can be state-sponsored or state-aligned, suggest observatories of such data, and are revealing digital frontlines that are culturally entrenched and throwbacks to Cold War times. Unimaginative horror movie scripts about villainous military leaders underwriting secret laboratories for biological weapons research that have set a virus loose deliberately or inadvertently, are an old hat. But such allegations recently seemed to be popular fake news grenades deployed by various global powers on their disinformation fronts.

A third detrimental sub-stream of the online information deluge is criminal with the objective of financial gain. Real world price gouging and criminal behaviors of seeking to exploit the desperate demand of municipalities, public and private healthcare institutions, and individuals by charging sky-high prices for—often substandard—emergency medical supplies from masks to ventilators for COVID-19 patients is a morally despicable and legally criminal practice that has surged with the pandemic.

Mirroring and even preceding these practices have been cybercrime syndicates and individual crooks who fraudulently promised to deliver medical equipment, virus tests, imaginary vaccines, and even miracle cures in online environments. Further fraud strategies include scams related to banking, financial services, coronavirus research, donation solicitations—the Action Fraud reporting system in the UK warned of soaring fake governmental emails asking for donations to the UK's National Health Service, in one example—and charities.

While real-world property crimes saw a downturn during the lockdowns, virtual crime in connection with the coronavirus pandemic soared into existence by February and ballooned in March, to the point that platforms for reporting such crimes, such as Action Fraud, were flooded and sometimes overloaded with requests by April.

“The pandemic opened up a business opportunity for predatory criminals,” said a report by Europol that announced the results from a global operation against counterfeit medicines, mostly

counterfeit surgical masks, which, according to the report, resulted in the dismantling of 37 organized crime operations and closure or some 2,500 online links. In the US, the justice department warned of rising online scams related to the coronavirus and the National Center for Disaster Fraud asked coronavirus fraud victims to contact a hotline. It is too early in the trajectory of coronavirus-related online crime to have meaningful numbers on average damages to victims or the accumulated financial gains of fraudsters during the pandemic, but as with all crime, this online scamming epidemic will leave behind traumatized victims.

THE RISE OF MAINSTREAM NEWS AND ECONOMIC FORECASTS

On the other end of the information spectrum are the not so bad guys—news organizations and individual journalists, academic research initiatives, for-profit consultancies, and individual economists, celebrity and otherwise. In this realm, the coronavirus has been dominating the attention of journalists for more than a month, which resulted in daily flows of virus-related news on every mainstream and niche media that EXECUTIVE accessed during the pandemic (including EXECUTIVE's own website and social networks).

Detailed and high-level economic research reports from academic institutions, bank research departments, and professional consultancies have flooded the global info sphere with studies, graphs, tables, projections, and guesses about the trajectory, severity, and outcome of the global coronavirus recession and nation-scale recessions. There was even a first “infodemiological study” by Chinese scholars about correlations between the COVID-19 epidemic and the COVID-19 infodemic.

It can and must be pointed out that the work of journalists and media organizations is driven largely by people's right to information on the pandemic and all that it implies (NB: Many for-pay online magazines and news sites have punched holes in their paywalls and are offering their coronavirus coverage pro bono, and advertising revenue at other media sites is down). This is the media's mission. However, with the rise in mainstream reporting, daily monitoring of the flood of journalistically produced news also nurtures concerns over imbalances in reporting, the nurturing of self-fulfilling prophecies, and the reinforcing of prejudices and misperceptions in absence of sufficient verifiable information.

Concomitantly, the relentless spike in production of economic opinions, analysis papers, and

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presentations suggests an increase in risks that the users of these reports will by way of selective perception chose to peruse materials that reinforce their narrow views and existing biases.

Many economic research departments and consultancies appear to compete in bringing out reports fast (as a non-representative example: the World Economic Forum's lineup of contributors and experts in April churned out over 25, often elaborate, online pieces in less than a week). Many such reports will have to come at the price of having to use preliminary, partial, uncertain, and not yet corroborated and robust data. Perhaps too many.

Casually put, the fourth stream in the corona environment of spring 2020 is a lavish information kitchen that allows economic addicts to overeat on a high-protein diet of advice and opinion, conspiracy theorists to indulge in nutty snacks with no nutritional ingredients and news junkies with a taste for the morose to feast 24/7. Given, however, that the torrents of so far mostly depressing SARS-CoV2 and COVID-19 data, discouraging economic data, and highly worrying social trend data in their confluence already make any previous experience of TMI look like a joke for preschoolers, the presence of the fourth stream in the deluge seems to transmute the combined mental coronavirus experience into something like a distributed denial-of-service attack on human brains—with no telling about the damages that might be inflicted.

In any event, as a long defunct economist and political philosopher wrote in an exchange with a fellow socialist one and a half centuries ago, "Every child knows [that] a nation which ceased to work, I will not say for a year, but even for a few weeks, would perish." It seems that the world will in due course find out if, per chance, Karl Marx was right on this one.

DEEPLY EMBEDDED IN THE CORONAVIRUS CRISIS: THE CASE OF LEBANON

And where is Lebanon in this global apocalypse that comes with the destruction of all human ability to predict what will happen to the world economy in the coming six, nine, 12, 21, 40 or even 120 months? The answer might be mostly one of cultural coherence and mental resilience.

In terms of infection count, Lebanon, showing 541 infections on April 6 on a continually updated list maintained by Johns Hopkins University in the United States and registers in the middle field of



the 183 countries that are included in the tally. The list on that day shows more than 60 countries with 10 or less infections each and just over 100 with more than 500 such incidents.

A world map at the site shows a not too large red spot in a world that is plastered with circles of red (one must assume that the size of the circles correlates with the number of infections but does not give information on the ratio of infections to national populations). Over 70 countries have reported higher infection counts than Lebanon. The world total that day is approaching 1.3 million confirmed infections and 70,356 deaths.

Lebanon's tally of 19 deaths seems elevated in relationship to other countries that show between 400 and 700 infections, as countries in the group

with a lower count outnumber those with a higher fatality count about three to one. The time for the doubling of infections in Lebanon is shown as about 30 days, with a stable trend and looks rather good in context of another visualization of the Johns Hopkins COVID-19 data. However, the overall robustness and depth of country data about most countries, including Lebanon, appears at a fleeting glance to not be sufficient yet to allow for real analysis and conclusions with a high degree of confidence.

CARNAGE AND MORE CARNAGE

The economic picture in Lebanon is not one of a country that has been ripped away from its healthy economic trajectory by a sudden external shock—as is the scenario in other countries that have come to regard a lockdown as the only way to avoid an unacceptably high loss of lives among their citizens. Lebanon's economic picture is one of sustained carnage, or rather the governmental self-dismemberment of the little that has remained of the country's political and socioeconomic integrity after a series of vacuums and utterly result-free policy cycles in the 2010s.

With transmission of guidance impulses into the economy through the administration's dysfunctional central nervous system frequently interrupted over the course of a decade, vital parts of the economy started to wither and die off. The resulting dismal state of economic and financial affairs, having become unmistakably clear in the third quarter of last year, is by now known perfectly well and has been documented almost to excess. There is no need to reiterate a description.

However, if one wishes to refresh one's memory on the entwined elements of the Lebanese mess, one only needs to glance across national and international assessments of this existential crisis, for example by reviewing the six joint statements which the International Support Group for Lebanon (ISG) has issued in course of the past seven months.

A meditation over such documents and the economic realities delineated therein gives the impression of only two possible approaches. In recognition of the persistent economic emergency that has only been exacerbated but not induced when the first coronavirus infection was discovered in the country seven weeks ago, the possible reactions to the twice cursed reality of pandemic and deep economic crisis are a realist's approach and a utopian one.

Realistically, and this is prudent, the country needs things: the virtue of hard work by mo-

tivated and determined business movers, shakers and makers—the kind of people who are investing themselves into the Lebanese economy and put their own fortunes on the line—and help from outside by whoever is willing and able to help. Leaders of industry and economists have reconfirmed earlier in the coronavirus crisis that they are determined to work with everything they have and that foreign help is vital and urgently needed, ascertaining at the same time that they would not expect the Lebanese government to be able to spend any significant own financial resources on alleviating the repercussions wrought by the coronavirus crisis or the economic malady. (See industry story page 44).

All that can be said at this moment with reasonable confidence about the search for foreign help, is that talks between the Lebanese government and interlocutors on the global level, such as the IMF, the World Bank Group, and stakeholders in the ISG, have been ongoing for months now. The details discussed in these talks are by and large less transparent than one would wish for and the outcomes appear not predictable, but the potential enablers, foremost the enabler of fiscal reform, are known.

In this regard, the latest communication between the Lebanese state and the ISG has reconfirmed this month that Lebanon is appealing for and depending on international support. The official message to the ISG reiterated baseline information on the Lebanese government's perception on the scope, roots, and growth of the national economic crisis, and the fundamental precondition for receiving aid that consist of empowering an efficient government that enacts reforms and disavows all corruption. The message contained the assurance that “the Lebanese state is currently working on putting up a comprehensive financial and economic plan, within a national rescue program,” and the promise that “the plan is about to be completed” as President Michel Aoun told ambassadors, EU, UN, and World Bank representatives in a April 6 speech.

An alternative utopian approach might reason differently, however. It might admit for example that unadulterated carnage of the Lebanese economy is just as strong as it was before the coronavirus struck—but continue to say that under the conditions of the coronavirus crisis, financial drainage, ballooning debt, currency blowout, poverty explosion, social emergency, and vanishing jobs are no longer just cluttering the Lebanese horizon but that these ominous signs now are looming over multiple countries.

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A utopian approach might further reason that the current outlook of a deep global recession represents an opportunity. With the entire world facing the possibility that new economic paradigms—a need that had also been debated toward the end of the 2007-09 Great Recession but that did not materialize then—a utopian Lebanese might argue that the financial and economic apocalypse is finally taking shape, but that in Lebanon it is the apocalypse of flawed finance and dysfunctional economy and does not mean the end of the world.

Utopians are raising their voices and concerns internationally, advocating for debt forgiveness or introduction of universal basic income solutions, stakeholder capitalism and new social contracts, replacement of outdated models for externalizing climate and environmental costs, for trying out Modern Monetary Theory, for better financial constitutions in the public economy, for central banks

that become pawnbrokers of last resort, or for ending the antagonism between markets and public administrations, societies and states.

A Lebanese utopian might see an opportunity for contrarian thinking to be effective in the country's redesign of the national economic strategy, perhaps by way of a new form for sustainable monetization of state-owned lands while retaining public ownership, or by encouragement of a creative revolution in design and tech entrepreneurship and a giant national leap into digitalization in pursuit of a moral economy, or by activation of a diaspora network for long-distance job creation, or by institution of a policy that would encourage restructured banks to deploy their knowledge into healthy banking sector growth, or, or, or. A determined utopian might even rejoice that the global powers that are, have been put under downsizing pressure by the coronavirus pandemic and its collateral recession so that they have less ability to deploy financial superiority for their own power gains, being false friends for countries that should realize that they have more than enough talent and more than enough own concentrated wealth to stand on their own feet.

ONE THING TO REMEMBER

The Lebanon apocalypse is unfolding but it will not be the end of the Lebanese and not the end of Lebanon. The economic apocalypse of 2020 is a chance and a double opportunity to learn from the country's systemic failures and step up to global challenges.

Henrik Mueller, professional observer of international business realities and professor of economic journalism in Germany, argues this month that the coronavirus revision of everything has just successfully refuted the old accusation that capitalism subordinates everything to the almighty profit motive. Some budding economists, meanwhile, blurted out in an Austrian School economics forum in the United States their ideology that, fundamentally, freedom is more important than security, or an illusion of security.

A Lebanese observer of such discourses might ask in response, "What is most valuable and important in and after the coronavirus crisis for a society that has neither security nor could benefit from past *laissez faire* capitalist freedom in a rentier state?" The answer, one hopes, is human solidarity and productive collaboration between utopians and realists.



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THE TWO-IN-ONE CATASTROPHE



Lebanon's economy and industry suffer under coronavirus impact

When seeking to fathom how Lebanon's pre-existing economic woes correlate to the newly unfolding global coronavirus recession, a first obstacle is posed by the extreme speed with which this recession is unfolding. In February, and even earlier in March, international agencies, leading economic powers, financial institutions, and noted economists assumed that the virus's impact might be sharp or moderate but limited to the short term.

By the end of the second week in March, however, the tone of assessments had changed dramatically. Expectations of recessions in leading economies such as the United States now see a recovery starting in the fourth quarter of the year—in optimistic scenarios marked by a seasonal pattern with the first wave of coronavirus infections peaking this spring. Less hopeful scenarios see no resumption of GDP growth in corona-stricken G7 economies before the first quarter of next year, and some

noted economists anticipate far worse, a deep recession of unpredictable length.

In a summary view, roughly three quarters of 41 Europe and US-based economists polled by Reuters in the third week of March said 2020 would see a global recession, and their sentiments reportedly grew still gloomier as the week progressed. Where does this leave Lebanon, struggling already with an historic economic crisis of existential proportion?

Frontline sectors of the Lebanese economy with reliance on uninterrupted daily business—from the marginally self-employed and informal workers to general retail, luxury retail, hospitality ventures, and hotels—are unquestionably the immediate victims of the standstill of economic activity forced upon them by the necessary containment efforts to counter the threat of the COVID-19 epidemic in Lebanon.

Beyond this portion of the economy that is exposed to short-term impacts, however, the situation has turned so dire for the entire economy, and the

Lebanese people as its stakeholders, that attempts to verbalize the disaster's scope can only choose between metaphors in the superlative range. Is it more appropriate to compare the state of economy to being faced with a volcano eruption on top of an earthquake, or is it more fitting to liken it to a tsunami that follows just after the devastation of a monster hurricane?

MONSTER CLOUDS OVER THE COUNTRY

Lebanese economists whom EXECUTIVE reached by phone confirmed the impression, albeit in less dramatic words, that the country is undergoing a two-in-one crisis. While the implications are especially severe in terms of further increases of poverty and social destitution of the population, it also impairs the motors of hope that had existed (when taking into account that a resurgence of the hospitality industry and tourism has shifted considerably farther away, and that new complications in the financial markets also appear to push prospects of development there farther into the future).

"The coronavirus effect will be catastrophic on the world economy, and the Lebanese economic situation will be more and more catastrophic, amidst the halt of economic activity," says economist Elie Yachoui, framing the picture in neutral words. But that phrasing makes his subsequent description of the economic outlook no less scary. "We can say that the middle class in Lebanon will be totally extinct. They will be the new poor," he says.

In Yachoui's perspective, the economic downturn will leave even the moderately well-off, those who have some savings in their accounts, in no advantaged state as they are not able to fully access those savings due to problems with banking and inability to obtain hard currency. He tells EXECUTIVE that only the top 10 percent of the population may find themselves to be better off, those who have deposits in accounts outside of Lebanon.

A similar assessment is voiced by economist Roy Badaro, who notes that a recent World Bank warning about the poverty level in Lebanon increasing from 30 to 50 percent of the population under the country's prior economic crisis may no longer be adequate for describing the scope of the malaise. "I expect an 80 percent poverty level," he says. "Only 5 percent of families will be able to keep the same level of consumption, and another five percent or so will be okay—all the rest will suffer a lot." According to Badaro, the scale of economic suffering will vary but the

relative poor of today will become very poor, and a serious threat of starvation could surface in about three months' time.

Notably, the exacerbating effect of coronavirus health crisis and economic recession is also affecting the country's manufacturing industry, a major driver of the economy. Fady Gemayel, the president of the Association of Lebanese Industrialists (ALI), tells EXECUTIVE: "It is indeed a very dramatic situation. We [industrialists] are all primarily concerned about public health and of the health of workers in industry and the whole [manufacturing] chain."

According to Gemayel, the immediate challenges, in addition to their human impact, have operational and economic dimensions. "We see

■ The situation has turned so dire for the entire economy, and the Lebanese people as its stakeholders, that attempts to verbalize the disaster's scope can only choose between metaphors in the superlative range.

that things are unfolding very dramatically as industry has been requested to limit their operations to basic sectors of food, pharmaceutical, necessary consumer product industries, and what is needed in the production of these products," he explains.

New operational challenges affect manufacturing enterprises that can continue to work, he

adds, because they have to take extra safety measures not only for their personnel but for all stakeholders involved in distribution of their products. "At the same time, there is a challenge as far as going ahead into the future as most [enterprises] are not working," he says. "This poses serious [economic] problems because it [compounds on] the previous problems that we had. As if we needed that."

NUANCED IN THE DETAILS AND UNSEEN OPPORTUNITIES

Despite this overall burden that the recessionary environment of the coronavirus puts on all industrial sectors, the picture turns more nuanced when delving deeper into industrial activity and subsectors of manufacturing. Some subsectors—namely those with a stake in the digital realm and orientation toward exporting their goods and services—are saying they see those silver linings on their horizons, even as they are hit by the coronavirus crisis in conjunction with the preexisting Lebanese economic crisis.

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Multilane, a company with wholly export-centric profile as supplier of infrastructure components for the global data center market, has been affected by the coronavirus on levels of work flow and its international supply chain but has been able to cope with these impacts, CEO Fadi Daou tells EXECUTIVE. “We are doing okay,” he says. “Everybody is, of course, working from home, not just here (at the Lebanese manufacturing site) but also in our global offices in the US etc. The company is still on a steady path.”

A challenge that Daou had to deal with specifically relates to the company’s reliance on an international supply chain. Generally, disruptions of work at factories—first in China’s Hubei province, then in manufacturing plants in South Korea, and finally in countries around the world—and disruptions of international shipping and cross-border transport. These disturbances notably represented an impediment that differentiated the downturn of the real economy triggered by the coronavirus pandemic from the financial upheavals that played the central role in earlier recessions, including the Great Recession of 2007-9.

“We are affected by global supply chain delays,” Daou says. “Much of our supply chain is sourced from southern China and some from Taiwan. That has been impacted.” What mitigated the disruption for Multilane, however, were two elements. The first such factor, according to Daou, was that the area of origin of supply for electronic components is centered in the southeast of China rather than the midwest, where the Hubei province, the most heavily affected by the virus, is located. Besides the better functioning of the supply chain on the Chinese end, the second factor aiding Multilane in its management of component supplies was its habit of maintaining some inventory because of the well-known vagaries of importing materials to Lebanon. “We do have one to two months delay in our supply chain,” he explains. “That could, of course, be increasing—and we would be impacted—but since we operate in Lebanon we typically don’t rely on [just-in-time] supply chain but keep two to three months buffer of material.”

The deepest problems that Daou faced in terms of his international dealings actually occurred at the end of last year and were caused by the Lebanese economic crisis’ sudden restrictions on financial transfers via Lebanese banks. The problem was acute until the company could start to rely on inflows of fresh cash, meaning hard currency

wired to its account after last October. “We did face some serious disadvantages when we were no longer able to pay our suppliers and our employees [in our offices abroad], so we lost quite a bit in the initial shock,” he says. “Banks did not give us three months to adjust and that was costly on our topline and our bottom line, which had a significant negative impact in the November/December

time period of 2019. However, we recovered by January and we were able to shift some business outside the country.”

■ “We can say that the middle class in Lebanon will be totally extinct. They will be the new poor.”

Another sector of industry to expect new opportunities are software companies that are currently anticipating a shift in corporate demand of

local companies in favor of local suppliers, says Joe Hatem, CEO of Lebanese software house Profiles. The company has been in business for some four decades and is specialized in enterprise resource planning (ERP) software. “We are right now under the shock of the corona crisis but once the shock settles, the software industry has golden opportunities,” he says. “One because it is an industry that can export its services or its goods using very little imported material—mainly no imported materials at all.”

Secondly, in the domestic market, an effect of Lebanon’s economic crisis was that companies suddenly—due to the impossibility of making the requisite international transfers—ran into big problems with paying for software licenses from the international suppliers that dominate global markets. In this scenario, local beats global. “We suddenly become a better opportunity, because we are selling locally [and] cashing locally,” Hatem says. “Thus [software purchasers in Lebanon] can do better business with us than with imported software. I foresee that this will be a factor to give us a boost. What remains is for us to be aware of this and make good use of this opportunity. We are working on that.”

Hatem says it is a blessing for his company during the coronavirus-induced economic restrictions that “its work is digital” rather than dependent on physical production of goods and physical deliveries. Similarly to tech company Multilane, Profiles could quickly shift its engineers from coming to the office to working from home. The ability to service at least part of its client base remotely as well as being engaged in exports and receiving some pay-

ments in fresh money enabled Profiles to manage the coronavirus shock relatively well.

However, Hatem voices a grave concern that is of specific importance to his activity and industry. “The internet has become crucial more than ever,” he says. “We can survive as far as dealing with banks even as things are slowing down. But if internet came to be in a situation of slow operation or no operation, everybody will be in trouble.”

This highlights how different industries with different specializations are exposed to singular bottlenecks and technical vulnerabilities, even if they are embedded in the digital economy. It furthermore illustrates how complex modern economic and social equations are, as a human or economic risk in one area of digital-era existence may have a less obvious tradeoff in another area.

According to Daou, online connectivity does not play as crucial a role for Multilane’s operations as it does for the software industry. Instead of focusing on short-term risks of higher internet consumption and resulting stresses on the existing infrastructure (some European countries saw a 10 percent increase in internet usage in just one week in March), he sees an opportunity in the fact that internet usage has been recently spiking. Providers of web conferencing, video streaming, and entertainment will, in the mid to long term, have to invest in their internet and data center infrastructure. “We don’t know how long this will take but we expect a very significant uptick in business activities,” Daou says.

SUPPORT OR SELF-RELIANCE?


One question where the industrialists interviewed by phone for this article were of one and the same mind was the issue of governmental support. Asked if they were looking for any fiscal assistance from the Lebanese state, something that would reflect even a small portion of the large fiscal and monetary relief packages that recently made news from governments in countries all over the world, they just laughed or sighed in exasperation. They all know too well how severe the financial limitations of the Lebanese state are, and how drained the coffers at the treasury and the central bank.

Referring to what the Lebanese government should do, the Association of Industrialists’ president tells EXECUTIVE that the government, at a minimum, needs to defer taxes to help mitigate the economic repercussions of the coronavirus pandemic, calling for a “lifeline for industry and for people.”

Gemayal continues, “I think the government should be very responsible in the sense of addressing the issues of dues to the public sector. What can they do with reference to this issue? [But also] there is a social issue that needs to be addressed, [and] a liquidity issue that needs to be addressed. How can the government [respond to these needs] and where can they bring funds from? I think it is necessary to solicit any specific aid from donor agencies that are not necessarily politically connoted.”

He concedes that it will put Lebanese industry at a competitive disadvantage internationally if they cannot benefit from direct financial support measures from the public coffers, whereas enterprises in other countries receive sizeable fiscal support under very large rescue packages. This is not what is on his mind, however. “We are not here to complain that their situation is relatively better than that of Lebanese industries,” he says. “We are concerned with moving forward and meeting the challenges head on. We need to limit the damage and take advantage of available resources.”

One further point of concurrence among industrialists and economists interviewed in the early stage of the corona crisis in Lebanon was that the beginning of the solution to their dual conundrum and emerging existential recession lies in the realms of politics and changing attitudes. Now, more than ever, a rethink of economic strategy for the Lebanese economy is needed and this enormous task requires universal investments of mental effort by political and economic decision-makers without regard for partisan political concerns, exclusionary views, or special interests on national level or even beyond. The coronavirus crisis is global and thus prone to generate long-term changes that can be opportunities to rectify misaligned political and economic patterns. As Hatem puts it, “We need to reengineer our minds as well [as our strategy for finance and economy], and our relation with nature and with the Earth.”

In this context of the overriding whole, the particular mood in the industrial camps of the Lebanese economy appears to be both defiant and desperate, but with an overall tendency of being determined to sustain industries against all odds in this two-in-one crisis of Lebanon’s mess and the global coronavirus recession. Even as he acknowledges that the pandemic is globally unique and that today’s obstacles to financing of raw materials similarly were never seen in Lebanon even in the days of the civil war, Gemayel says, “We do not want to give up. In Lebanon we have been through challenges in the past and lived up to them.” 

THE FATAL VIRUS HUNT



The need to develop an integrated approach on COVID-19

The real-life specter of SARS-CoV 2 comes across as existentially frightening. With the virus being as familiar as a seasonal respiratory disease and yet totally untamed by possibilities of existing immunity, it reminds many of a scary scenario in popular fiction (remember that Stephen King one about the bad dude living in Texas and the flu survivors in Colorado?). One must admit, SARS-CoV2 sounds high tech and ominous, much more so than any threat in a tale of hidden monsters under your blanket (I am not a toddler, you know), and much more threatening than a flu (yawn, got that last year), a velociraptor (cute), or an alien (unreal).

But after more than four months of living with the virus and reading a new story about it every two minutes, it seems inevitable that one develops a certain familiarity with this new monster in our life—but, dangerously, without actually having real knowledge about it. And acting on half-knowledge, in itself, is a serious threat—because, as the Alexander Pope couplet says about a mythological fount of scientific and artistic inspirations, “a little learn-

ing is a dangerous thing, drink deep, or taste not the Pierian Spring.”

Accurately determining all possible trajectories of the coronavirus threat in different national and cultural environments sounds like an impossible challenge. Its dangers lie in the absence of information on what variables actually play how much of a role in influencing the virus’ spread, what its real lethality is, and how the immunity created by a first-wave exposure might or might not nullify the risk of mortality when being exposed to the virus in a future coronavirus wave.

Correlating a full risk assessment of the virus with a full assessment of the economic risks that could emerge because of measures against the virus, sounds like mission mega-impossible. This modeling of these two unprecedented risk complexes would involve extrapolation of medical factors on yet to be obtained epidemiological knowledge in conjunction with assessments of never before measured social and economic risks pertaining to the death of social lives and slaughter of economic activities in course of implementing lockdowns and isolations of millions.

How to quantify the risks of increased morbidity and mortality associated with a chain of job loss/impoverishment/long-term unemployment – deterioration of general health – depression and a sense of uselessness that can be triggered as downward spiral through an economic hyper-recession not seen in almost a century? How to compute the thoroughly unexplored risks of social repercussions and lasting life impairments from an experiment putting the human “zoon politicon” (in the Aristotelian sense of humanity as a herd animal) indiscriminately into isolation not seen since the bomb runs and sequestering of masses in air raid shelters in London, Moscow, and Berlin during World War II? Modeling all those intertwined risks on a large numerical scale of affected individuals and over an extended period of time, appears to the non-scientist to be impossibility squared, or total delusion.

In the small factual base of knowledge about the pandemic and its direct human impact—not accounting for the indirect and induced impacts

over time—the confirmed infected percentage of populations such as China, France, Italy, and the United States is at time of writing is assumed to be in the two to three per mille range, meaning that 0.2 or 0.3 percent are infected in countries with, by global comparison, high absolute infection counts.

The total number of global COVID-19 deaths is horribly high, yes, but this is because the global population is unimaginably large. We humans are numerous—more numerous than ever before in the existence of planet Earth, whose accretion is estimated to have commenced an also unimaginable 4.6 billion years ago.

Zooming back into the present age of the coronavirus threat, the disease's mortality rate is moreover so different from country to country that some associated factors jump out—such as the variance in average population ages between a country such as Italy and a population-wise younger country such as Lebanon. As Lebanon's acting head of the Insurance Control Commission Nadine Habbal pointed out on the sidelines of an interview with EXECUTIVE (see page 74), when researching the extent of Lebanese insurers' likely exposure to the coronavirus she found to her surprise that the average age in Italy is 47 years, while the average age in Lebanon is merely 31.

Taking this case as example, it is correct that in a Wikipedia list of countries by median age, Lebanon is ranked in position 118 while just north of the Mediterranean, Monaco is noted as the country with the world's highest median age and Italy as the fifth-oldest. As a matter of fact, Lebanon is in spitting distance of the world average as far as median age of its population. Also with regard to the specific higher vulnerability of older men to the pandemic, Lebanese men would by conventional wisdom have better cards than their Italian peers, given that the median age of men in Italy is almost 15 years higher than that of Lebanese men.

However, assuming a direct correlation between median ages as single determinant in a national coronavirus propensity profile would be indefensible—Brazil (ranked 103), Turkey (110), and Iran (123), ranked among the world's 12 worst-infected countries as of April 20, are very similar to Lebanon in terms of median population age. The age factor, when taken alone, thus seems more than questionable for being suited as predictor of anything.

Besides the country's small size, the young age of the population, and the government's immediate decision to close schools, further advantageous fac-

tors cited by Habbal regarding Lebanon's response to the COVID-19 pandemic include the country's heavy reliance on individual modes of transport—“every family has two or three cars; we don't have a metro or tube we can use,” she noted—and the absence of large social gatherings in the revolutionary and restless months before the coronavirus crisis.

From the perspective of fighting the coronavirus, it was almost an advantage to have been in subdued spirits due to our Lebanese economic crisis, meaning, for example, to not have had events in February that would have been comparable in their effect to spectator sports events with ten thousands of visitors at football matches in northern Italy in mid-February or a major religious assembly in France's Alsace region.

But when taking a complex national specificity into account—even if this diagnosis includes factors that at first seem so thoroughly counterintuitive to national wellbeing as Lebanon's historical

■ Correlating a full risk assessment of the virus with a full assessment of the economic risks that could emerge because of measures against the virus, sounds like mission mega-impossible.

overcrowding with private cars or the new extreme detriment of the economic meltdown—and combining this with currently accumulating data on the spread of coronavirus infections and COVID-19 fatalities as percentages of popu-

lations that have been collated in countries with much more thorough testing than Lebanon, it does sound no longer like totally fake news or ignorant deception that official Lebanon reports comparatively benign coronavirus numbers.

WHAT'S IN A NUMBER?

It deserves to be repeated, however, that the data uncertainty on the pandemic is immense. With regard to known data, and without even venturing into questions of the distinction and relationship between crude global death rate (total number of deaths during a given time interval) and the cause-specific death rate (number of deaths assigned to a specific cause during a given time interval) related to the coronavirus, it is undeniable that the infection fatality rate (the proportion of deaths among all the infected individuals) of COVID-19—which appears to be more narrow than the cause-specific death rate but wider when taken as the mortality

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indicator for an epidemic as opposed to the case fatality rate (the proportion of deaths from a certain disease compared to the total number of people diagnosed with the disease for a certain period of time) will support a different sort of bias when the information is processed emotionally, given that infection fatalities are in ranges that will not ever conceivably threaten the survival of the human race.

The confusing ways of defining and accounting for fatalities makes you wonder if any of the data from any of these definitions would have been helpful to Homeric hero Achilles for answering his fateful question over eternal glory after a short life versus a long life of eternal boredom. Moreover, when compared with, let's say, statistics on minority rights or gender equality, death rates appear to be a topic that psychologically and philosophically has not been prominent on the agenda of most people in the postmodern age, including media professionals—with the consequence that imbalances in discussions of the pandemic in media sometimes seem to be magnified either out of ignorance or because of editorial or political biases.

Given that huge differences in confirmed infection rates and death rates have so far been recorded in countries around the world—and that among those very divergent accounts are adjacent territories with similar development levels and cultures such as Belgium and Germany where the population-adjusted COVID-19 fatality rates in mid-April were reported in the former as nine times those of the latter (452 versus 52 per million inhabitants) one can safely assume that people with predilection for rational arguments—meaning excluding those who consider metaphysical explanations as well as those who overenthusiastically jump on passing conspiracy wagons—will for much, if not all of this year, hypothesize, guess, and speculate about contributing and exacerbating factors in the pandemic.

This range of rational assumptions, judging from a scan of statements by governments and reports in media with fact-checking cultures, begins with explanations about statistical methodologies and governmental reporting standards in different countries, as well as testing capacities and health system factors such as available hospital staff and medical equipment. The laundry list of presumed influence factors continues with demographic, environmental, climate, and geographic items, such as age structure and general health of a population, the degree of air pollution, a country's role in in-

ternational transit travel, its seasonal climate pattern, and factors of urbanization such as population density, residential clustering, and dominant modes of urban transportation.

The list balloons further to a line of economic and social factors, the most influential of which is nominal GDP per capita “as proxy for several socioeconomic dimensions” according to Lebanese actuarial consultants i.e. Muhanna & co (see box

page 66 and Q&A page 76). The firm applied its actuarial exactitude this March and April to developing a tool for calculating and visualizing four factors of import in analyzing COVID-19

■ It deserves to be repeated, however, that the data uncertainty on the pandemic is immense.

mortality—infection rates, GDP per capita, number of hospital beds, and average age of population in a country.

But the list of economic and social factors appears to stretch much farther still, from the count of accessible water faucets and people's informedness in underprivileged areas in the developing world to smoking and lifestyle habits everywhere and eventually the atomization of families with segregation of the elderly into group accommodations in economically overdeveloped G7 countries.

All such assumptions and rational theories about factors that influence the pandemic have yet to be tested and verified or falsified but some already appear likely to become widely accepted as people's heuristics for estimating the coronavirus risk for years to come. However, the perhaps only thing that during the disease's first global wave can safely be said about this haystack of rational assumptions is that a multi-faceted look at a country's circumstances is preferable to a single-focus approach, even when based on factors as fundamental as the case-specific death rate or the number of testing kits that are available in a jurisdiction.

We are not living a dystopian horror tale where 99 percent of the world population die of a weaponized flu; we all are now actors in a, no less dystopian, play where the 99 percent do not die of a virus but are threatened by convergence of medical and economic risks and need to find their way to a sustainable future. A multi-factor analysis almost certainly will offer a better chance for untangling the complex yarn ball of economic, social, and medical risks that impend on us in the wake of the 2020 COVID-19 pandemic. ■

BUY TIME TO SAVE LIVES

LAU study on COVID-19 spread estimates extreme social distancing could save 150,000 lives

On March 19, the Office of Graduate Studies and Research at the Lebanese American University (LAU) released the results of a study (see below) on the effects of different levels of social distancing on the number of COVID-19 related deaths by June in Lebanon. One note of caution for these figures is that the lack of data and predictive model used means these results are speculative, based on an analysis of trends. Though the team behind them did consult with LAU's infectious disease unit when modeling the scenarios—and there are plans for collaboration across disciplines and universities in the future on the effects of COVID-19 on Lebanon—at the time of writing data is lacking. There is also a high likelihood that the number of cases in the country are above the official count, according to the researcher behind the study, Samer Saab, interim dean of graduate studies and research at LAU. He told *EXECUTIVE* that the numbers he has produced, if anything, could be considered a conservative estimate, given the trends being witnessed in countries such as Italy (see Q&A below). The primary purpose of the study, he says, was to raise awareness among the public and policy-makers of the effects of social distancing and to underline that this situation would not be over in the short term.

EXECUTIVE spoke over the phone with Samer Saab, interim dean of graduate studies and research and professor of electrical engineering at LAU, to learn more about the findings of the study, its limitations, and its implications.

E Can you please briefly describe the study?

These are projected or forecasted numbers where I am looking at the trends; it is not exact science. I put forward three scenarios: if everyone will go out [the free-for-all scenario], if one in four people go out [the moderate distancing scenario], and finally if only one in eight people go out [the extensive distancing scenario].

The free-for-all scenario is where people decide to live their lives normally. If we had had an infinite

capacity of hospital beds and intensive care units, then we would have a 3 percent death rate [under this scenario] but we don't have that.

I am assuming that when the number of infected people who need treatment in intensive care units (which is typically 10 percent of those infected) goes beyond 250, then the death rate would be 6 percent [due to the lack of treatment for COVID-19 and assuming that some hospital beds will be needed for other urgent cases].

E How did you arrive at 250 persons as the tipping point?

This is an estimate, based on what we hear about many of the hospitals not being prepared. If I change it a bit here and there, it is not going to change the numbers a lot. It's more to give an idea.

The advantage of the free-for-all scenario is that after June/July, you don't have to wait for a treatment to be developed because most people would have been infected and those who survived would likely develop immunity—though at this stage there are still many unknowns, like if the virus will be seasonal. Many governments initially tried to follow this scenario, as it would have the least impact on the economy with people able to work freely. Thinking has changed, however, as seen by recent measures in the UK to shut down schools despite initial resistance. The disadvantage of the free-for-all scenario is simple: Many people will die and health care systems will become overrun.

Whereas in the second and third scenario, if we maintain distancing until June/July, then it is possible that a treatment would have been developed and would be accessible to most people. If they get the virus then, they would be able to take medication and not suffer as much.

So this is the message we are trying to send to people: Please stay home and let us buy time. We are also trying to send a message to the decision-makers so that they don't think that we will be able to open schools and universities and basically go back to normal in the next two weeks.

COVID-19: EXTREME SOCIAL DISTANCING CAN SAVE 150,000 LIVES IN LEBANON

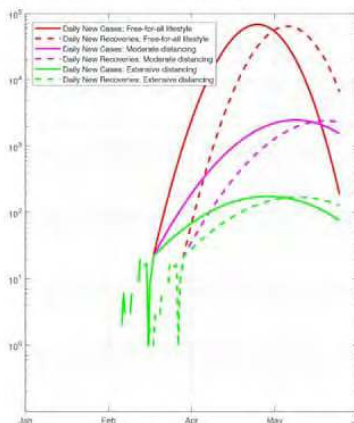
By the end of June

Total number of death of
free-for-all scenario: **153,885**

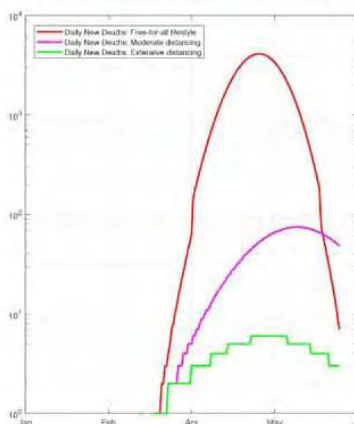
Total number of death of
moderate distancing scenario: **4,259**

Total number of death of
extensive distancing scenario: **454**

COVID-19 in Lebanon: Inflection point after mid-April



COVID-19 in Lebanon: Extreme social distancing can save 150,000 lives in Lebanon



LAU CORONAVIRUS & SOCIAL DISTANCING STUDY

FREE-FOR-ALL: No social distancing measures are followed, and normal life is assumed;

MODERATE DISTANCING: 1 out of every 4 people moves freely or resumes normal life;

EXTENSIVE DISTANCING: 1 out of every 8 people moves freely or resumes normal life. Forecast of the daily number of deaths (Graph 2).

The forecast is based on time-series analysis and uses the data before March 19 to predict the number of recoveries. The employed model assumes an initial death rate of 3% of the total identified cases, which increases to 6% once the total number of critical cases requiring intensive care exceeds 250 patients. The latter reflects the limitations of the healthcare system. The forecasted results do not consider confounding factors (such as lifestyle, environmental factors, consanguinity, etc.); however, the model is applied to Wuhan reported data and is shown to closely capture its trends.

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Source: LAU's Facebook page.

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E *What's the methodology used for this study? What model are you basing it on?*

I used time-series statistical analysis [to mark data trends over time]. However, it is not straightforward like a typical time-series: Whenever more people get infected, the rate of spreading becomes lower and lower. In urban areas—which is the case for Lebanon as most of us live in urban areas—each person can infect three people, while in the rural areas the rate is less (1.5 persons). But at the end, it doesn't matter much because it only affects how fast we will reach the peak and not the figures themselves.

But, there are a lot of factors I didn't take into consideration. A lot of people will still go to work or go out if their family is relying on them to not go hungry, right?

E *How feasible do you think it is, both psychologically and economically, to practice extreme social distancing until June?*

Excellent point. I cannot answer this question but I feel there are positive vibes and people are helping each other; they will not let people starve. But there will be bilateral damages, such as to the economy.

Still, 153,885 deaths in the free-for-all scenario versus 454 in the extensive distancing one is no joking matter. If our hospitals are overwhelmed, then our doctors will have to play God and decide who dies or not, which is catastrophic.

E *Were you able to account for the issue of under testing and potential under reporting in Lebanon in the study?*

Because we are publishing under the name of the Lebanese American University of Beirut, we had to rely on the official data reported by the government.


However, what would change—if we assume that there are more cases than what is reported—is the date of the peak. We would reach the peak faster if we had more cases than what is reported.

E *What are the limitations of the study?*

As I said before, there are many assumptions I had to take. The methodology I used does not take into account environmental or lifestyle factors,

which could mean that more people don't comply with distancing. The psychology factor is also important here: Will people stay home until June? They will probably cheat. People think the second case scenario is reasonable or doable (in terms of quarantine measures)

but 4,259 people would still die in it and that is a big number.

We don't know much about the virus and there are many unknown factors related to it so we need to stay at home and be patient. This outbreak is not going to end soon and the worst is yet to come. We need to buy time to learn more about the virus so less people will die. 

■ “This is the message we are trying to send to people: Please stay home and let us buy time.”

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BEING INDUSTRIOUS IN IMPOSSIBLE TIMES



Q&A with Fady Gemayel on the impact of the coronavirus crisis on Lebanon's industry

To gauge the extent to which Lebanese manufacturing industry, an often overlooked but crucial driver of the economy, is being impacted by the current global coronavirus pandemic in conjunction with the previous difficulties in Lebanon, EXECUTIVE conducted a phone interview with Fady Gemayel, president of the Association of Lebanese Industrialists.

E How is Lebanese industry coping with the restrictions on economic activity that have been placed on the country? How serious is the situation for you and what measures were taken by the sector?

It is indeed a very dramatic situation as [the response to the coronavirus] is affecting all the sectors of the economy. We are all primarily concerned about public health of everybody and of the health of workers in industry and the whole chain. We see that developments are unfolding very dramatically as industry has been requested to limit their operations to those basic sectors of food, pharmaceutical, and necessary consumer products, and what is needed in the production of these products. It is a big challenge even for those firms which can continue to work, because they have to take extra

safety measures, be it for their personnel, [or] be it for all stakeholders involved in the distribution.

E Does the threat of the COVID-19 pandemic and the measures seeking to contain and limit its spread pose a threat to the survival of industrial enterprises?

There is a challenge going ahead as most [enterprises] are not working and this poses serious problems because it [compounds on] the previous problems that we had. As if we needed that. We are already in a big problem and face many challenges. The way ahead is challenging and we don't know how long [this crisis] will take. Do we have a social responsibility to our workers, and how can we continue? It is okay if it is for a few days but how will it evolve if it continues? What will happen in general, not only in industry? How will daily workers or those who [rely on daily incomes] be affected? They have no revenue. How will they be able to sustain [their existence and their families]? Furthermore, the disturbance caused by the banking sector adds to the challenges.

E Are you requesting fiscal support for industry from the government or asking it to instigate relief measures such as credit support or easing of monetary conditions?

Deferring taxes I think is the minimum that is needed. For sure, the government should be very responsible in the sense of addressing the issues of

■ “Deferring taxes I think is the minimum that is needed.”

dues to the public sector. [But also] there is a social issue that needs to be addressed, a liquidity issue that needs to be addressed. How can

the government listen [to these needs] and where can they bring funds from? I think it is necessary to solicit any specific aid from donor agencies that are not necessarily politically connoted. Something should be done. There should be a lifeline for industry and for people.

E *Besides the problems related to staying afloat financially, not being able to keep production running, and seeing demand weaken, companies in many countries face serious disruptions of their supply chains, especially when they are long and cross borders. Do manufacturers in Lebanon face significant problems with their supply chains?*

We were already faced with the issue for the sake of getting the proper financing for getting raw materials. Now comes, in addition, the issue of corona. But I must say that we have been in close contact on this issue with the government and the central bank; [we were engaging with them] about the highly needed raw materials for those [manufacturers] that are producing corona-related materials. There will be some urgent measures that will allow the imports of needed raw materials.

E *How about the supply chain scenario of your own company, to look at an example?*

It is in corrugated materials. We supply packaging for companies in food and pharmaceutical, for detergents and such. So far we are able to cater to their needs, mind you that there are also paper companies in Lebanon. The issue [of our supply chains] is not related to corona but to the possibility of transferring funds for purchase of raw materials. This was preceding the corona issue and we are trying to find solutions.

All industrialists have to face up to costs as they have fixed costs that they have to pay whether they are producing or not. This is a serious issue. In fact, the corona crisis is now for us two crises. It is a raw material crisis that is aggravated by the corona [crisis]. It is two-in-one. This is where we are now.

E *News of large and previously almost unheard of governmental and central banking support packages are coming from numerous countries around the world. Are you concerned that the companies benefitting from such lavish support will have an added competitive advantage in global markets when compared with Lebanese manufacturers?*

We are not here to complain that their situation is relatively better than ours. We are concerned with moving forward and meeting the challenges head on. This is why we are saying that we have to find the ways in which we can have damage control. We need to limit the damage and take advantage of available resources. Industry is one of the drivers of the economy. You can imagine [for example] that we are short of many medical supplies that could

have been made in Lebanon and that other countries now would not want to export as they reserve them for themselves as a priority. I hope this is a lesson for everybody for the future.

Now is not the time to complain, though. What we are concerned with is having an emergency mechanism for facing up to the situation and doing all what it takes. For this, the government should revert to the international friends of Lebanon. The International Monetary Fund is a political issue, so let's avoid that at this point in time. There are other agencies that are keen and that have been willing to help Lebanon. Already


■ “During the most vicious days of the war and those times, we never did have to think about inability to get raw materials, as it is now. It is a unique challenge.”

three months ago we, as Association of Lebanese Industrialists, approached such institutions. As the banking system was not performing, we were telling them that we needed a lifeline solution. This is what I am talking about.

E *Do you think that France, for example, is in a position to help Lebanon at this time and specifically Lebanese industry?*

I don't want to narrow the scope to any particular country. France, Europe [collectively], and other countries have always been close to the Lebanese people and would not shy away from their responsibilities in this most difficult moment. Don't forget that we have three problems in one: We have the issue of the Lebanese, the issue of the refugees, and the issue of the Palestinians. We are assuming [responsibility] for all of them and should not be left alone.

E *As the industrialists' association, do you have a vision and determination on how to grapple with all these compounded crises?*

I want to assure you that we believe that Lebanese industry is called to play a better role in the economy in the future. We do not want to give up. In Lebanon we have been through challenges in the past and lived up to them. Although this one is unusual—the corona is worldwide unusual—and also the [previous crisis] of the need [to find finance] for getting raw materials was also unseen in the past in Lebanon. During the most vicious days of the war and those times, we never did have to think about inability to get raw materials, as it is now. It is a unique challenge. 

Coronavirus

By Nadia Hardman and Aya Majzoub

FEARS HAMPER SELF-REPORTING FOR CORONAVIRUS



Lebanon's refugee restrictions could harm everyone's health

Government responses to the spread of the COVID-19 virus have exposed the extra barriers to healthcare for refugees and migrants worldwide. But discriminating against already marginalized noncitizens not only erodes their capacity to avoid or survive infection, but inevitably has a negative impact on the wider society's health.

This is undeniably the case in Lebanon, home to nearly 1.5 million refugees—almost a quarter of its population. Both Palestinian and Syrian refugees have suffered from long-standing discrimination and marginalization as a result of Lebanese policies that deny them access to basic rights, including housing, work, education, and healthcare. The COVID-19 outbreak in Lebanon has only heightened the marginalization of both groups. Many municipalities have introduced unjustifiable, discriminatory movement restrictions and curfews on Syrian refugees that do not apply to Lebanese residents as part of their effort to combat COVID-19. And leading Lebanese politicians have fueled anti-refugee sentiment by implying that Syr-

ian and Palestinian refugees will be responsible for spreading the virus.

Yet, the Lebanese government's national response plan for COVID-19 depends on self-reporting. People are advised to call a national health ministry hotline for advice about testing and treatment. The United Nations Refugee Agency (UNHCR), which is responsible for Syrian refugees, and the United Nations Relief and Works Agency (UNRWA), which is responsible for Palestinian refugees, have both said that they will only cover the cost of testing and treatment of refugees if the refugee has first contacted the hotline and followed its instructions.

While it is widely acknowledged that testing and contact tracing are key to tackling this virus, Lebanon's response plan rests on an assumption that an individual experiencing coronavirus-like symptoms will feel comfortable enough to call a government-run service, travel to get tested and treated, and potentially share information about where they live, whom they live with, where they



■ Lebanon's response plan rests on an assumption that an individual experiencing coronavirus-like symptoms will feel comfortable enough to call a government-run service, travel to get tested and treated, and potentially share information about where they live, whom they live with, where they have traveled, and where they work.

have traveled, and where they work. However, Syrian refugees have told Human Rights Watch (HRW) and aid agencies of their fear of further discrimination and stigmatization if they contract COVID-19. Some Syrian refugees have even expressed fears of deportation if they exhibit COVID-19 symptoms. They cite these fears as a deterrent from seeking medical care, even if they experience symptoms.

Our interviews with Syrian refugees lay bare the government's failure to provide them with up-to-date and accurate information about the virus and the healthcare services available to them—a human rights obligation of the Lebanese government. More than a month into the COVID-19 outbreak in Lebanon, the majority of Syrian refugees that HRW interviewed said that they did not know what they should do in case they experienced symptoms, nor did they know of the existence of the health ministry hotline. Humanitarian organizations have cited similar findings.

At a time when that trust is most needed, the Lebanese authorities are conducting business as usual and adopting policies that fail to alleviate the refugee populations' mistrust of the authorities. This lack of trust could easily undermine efforts to prevent control and spread of the disease. Lebanese policies should guarantee access to healthcare for refugees, including testing and treatment for COVID-19. The government should simultaneously push an information campaign to provide refugees with all the facts that they need to protect themselves against infection and to seek healthcare

in a timely manner. The authorities should also proactively reassure refugees that they will not face retribution or stigmatization if they seek testing or treatment for COVID-19.

The international community must also step up. Lebanon has the highest number of refugees per capita in the world. While not an acceptable excuse for the discriminatory and abusive measures that marginalize refugees or endanger their health, the burden is something the international community should help carry.

UNRWA has suffered several funding cuts, including when its erstwhile biggest donor, the United States, cut its funding entirely, and is now running a deficit of over \$120 million. In 2019, only 55 percent of the Lebanon Crisis Response Plan for refugees was funded. Other states may have been able to stem the flow of refugees across some borders, sometimes in unconscionable ways, but it cannot do the same with this virus.

Lebanon and the international donor community should do better in assisting refugees to build their resilience by ending discriminatory practices and by ensuring that they are able to get healthcare and adequate housing. It should not take a global pandemic to force this position, but as the first case of COVID-19 was recorded in a refugee camp in the Bekaa on April 21, the authorities may soon realize that they have no other choice. ■

Nadia Hardman is a refugee rights researcher at Human Rights Watch and Aya Majzoub is the Lebanon researcher, both based in Beirut.

SOME LEFT BEHIND



Lebanese turn to distance learning amid coronavirus disruptions

We are in the midst of a global pandemic. The novel coronavirus that has swept across the globe is having far reaching ramifications for our health systems and for the global economy.

For Lebanese students, though among the demographic least likely to suffer severe health consequences from contracting COVID-19, the impact has been immediate and detrimental to a school year already besought with difficulties. Some institutions in Lebanon had sent students home before the Ministry of Education and Higher Education made the decision to close schools and universities on February 28 until March 9, a decision that has since been expanded into a country-wide lockdown until March 29 (NB: Since extended). Lebanese students who were already in catch-up mode from the school disruptions at the height of the protests last year are now facing further disruptions, cancelled exams, and increasingly uncertain futures.

This crisis requires drastic measures. In order to slow the spread of the virus and flatten the curve

(keeping cases at a manageable level so not to overwhelm healthcare systems) the Lebanese government has asked Lebanese to stay at home where possible. But these measures, while necessary, are also creating a crisis for our education system. Questions administrators, teachers, students, and parents are now facing are those over the fate of this academic year, of standardized tests, and of the viability of our current education system in the long run should pandemics such as COVID-19 become more frequent occurrences.

Comparatively speaking, Lebanese schools and universities have reacted quickly to this crisis and the need to ensure that students continue to learn and progress from home. The answer, at least as a short term measure to ensure continuity and stability in Lebanese education for all learners amid limited resources, was distance learning. Across Lebanon, stakeholders and school and university directors have instructed their teaching staff (supervisors, coordinators, and instructors) to swiftly activate an online

learning system to connect institutions to parents and students through educational platforms.

Several platforms have been adopted to ensure pedagogical follow up with students and minimize the disruption to their learning. Among them are: Google Classroom, a free web service that allows teachers and students to easily share teaching materials and teachers to continue grading students work; Zoom, a remote conferencing service that is being adapted by teachers to act as virtual classrooms; PRONOTE, an online system that links the school to the parents through a platform called KNED, which is being used by schools under the Institut Français du Liban umbrella; and ELearning, an app that allows for active learning through voiceover recordings or through use of Microsoft Teams and BBB (BigBlueButton), a communication and collaboration platform and an open source web conferencing system respectively.

Moving classes to an online, distance learning model was an immediate remedial solution to potentially long lasting problem, but it was not a universal solution. While many schools and universities have the capacity to teach students through remote learning, others do not, particularly less advantaged schools that are in remote areas with limited internet access or those experiencing severe financial restraints. Some schools simply do not have the technological capacity to adopt this model, others suffer from a shortage of resources (financial and staff) that compromises technological ones. Others still are currently working on building platforms that will be able to handle all lessons until the crisis is contained.

Another barrier to offering courses online is the scarcity of instructors who are trained in distance teaching and learning. Educational institutions did not foresee this crisis and so did not provide the adequate professional development to their instructors. This might come as a wake-up call to those who still believe that traditional methods of teaching are the one and only way to transmit knowledge.

Even when students have the means to connect online, sometimes you can have thousands of students trying to connect to a school or university's system at the same time, crashing the server and preventing access to lessons. Other students may find connecting to the internet difficult or impossible, especially if they live in a region that is facing several crises at the economic and health levels.

Increasing the bandwidth is paramount, but difficult in a country like Lebanon where connection speeds are notoriously slow.

The Lebanese government did announce that it was planning to double the speed of the internet as well as the capacity of consumption for internet service subscribers with the official Ogero network until April to encourage people to work from home. This is a good first step, but many Lebanese are not subscribed to Ogero.

■ Lebanese students who were already in catch-up mode from the school disruptions at the height of the protests last year are now facing further disruptions, cancelled exams, and increasingly uncertain futures.

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Coronavirus

Given the economic and financial crises that the Lebanese were facing prior to the coronavirus outbreak, is it even feasible to expect the government, bogged down as it is in its competing priorities, to open lines of access for students to compensate their inability to attend schools and universities. Is it capable of allocating budgets for training and equipment to less advantaged schools and universities who cannot cope with moving to an online model?

Holy Spirit University of Kaslik (USEK) launched a campaign on March 18 calling for all students to have access to free 4G internet to help with online learning amid this nation lockdown. On its Facebook page it posted: "Facing the huge difficulties of online teaching due to slow and interrupted Internet connection, free unlimited mobile data bundles for online teaching and e-learning tools are highly needed for all Lebanese students in these times of crisis." The university is encouraging other educational institutions to back this campaign and has launched the #4G4education hashtag.

At the home level, not all parents have the capacity to encourage online learning for their children. Perhaps they do not have the means or the knowledge to help them to connect online. In these circumstances, relying on tutoring or on the help of relatives and neighbors who are more tech savvy is key, though increasingly difficult given measures to keep Lebanese at home where possible.

CAN TECHNOLOGY SAVE WHAT'S LEFT OF THE ACADEMIC YEAR?

Distance learning is the best system we can adopt given the circumstances we currently face. It is possible, if adopted to the best of our abilities, that this model could help rescue what is left of the current school year. If, and assuming they will, schools and universities reopen and immediately put in place a summative assessment that would give them a reliable idea of what their students have grasped through distance learning. In the meantime, online instruction needs specific monitoring to insure its efficiency and equity toward all learners. Control should be implemented first on the level of the school/university administration, then at the level of supervisors, coordinators and finally instructors. Some schools in Lebanon have set a specific tracking time for online activities to monitor the interaction of teachers and learners. For example, the Elearning app used at USEK is tracking who is connected and who is not.

Teachers and lecturers should also be aware of compensation inflation and avoid overloading stu-

dents with work as a reaction to the new distance learning method. We are not in a race here. We are in survival mode, where quality matters more than quantity to insure a good grasp of the subjects on the learners' part and also to avoid exhaustion on the instructors' part, who are familiarizing themselves with the world of distance learning. It is true that almost anything can be taught online, but teachers must ensure that concepts have been properly explained and mastered before inundating students with exercises and activities.


Emergency situations require emergency measures, such as alleviating the curriculum of supplemental information without jeopardizing the quality of instruction. What is crucial now, is to make sure to vary

activities to keep distance learners motivated. Similarly, when schools reopen, we must implement a solid revision of concepts covered online to ensure proper knowledge acquisition.

This crisis has placed educators in charge of

curriculum design and strategic planning, forcing us to rethink our teaching strategies and encouraging us to be selective by providing our learners with the type of information that is absolutely critical to have. In the long term, we should be asking ourselves why this is not common practice all year round, crisis or not, to lift up the load of unnecessary information off the shoulders of our young students.

If we look at the spread of coronavirus from a purely health perspective, it is true that the elderly and those with underlying conditions are the most at risk. But there are impacts beyond health, and unless we preserve a sound education system it will be detrimental to the well-being of all our children. We have to protect the right and access to education for our future generations. This should be the main concern of educators.

The key issue here is to know how to adapt to the crisis, to a new mode of teaching and learning. This crisis could be an opportunity to help us achieve a 21st century profile for our learners (a well rounded, critical thinker, problem solver, and creative). The ultimate goal is to reset our educational priorities by offering our learners only what is pedagogically sound to help them face 21st century challenges with the power that comes from knowledge. 

Eva Hashem is the head of educational sciences at Holy Spirit University of Kaslik (USEK)

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WHO PAYS?



Confused outlook on insurance coverage for Lebanese COVID-19 patients

In the immediacy of the coronavirus crisis, the most pertinent insurance question for the holder of a medical policy is simple: Who will pay if I need to be hospitalized? The answer, as with many things in Lebanon, depends. According to Nadine Habbal, acting head of Lebanon's Insurance Control Commission, slightly more than half of Lebanon's health insurance policyholders have coverage for coronavirus-related hospitalization costs. Their providers either have written no exclusions of pandemics into their contracts or have waved such exclusions as a service to their clients, she tells EXECUTIVE. Another category consists, she says, of "companies health insurance portfolio is divided into two parts: some policies that don't exclude pandemics and the remaining policies that exclude pandemics. (For additional information, see Q&A on page 74).

Notwithstanding that commercial insurers listed on the ICC website, by Habbal's assurance, honor their health insurance obligations in COVID-19 cases, the picture is not automatically clear as to how large a percentage of health insurance policyholders will be admitted without any questions and how many would be faced with incongruities in admittance procedures when in need of hospitalization for the disease. According to Elie Torbey, the president of the Association des Compagnies d'Assurances au Liban (ACAL), coverage of COVID-19 cases is to date clear and secured for one client category only: all those who are medically insured as foreign workers in

Lebanon under coverage (up to a ceiling of \$20,000) that is mandated under labor regulations. "In our opinion, most of the Lebanese are not covered by insurance in corona cases," Torbey tells EXECUTIVE. "Just two or three companies in Lebanon cover the corona cases for Lebanese [policyholders], but only because they are linked to head offices abroad. They are [units of] international companies and since their head offices says they will cover COVID-19 cases, they will have to follow coverage."

According to him, the total population with private sector insurance is composed of 845,000 policyholders, of whom almost 200,000 are holders of expatriate medical insurance policies designed for foreigners who are employed in Lebanon. After accounting for the expats, 670,000 Lebanese policyholders with existing health insurance contracts remain, and many of their policies explicitly exclude coverage of pandemics. "A limited number of the insured are covered for COVID-19," Torbey reiterates.

The problem about actuarial calculation of premiums for coverage of the pandemic is the lack of data. Given that a global pandemic on the magnitude of the coronavirus infection might happen once every 200 or more years, no data exists upon which a rational calculation could be based, Torbey explains. "That is what we are afraid of," he says. "We are afraid of the frequency and the severity of cases. If we have data, we can calculate how much we should require from the clients if we want to impose an extra premium for the future, and then we will cover it. We don't want to shift from problems of covering coronavirus cases to a situation where we have a problem that might go as far as bankruptcy of a few insurance companies if they are highly affected by the cost of treating coronavirus cases inside Lebanese hospitals." Ten to 12 Lebanese insurance providers have large medical portfolios and could be highly exposed to COVID-19 risk, he says, but to his view, exposure of insurance companies to the pandemic would in any case require placing caps, meaning a maximum limit, on risk exposure per company.

In addition to the fundamental difficulty of assessing the pandemic's coverage risk, the situation of insurance payments for in-hospital treatments of

COVID-19 appears to have not yet been sorted in two further respects. According to Torbey and other sources in the insurance industry, private sector companies are, at time of this writing, still engaged in pricing disputes with hospitals and discussions with ministries. In their negotiations, which Torbey says are progressing now on the level of the office of Prime Minister Hassan Diab and his staff, insurers are asking to be invoiced for treatment dues for coronavirus infection at or near the discounted rates that hospitals receive from the National Social Security Fund (NSSF) for patients with NSSF coverage.

On their parts, hospitals demand insurance companies to pay rates that appear to exceed the NSSF rates by as much as 150 percent, based on information that ACAL gleaned from a number of invoices that had already been sent to insurance companies after they assumed responsibility for coverage of COVID-19 treatments.

However, it seems that the NSSF rates are not suitable as benchmarks for determining full treatment cost in the coronavirus scenario, given that hospitals, according to Torbey, argue that they are incurring extreme costs for protective gear needed in care for pandemic patients and that such gear, which is purchased on basis of dollar prices and reportedly accounts for 30 percent of total patient care cost, is not included in the NSSF's coverage.

What is furthermore missing and yet to be developed is a rule for tariffication of treatments under a medical code for the novel coronavirus infections. Medical codes are standardized and detailed scientific catalogues that come into force when approved by health authorities. They entail information on diagnosis, procedures, drugs, and prices of treatment for a classified disease and note correlations with other ailments if such are applicable. Guidance on such codes for coronavirus infections is internationally evolving with the pandemic; interim or emergency codes have been issued by the World Health Organization and some developed countries over the past two months while research into clinical and epidemiological features of COVID-19 is still far from complete.

In Lebanon, medical codes are developed and regularly reviewed by a committee of high-powered medical professionals and officials for the Ministry of Public Health (MoPH). While Habbal confirms that the medical code for the novel coronavirus is needed and that discussions on this issue are progressing with support from the minister of health and MoPH teams, there is no indication of the code having been completed.

However, seeking to give a signal of hope for the people with private sector insurance, Habbal points out that a recent ministerial decision by the econo-

my minister through Ministry of Economy and Trade (MoET), the administrative superior of the ICC, has been issued to remove any ambiguity on the inclusion of pandemic coverage from future health insurance policies in Lebanon. "As part of our efforts to improve the medical insurance offering in Lebanon, a ministerial decision was issued on April 15 requiring insurance companies to introduce a compulsory pandemic cover in every new or renewed policy," she tells EXECUTIVE in a Q&A (see page XXX). "This will enhance the insurance protection for existing and new insured members, and would present a better value proposition that is uniform for all."

Insurers confirm the receipt of the MoET's ministerial decision but did not enthuse about it. On one hand, their first worry is about dealing with existing policyholders (an issue not addressed in the new ministerial decision) and finding a solution for the tan-

■ The most pertinent insurance question for the holder of a medical policy is simple: Who will pay if I need to be hospitalized?

gled situation of insured clients whose needs are neither provided for by their contracts with Lebanese insurers nor included in treaty coverage of local insurers with international reinsurance companies. "Our priority is to cover existing policies," Torbey

says. "We are working now with the prime minister's office to find a solution for the existing, non-covered clients. We should find a solution for those clients, because it is clearly mentioned in our policies that pandemic is excluded; so if we have to pay, we will be paying from our own pocket."

He also is not exactly cheery about the long-term risk implications of the new decision. "We are not overly in favor of this because if they cover pandemic it is not mentioning corona [specifically]," Torbey says. He emphasizes that another pandemic might just be too much for Lebanese insurers to cover and alludes to principles of risk mitigation under which large aggregate risks such as pandemics and earthquakes are tasks for governments rather than commercial insurance markets.

This general principle of governments' responsibility for handling national-scale disasters, however, does not answer the question if either the Lebanese insurance sector or the country as a whole would emerge intact if another, equally severe pandemic to COVID-19 were to hit Lebanon next year. Even the thought of such a possibility reminds that in insurance and governmental preparations for eventualities of catastrophes alike, fortuitous timing and utmost actuarial diligence in planning may both be needed—and certainly appear to be so in this Lebanese spring of 2020. ■

By Thomas Schellen

A LAMENT ON INSURANCE IN TIMES OF PANDEMICS



The Lebanese insurance scenario amid threats of global collapse

Judging from the numbers at the tail end of the third phase in the Lebanese lockdown and the start of the transition to a winding-down phase, the picture is flawless from the medical and from the insurance supervisory angle: Lebanon's case count of severe COVID-19 illnesses up to the second half of April 2020 has been medically and administratively manageable. There was no need for dreaded selections by attending physicians—who would get respiratory support on a ventilator and who would not—and, in a proxy indicator, there was no undue stress on the hotline of the Insurance Control Commission because of hospitalized persons' complaints over exclusion clauses in their existing medical insurance policies.

And although trust in politicians is as rare as a \$100 dollar bill in an ATM these days, one had absolutely no need to rely on assurances by government ministers or community leaders to believe the unfathomable: that something in this country was moving the right way. The numbers confirmed that the country has so far been responding with uncommon effectiveness to the medical dangers of the COVID-19 pandemic.

Firstly, the around 700 confirmed cases up to the last days of the third lockdown period have been reassuringly low, with a slow rate of increase. This impression is compelling, notwithstanding the under-powered testing for coronavirus infections in the population. Even if one hypothesizes a gap

between actual infections and confirmed infections to be in the thousands of cases, or upward of 1000 percent, it seems simply implausible that a high cresting of severe COVID-19 infections would have gone unnoticed across the entire (very small) country—particularly when one takes into account the country's intensity of social communications, the high connectivity of family networks, and the recent protest movement's shattering of previous social barriers to free expression.

More significantly, no alarming developments have been observed in the crucial count of deaths from the pandemic. There may be—and this must be assumed with high degrees of certainty—individuals who are not included in the official fatality number of 24 as of April 25 because they passed away in their homes in villages or perhaps behind the veils of emergency tents in the southern suburbs. There may thus be deaths related to the pandemic that did not get reported as COVID-19 fatalities. But fatalities show in national statistics even if they are not attributed to the pandemic. And the overall seasonal fatality numbers in Lebanon have not been reported anywhere to be in vast excess over those of previous years, contrary to what the statistics show for countries such as Italy, France, Spain, and the UK, and also are beginning to show for New York City in the United States.

For the months of March and April, available data from these most-affected countries show that total fatality counts—attributed to COVID-19 or not—have increased undeniably, thereby strengthening the case for vigilant coronavirus containment measures in those countries and countering conspiracy tales that suggested normal death rates to have been present.

In Lebanon, a conceivable theory of hidden death counts would go in the opposite direction,

■ The risk of a pandemic was known but thoroughly misunderstood and insufficiently modeled by leading risk experts.

not alleging that overall fatality numbers were the same as every spring as conspirationalists say in Europe, but alleging that the number of COVID-19 fatalities in this country from the last six weeks is seriously under-reported. Of course, the statistics of weekly deaths

in Lebanon this April might very well not be available for many weeks and then only as reliable as any other tally in a statistically impaired country. But the question remains if a statistically significant and communally unnoticed aggregation of March/April fatalities in the hundreds or thousands could really occur here.



Slide three with Lebanon selected (see box below for more details on the tool)

Insurance

Deaths per 1 million inhabitants in the pandemic's worst-hit countries were reported to be multiples of what was this spring observed in Lebanon in terms of deaths per capita. Could a proportional increase of such magnitude have been kept hidden from attention in Lebanon's small and family-centric society? In a country with this newly hyper-sensitive and protest-eager civil society?

Upon accepting that the Lebanese response to the COVID-19 pandemic to date has shown good results and saved lives—but without drawing the false conclusion that the country will continue to be spared from worse developments—quite a few questions remain. And these are questions that urgently wait to be answered as the global moods shift from containment of the virus to alleviating the repercussions of lockdowns on economies.

As the pandemic's current wave might be slowing in some countries and yet must be expected to surge in others, and as a following wave is expected by many epidemiologists to strike later this year, the question for policy-makers and governments is how to balance the need for a restart or reinvigoration of economic activity on the one hand with the need for containment of the virus on the other. For corporate strategists and investors, the challenge is to limit sunk costs, identify sustainable opportunities that emerge in the wake of the pandemic, reorient teams from old economic nags to new stallions, and also assess risks of the coronavirus recession that might manifest with a delayed fuse.

Both of these uncertainty complexes—the need of policy-leaders to reduce economic risks while staying on top of the containment and treatment needs, and the need of economic agents to assess risks and potential new rewards in the business landscape—have the common denominator of risk evaluation and risk management. This bears the question, if pertinent evaluation on the balance of medical and economic coronavirus risks or hints for economic opportunities could be procured from the industry that has prided itself over all others as harboring top expertise in the assessment and management of risks in the global economy. This is the insurance industry with its more than \$5 trillion in premiums, or more than 6 percent of global GDP in 2018.

NOT ALL BAD NEWS

Curiously, while wave after wave of bad news have been hitting the world economy during the

coronavirus crisis, the globe's insurance giants and reinsurance behemoths have not constantly been in the front row of bad news during the pandemic—as opposed to banks, manufacturing, construction, real estate, hospitality, event, entertainment, tourism, and travel companies as well as all sorts of micro, small, and medium businesses. But insurance interacts with all these economic agents as well as with the, so far, significantly fewer sectors that are named as the best winning bets in the pandemic, such as pharma and biotech companies or online networking, communication, and entertainment companies.

Where then is insurance itself positioned in context of the global recession, and what can insurance mathematicians, or actuarial consultants, tell us about the changing risk landscape that nations have to navigate with painfully dwindling resources?

As a preamble to looking at those questions, two facts deserve to be noted: Insurance leaders and risk analysts have for years considered the increasing risk of a human pandemic. The threat level assessment of a pandemic, however, had been ridiculously low when viewed against the real un-

folding costs of the current pandemic. Illustrating the limits of risk surveys and models are, for example, the annual risk maps compiled by the World Economic Forum, which in January of this year named climate risks, economic confrontations, and “domestic political polarizations” as the risks that were top on the minds of economic elites.

■ The overall seasonal fatality numbers in Lebanon have not been reported anywhere to be in vast excess over those of previous years, contrary to what the statistics show for countries such as Italy, France, Spain, and the UK, and also are beginning to show for New York City in the United States.

But underestimation of pandemic risk by several dimensions of magnitude was found also in more specialized academic exercises such as the annual global risk assessment published by the Cambridge Center for Risk Studies (CCRS) in the UK. In the 2019 global risk index by CCRS, a human pandemic is the fourth-largest threat in a list of 22 modeled risks that threaten the economies of urban centers around the world. These urban productivity hubs collectively account for over 40 percent of the global economy by CCRS' reckoning.

Reiterating a warning from previous editions of the index publication, “Whether it is due to the global nature of supply chains, urbanization or climate change, we see that the potential for epidemics to extend their reach is increasing,” CCRS noted, and stated further, “There is little doubt that a pandemic is due to occur again ... but how it will unfold will remain highly variable and dependent upon emergency planners and the insurance community.”

Given that the study’s projected pandemic threat was quantified at \$49.9 billion, accounting for 9 percent of the index’s total global GDP at risk of \$577 billion, the conclusion imposes itself that the risk of a pandemic was known but thoroughly misunderstood and insufficiently modeled by leading risk experts.

Acknowledging the caveat that the unprecedented experience of the coronavirus crisis complex trashes existing conventional wisdoms of economic leaders and nullifies the risk modeling capacities that are based on historic data inputs, the question becomes what economic burdens insurance and reinsurance companies will be faced with during and after the pandemic? The current perspectives of analysts are mixed with some bright spots being projected but the longer term outlook is highly uncertain with swathes of darkness.

For the immediate physical threat perspective of the coronavirus risks, insurance companies and insurance professionals are generally not in the vision line when compared with audience-facing economic activities during the pandemic. In an assessment of physically risk-prone professions during the coronavirus crisis in the United States, data visualization site and online publisher Visual Capitalist listed occupations with high risk exposure. The 40 most risky jobs in that list are top heavy in healthcare (with dentistry-related occupations taking up half of the lead group in riskiness), but also include flight attendants, bus drivers, kindergarten teachers, supermarket cashiers, municipal firefighters, food preparation supervisors, hairdressers, and supervisors of correctional officers.

In this context of coronavirus risk which does not include economic exposure, financial services providers, including bank tellers, would expectedly not be showing near the top of risky occupations, and teleworking insurance professionals are decidedly not considered to be in a high-risk occupation. But even when the attention turns to economic exposure, remoteness from the immediate risk land-

scape is generally perceived to apply to the insurance industry. Specialized agency Fitch Ratings said in April that it revised its general outlook to negative for all insurance companies/regions globally and specifically mentioned negative outlooks for the life insurance sectors of developed markets

and the health insurance sector in the US. However, the agency kept its ratings outlook stable for global non-life, general reinsurance, and title insurance sectors.

Also notably, the world’s two largest reinsurers by premiums, Munich Re and Swiss Re, announced that their dividend payouts

■ The question for policymakers and governments is how to balance the need for a restart or reinvigoration of economic activity on the one hand with the need for containment of the virus on the other.

this spring would be as projected (and generous looking) as earlier in the year. The companies presented themselves optimistic but nonetheless acted cautiously, by postponing a share buyback program in case of Swiss Re, while Munich Re said in a press release it would not retain a projection of annual profit of €2.8 billion.

In the outlooks of insurance analysts, the issue of burdens on insurance and reinsurance companies actually has become a global concern. Health insurance is the obvious insurance line that comes to mind when thinking about immediate insurance implications of the coronavirus. In this regard, however, the cost of the pandemic to health insurers is from a global perspective not yet assessable. This is because of the large differences in healthcare systems and insurance components between countries and also because of uncertainty about treatment requirements, mortality and morbidity rates of the diseases, and their associated costs, writes Laura Hay, the global head of insurance at KPMG International.

The possibility of billions of dollars in short and medium-term costs for health insurers and reinsurance companies notwithstanding, Hay notes that the outlook for health insurance does not entirely exclude positive scenarios, pointing out that the shock of the pandemic will translate into a significant leap in health insurance awareness and demand, especially in developing countries with underinsured populations. A temporary spike in

Insurance

demand for critical illness policies occurred in Asia after the SARS epidemic, and a parallel phenomenon would be possible post-corona, “with rising sales of health insurance, critical illness, and even life cover around the world,” Hay speculates.

Similarly, consultants Bain & Co wrote in early April that health insurance payers of COVID-19 covers face risks of long-term respiratory care costs, medical loss ratios, and weakening of returns on financial markets and assets. However, the expectations by Bain also entail upside risks. “In an overstrained clinical environment, most non-Covid patients will have challenges gaining access to care,” write Bain partners Joshua Weisbrod and Vikram Kapur. “From a financial standpoint, payers will face significant pressure on their medical loss ratios. That shift will be offset by a severe decline in high-cost elective surgeries.”

Moreover, increased health awareness can also, according to Bain, be anticipated under the pandemic’s trigger effect. “In emerging markets such as China, we already see a significant rise in insurance penetration above and beyond the levels that followed previous pandemics such as SARS,” the consultants observed.

Precedents for the catalytic effect of major disasters and man-made catastrophes on insurance demand reach from historic examples such as the Great Fire of London in the 17th century and the San Francisco earthquake at the threshold of the 20th century to contemporary examples. The latter, while not unilaterally positive from a business point of view, triggered a rethink of correlated catastrophe losses and terrorism insurance as issue of national concern after 9/11 or narrow/transitory demand increases for property and business interruption protection after flood events and changes in demand, risk, and claims of political violence insurance after occurrences of civil disturbance or popular unrest.

In contrast to a mixed outlook of highly probable near-term costs and possible long-term opportunities in health insurance lines, insurance experts from various organizations have rattled off warnings about the pandemic’s impact on insurers and reinsurers, which could reach far beyond the cost of health insurance and life insurance claims. Thomas Wade, the head of financial services policy at the American Action Forum, a conservative advocacy organization in the United States, warned in mid-April against governmental attempts to make insurers pay claims for business interruption

insurance that comes with exclusions for incidents related to pandemics. The expert argued that forcing such steps in legislation would be damaging to contract law, run counter to the fundamental business model of insurance as an instrument of risk mitigation by risk sharing, and altogether could kill insurance. “Were insurers to have to pay business interruption claims, it is likely that this would bankrupt the industry,” Wade darkly augurs.

Citing risk modeling studies from the last few years, Joy Langford, a partner at international law firm Norton Rose Fulbright, warns that the pandemic could unleash a casualty catastrophe for reinsurers, meaning a scenario that extends across different geographies and involves claims from multiple policyholders across different insurance categories. In anticipation of years of needed clarifications and legal disputes over insurance covers

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on the global megaevent of the pandemic, Langford says that impacts of claims related to the coronavirus recessions could hit reinsurers not only in business lines of health, life, and

pension insurance but also have significant general insurance impacts on liability, travel, credit, business interruption, workmen’s compensation, and a number of lesser business lines. She refers to a hypothetical scenario paper produced for the CCRS (not part of the official threat assessment), which projected possible insurance losses of hundreds of billions of dollars in a pandemic. “What can be confirmed by the events of recent months is the accuracy of CCRS’ hypothesis that a global pandemic could present the insurance industry with the type of casualty accumulation capable of rising to the level of casualty catastrophe,” the lawyer points out.

UNDER PRESSURE

In a picture that is getting increasingly complicated, insurers in recent weeks have been facing mounting pressures—up to the level of American presidential pressures—that they should honor claims irrespective of their validity under existing policy stipulations. At the same time insurers were operating in environments that led several providers to support emergency workers by giving them privileged protections and also issue rebates on

i.e. Muhanna & co COVID-19 DATA ANALYSIS TOOL

Part of a growing scene of coronavirus visualizations and tracking tools created in intellectual hubs around the world, a research tool developed by Lebanon-based actuarial firm i.e. Muhanna & co looks at the coronavirus impact through the lens of social policy-making. Analyzing 66 days of data in the January to March 2020 period, the actuarial firm first released a policy note in early April to show that four research variables—confirmed infections, nominal GDP per capita, total number of hospital beds per 1,000 inhabitants, and age structure of the population—all had significant impacts on the development of country-specific trajectories of mortality rates connected to the COVID-19 disease. Upon encountering follow-up inquiries from clients, the firm subsequently made the tool accessible on its website to interested researchers and the general public, to enable analysis by region, age group, health sector capacity, and the economic condition of individual countries or country groupings. According to Ibrahim Muhanna, the founder and CEO of i.e. Muhanna & co, the firm's actuaries and data experts invested more than 100 hours of pro-bono work in development of the tool and initially published the policy note on their findings to open the eyes

of policy-makers to the correlations of different factors that can help in decision-making during the coronavirus crisis.

Reliance on numbers is very dangerous when driven by only one pertinent angle among several, Muhanna pointed out, such as lockdown or social distancing policy decisions made irrespective of national specificities in countries with very young populations and large informal sectors where up to 80 percent of working people survive on daily incomes. "Are policy-makers trying to save lives at the expense of killing the economy?" he asks. "What is the right balance? We found interesting correlations looking at the health sector, the economy, and the age [structures] of countries and observed moving trends."

As the early April policy note observed: "Simple cross-country regressions show that, all other things being equal, death rates decline with the level of GDP per capita and the number of [hospital] beds per capita and increase as a function of the average age of the population." It confirmed the strong correlation between new infections and mortality rates, which makes the number of infections per capita the main predictor for the observed number of deaths and controlling the number of cases the main instrument by which countries can reduce the future number of deaths, but followed this observation by

warning that, "Because policies that control the number of cases – social distancing – also have impact on jobs and labor productivity, the optimal [strategy] might not be to suppress the virus but to mitigate the contagion."

According to the policy note, 4.6 billion people, or 62 percent of the world population live in countries where the median/average age is in two age brackets between 30 and 39 years but lockdown decisions are heavily influenced by countries with a high share of people above 60. Countries where the average age is higher by five years see additional 3.5 deaths per one million inhabitants, Muhanna tells EXECUTIVE. This group of 37 countries with average age above 40, which has an aggregate population of 821 million (11 percent of world population), is driving policy decisions on coronavirus together with China (a country in the 35-39 bracket for average age), whereas global coronavirus policy trends appear to not at all be driven by countries with average populations aged 20 to 29 years or even less, which are 50 plus countries in Africa and South America.

The tool that facilitates analysis of coronavirus trends with actuarial techniques is updated continually and has been made freely accessible at muhanna.com/en/research/ (but is best accessed in desktop environments).

Insurance

motor insurance premiums in lockdown periods. On the other hand, windfalls were pocketed by health insurers due to reduced numbers of elective surgeries, not to mention that the expectations regarding reinsurance are of protracted legal disputes over the coverage of non-life claims that are part of recession events.

In business concepts of insurance, the downside question is how badly the industry will be impacted and driven down by weakened financial markets and elevated losses in multiple lines from life, health, and pension insurance to general lines including business interruption, workmen's compensation, credit, liability, and specialized lines. As far as the upside, the question is if and how profitably insurance companies will be performing as high-power players in the rescue and resuscitation of the global economy.

In considering these polar questions, one can disagree if the insurance industry is systemically important for the function of the long-term financial system of a capitalist society. Or, when taking account of insurance stereotypes and thinking in terms of urban dictionary-type utility, one can wonder if insurance is just boring and thus superfluous for society, or if it is boring on the surface and sexy beneath—like the proverbial accountant or librarian whose hunky or voluptuous qualities are very well concealed.

For more serious aficionados of the purpose of insurance, a reasonable assumption globally might be that the coronavirus crisis and deep worldwide recession will add to already existing pressures. These business-revolutionary pressures have been building throughout the last ten to 15 years toward reinventing the way in which this industry addresses digitally enabled economies, how it responds to changing behaviors of millennial generations in terms of things such as personal mobility and the sharing economy, and to new cyber risks. Insurance companies' recent behaviors during the crisis in this sense have been hinting at changes in the sector's culture and need for further changes.

The prospects of changes in international insurance culture notwithstanding, it is an unanswered and unanswerable question if such a hoped-for global insurance revolution and adoption of socially more harmonious modes of operations would infuse new life into the Lebanese insurance sector. In the past 20 years, the local culture in insurance was more neighborly than if it was solely deter-

mined by paradigms from international markets but the sector was also marked by less innovativeness than one would expect, given the quality of insurance talents in the country. However, ignition of digitally innovative thinking and alignment with a reborn global insurance culture is, in any case, not an immediate concern that Lebanese insurers can afford to ponder. The challenges of demand destruction and the immediate to mid-term financial future are much more pertinent concerns on the tables in the approximately 50 corner offices and boardrooms of Lebanon-based insurers.

To give an example, the country's sole specialized insurance provider for trade credit insurance, LCI, is by default on the daily pulse beats of trade and also an operator of an insurance line that is highly sensitive to local and international fluctuations in the real economy. As CEO Karim Nasrallah confides, LCI took drastic measures already in October and November of 2019 because of the erupting economic crisis. These measures proved efficient for the situation but will not provide in-

■ Even if one hypothesizes a gap between actual infections and confirmed infections to be in the thousands of cases, or upward of 1000 percent, it seems simply implausible that a high cresting of severe COVID-19 infections would have gone unnoticed across the entire (very small) country.

definite relief. "We took very drastic measures in terms of lowering exposures, cutting down on risks, and not taking on new business," Nasrallah tells EXECUTIVE. "Our business is also sharply down because it is based on sales by our customers. Thus in our Lebanese operations, we are working on a very, very slow pace. As you can imagine, this will trigger many payment defaults and issues, which are still manage-

able but we will have a big problem in the market here if the situation gets stuck for a long time."

Like every business leader that EXECUTIVE communicated with in the past six weeks, Nasrallah sees the dual economic and coronavirus crisis as a very heavy burden on Lebanon. The crisis massively includes the insurance sector and is in urgent need of a sustainable solution. "As a country, we are very much exposed; we have to hope for the best," he says.

In the description of acting insurance commissioner Nadine Habbal, some immediate problems

of the Lebanese insurance sector are being addressed, specifically the challenges which sector companies face with regard to executing international transactions for payments of their quarterly reinsurance dues. However, longer term issues such as the implementation of the upcoming IFRS 17 regulation, will require large investments in the sector and mandate massive consolidation of the overpopulated provider field, she tells EXECUTIVE.

Due to the implications of the much debated haircut in the Lebanese banking sector, the highly banking-exposed insurance companies already face near-term prospects of asset write downs, says Lebanese actuary Ibrahim Muhanna (see Q&A page 76). He explains that in a pessimistic scenario, the shareholders' equity of up to 17 insurance companies would be completely depleted if insurers' assets in the banking sector would be subjected to a 50 percent haircut on large deposits. Another 31 companies would maintain positive shareholders' equity but would need to inject further capital, especially if they write long-term business.

Moreover, associated liabilities of insurance companies will have to be revalued in light of the new economic circumstances in Lebanon, which could leave some companies with increased liabilities and others with decreases, in addition to spelling bad news for small life insurance policyholders. "Insurers' total earmarked assets for unit-linked life policies amount to around \$700 million which match the companies' associated liabilities," Muhanna says. "Therefore the tens of thousands holders of these policies will be taking all the hit that comes as a consequence of any implemented haircut ... In short, I expect a massive impact on the insurance sector in Lebanon and a large role for risk professionals and actuaries to play as they help navigate the upcoming systemic shocks."

There is, in sum total of the accounting of the coronavirus crisis impact on insurance from a Lebanese vantage point, absolutely no certainty about the future incarnations of global insurance culture and still less certainty on the local market question how many insurance companies will still be active one year onward from what one might call the great Lebanese crisis of coronavirus, everything economic, and politics. Also the question how the local provider landscape will be composed and oriented in terms of companies that are independent local, bank-affiliate, or units of international firms, will only be answered with time.

However, a very pertinent question remains with view to the culmination of the coronavirus and economic crisis in Lebanon and elsewhere: Can insurance wisdom and actuarial risk assessment provide value to countries that are deciding on their path out of their respective medical and economic crisis scenarios? (See box above). As the ICC's Habbal noted in a conversation with EXECUTIVE (see page 74), each country has a specificity that must be properly understood and addressed if the aim is to reach an optimum path of sustainability.

It emerged, as a generally agreed upon perspective during the coronavirus crisis, that lives count

more than money. While, as IMF head economist Gita Gopinath noted in April, "there is no trade-off between saving lives and saving livelihoods" in the sense that countries need to enable health systems to cope with the disease as condition upon which resumption of economic activity can occur, however, countries also can ill afford to have their economies die and kill scores of people

■ For corporate strategists and investors, the challenge is to limit sunk costs, identify sustainable opportunities that emerge in the wake of the pandemic, reorient teams from old economic nags to new stallions, and also assess risks of the coronavirus recession that might manifest with a delayed fuse.

in the process while enterprises are waiting for the virus to be controlled.

This means that careful, balanced, and constructive navigation of the coronavirus crisis' medical and economic cliffs is essential. As economic cliffs may loom very large in countries with overwhelmingly young populations and large informality in the economy, there may be urgent needs for immediate income as well as productivity gains. Such economically needy societies are not found in old Europe or among the two largest economies on planet earth, but they exist in places like Africa and South America—and, with a unique other specificity, in Lebanon. Adequately addressing these nations' specificities and needs for recovery and new growth will need a lot of investment money, probably debt forgiveness too, but much more than that: smart policies, accountable politicians, and custom-tailored coronavirus solutions. ■

LEBANESE INSURANCE IN TIMES OF CORONA

Q&A with Nadine Habbal, acting head of the Insurance Control Commission

Lebanon's insurance sector is highly fragmented, featuring extreme competition between small local players, bank-affiliate insurers, providers that are parts of multinational insurance giants, and—outside of the regulated sphere of commercial insurance companies—even quasi-insurers with competitive privileges that are categorized as mutual funds. The diverse and overpopulated sector, mired in opacity of companies, has not been able to achieve significant consolidation and has, for the last 30 years, rarely been able to find a unified voice that would have enabled to address public concerns and deliver insurance as a public good. Throughout the last few decades, the need for an adequate insurance law has moreover loomed large over the disjointed industry. Frequently faced with greatly diverging opinions from within the insurance sector and having to tear down attitudinal walls of vested interest as part of challenges it encountered, the Insurance Control Commission (ICC) has, since the early 2000s, incrementally implemented increasingly effective financial oversight over the sector and also gradually expanded its advocacy in support of insurance clients. EXECUTIVE inquired with Nadine Habbal, the—by now long-term—acting head of the ICC about the oversight institution's perspective on the dilemmas of the COVID-19 pandemic for the insurance sector.

E The ICC has published a list on its website of insurance companies that provide coverage for treatment of COVID-19 for all or part of their insured members. Is the list accurate and comprehensive as far as including all details, and what is the meaning of the phrase “all or part of their insured members”?

As listed on the ICC website, a number of insurance companies provide cover for pandemic diseases to their entire portfolio. Some companies decided to waive exclusions on pandemic diseases and cover their policyholders. There are also companies whose health insurance portfolio is divided into two parts: some policies that don't exclude pandemics and the remaining policies that exclude pandemics. This is the reason why we put a note on our website that they cover part of their members. Finally, some insurers exclude pandemic risks entirely.



E When looking at Lebanese insurance companies in terms of their coverage response to COVID-19, what is proportionally the largest group among the categories you mentioned?

The ICC numbers indicate that up to 55 percent of insured members have no exclusions, and are consequently covered for pandemic diseases—I am telling you our estimation. The remaining 45 percent have policies with pandemic exclusions; they do not have coverage.

E Is the coverage that you are discussing related specifically to in-hospital treatment of COVID-19 or is testing for the coronavirus also covered by the insurance companies under their health policies?

The coverage may change depending on your policy. Our efforts focus on policyholders that require in-hospital treatment. Testing is covered for policyholders with outpatient coverage and no pandemic exclusion. Our aim primarily is to cover the cases that require treatment, and these are divided into three categories: mild, moderate, and severe (requiring intensive care units).

E Did the ICC receive many requests over its hotline for insurance-related inquiries and complaints?

ICC-Care is recording situations related to insured persons requiring in-hospital treatment as a result of COVID-19 and we are resolving such cases based on the stipulations of the respective insurance contracts. Our interventions differ on a case-by-case basis.

E *Are the phones ringing off the hook, meaning are many cases that need supervisory investigation being brought to your attention simultaneously, or is the situation moderate in terms of number of complaints and inquiries about how the coverage of COVID-19 cases is handled, either from the side of hospitals or the side of insurers?*

The situation so far is manageable and we are able to accommodate and resolve all requests. The number of policyholders who require in-hospital treatment is limited; an estimated 80 percent of the cases are either asymptomatic or very mild, and do not require hospitalization. Altogether, and in as far as the insurance sector is concerned, the projected population of insured members who are infected and require in-hospital treatment is not large.

E *Are you playing a role as mediator in discussions between insurance companies and hospitals?*

ICC Care recorded cases where hospitals are not automatically admitting an insured member. We investigated such cases as part of our supervisory role and found out that such insured members were [being] required to make an advance deposit before being admitted. In our opinion, such practices are not fair, because they infringe the policy conditions. Therefore, we entered into discussions with hospitals to understand the reasons for the implementation of such procedures, and to defend the rights of policyholders. When COVID-19 is covered, patients should be treated as if they are admitted for any other disease. We requested that usual admission and treatment procedures should be uniformly applied for COVID-19 patients, as the case is for other services such as for heart surgeries for example. In case hospitals decide, for whatever valid reason, to apply alternative procedures, then the ICC, the insurance companies, and the public in general should be made aware of such alterations.

Our role is to protect the rights of policyholders and the sustainability of the insurance sector, and we acted with this perspective in mind. We engaged in discussions with the private hospitals in order to reach an agreement on fair tariffs that hospitals can charge for COVID-19 treatment, taking into consideration that some of the hospitals undertook investments in order to enhance their capacity to admit and treat COVID-19 patients.

One further note is that hospitals are minimizing admissions of [patients for] non-emergency procedures, and people are tending to postpone non-essential medical treatments. There is a major change in the dynamics of supply and demand of healthcare services.

E *What is the ICC's aim in the current time where people are so deeply impacted and concerned with the issue of COVID-19? Do you have updated plans or targets in light of the fact that you previously talked of provision of universal healthcare as a major need and long-term target for Lebanon?*

If we had universal healthcare with a primary or basic cover funded by the public sector and a top-up from the private sector, the situation would definitely have been better. The alarming situation that we reached provides strong supporting arguments for the urgency of the reforms needed to establish universal healthcare with a public-private partnership. We cannot postpone tackling this issue any further. Even now, with the recession and all the economic challenges that we are facing, this is the right time, especially as we consider the post COVID-19 period.

During a conference call that I attended with other insurance regulators in the region, there was a consensus that the main concern presently is not about how to fund the cost of healthcare services for COVID-19. The estimated costs are well established and docu-

mented, and the estimated incidence in the Middle East is so far largely manageable. The statistics indicate that the direct impact, especially in Lebanon, is much lower than Europe and North America. Nonetheless, we need to worry about what we are going to do post-corona, after the medical emergencies have been dealt with. This is an alarming issue that needs

■ “The ICC numbers indicate that up to 55 percent of insured members have no exclusions, and are consequently covered for pandemic diseases—I am telling you our estimation.”

particular attention in Lebanon. What will happen to the people who became unemployed, and the businesses that had to stop or shift to survival mode?

Going back to your question, and as part of our efforts to improve the medical insurance offering in Lebanon, a ministerial decision was issued on April 15 requiring insurance companies to introduce a compulsory pandemic cover in every new or renewed policy. This will enhance the insurance protection for existing and new insured members, and would present a better value proposition that is uniform for all.



THE INSURANCE SECTOR'S EXPOSURE TO BANKING



Q&A with actuary Ibrahim Muhanna on insurance liabilities amid economic crisis

Practically every private household in Lebanon relies on one or other insurance service, beginning with the mandatory protection of motorists under third-party liability insurance or savings schemes offered by life insurers. Services such as health and pension insurance are becoming focuses of attention as the country's healthcare and employment systems are increasingly challenged. Commercial lines from property to credit insurance feature in prudent business planning of an increasing number of enterprises. To understand better what risks and threats the Lebanese insurers are facing in the coming months, EXECUTIVE inquired with Beirut-based international actuary Ibrahim Muhanna about his expert perspectives.

E What is your assessment of the financial situation of the Lebanese insurance sector?

Looking at the balance sheets of the insurance industry as of 31/12/2018 and their exposure to the banking sector in Lebanon [reveals] that the total assets of insurance companies in Lebanon are in the neighborhood of LL7,500 billion, which translated into about \$5 billion (see table below). From that amount, roughly \$2.7 billion is exposed to the finan-

cial sector. Simply stated, local insurance companies have a huge exposure to the banking sector.

As an example, if the industry loses 50 percent of its assets that are currently at the banks, because of some form of a haircut, that means that there could be \$1.35 billion in losses across the industry. Which would be roughly \$29 million per company on average. Obviously,

■ “Simply stated, local insurance companies have a huge exposure to the banking sector.”

not all companies have the same level of exposure or the same assets. I have calculated that the estimated average exposure of insurance companies to the financial sector is around 55 percent of total

assets, with the company with the least exposure having 11 percent and a maximum of 96 percent for the company with the highest exposure.

E If we use this representative number to get a first concept, such as \$29 million per company, what does this exposure imply in context of the Lebanese banking scenario today?

If the banking industry takes a hit of 50 percent on deposits above \$100,000, which is what is being

LEBANESE INSURANCE SECTOR ASSETS & LIABILITIES

<i>Lebanese insurance sector as of 31.12.2018</i>	<i>Total in LL (mil)</i>	<i>Total in \$ (1000)</i>
Within the financial sector	4,099,930	2,720,591
Unit-linked contracts investments	1,047,626	695,173
Others	2,275,377	1,509,872
TOTAL ASSETS	7,422,933	4,925,636
Paid up capital	637,026	422,711
Shareholders' equity	1,816,011	1,205,050
Technical reserves (Non-Life)	1,536,758	1,019,747
Technical reserves (Life)	2,161,017	1,433,986
Unit-linked technical reserves	1,070,829	710,570
Others liabilities	838,318	556,283
TOTAL LIABILITIES	7,422,933	4,925,636
Exposed to the financial sector	4,099,936	2,720,595
If a haircut of 50%	2,049,968	1,360,297
Shareholders' equity after haircut	(233,957)	(155,247)
Source: i.e. Muhanna & co		

discussed, this means that the insurance industry may take a hit of \$1.35 billion on their assets in the banks. Calculating these \$1.35 billion, which companies may lose from their assets in banks, against shareholders' equity in Lebanon's insurance sector of \$1.34 billion means they may be short by about \$145 million and their capital may be completely wiped out.

E *Would that mean the companies with shortfalls in shareholders' equity will be bankrupted by a potential haircut of 50 percent of large deposits?*

In a pessimistic scenario, up to 17 insurance companies would have their equity completely depleted if a 50 percent haircut is implemented in some form. In that scenario, the other 31 companies would maintain a positive shareholders' equity. However, they may need to inject further capital, in particular insurance companies that write long-term business. What I said so far about the assets, however, is not really the full story. We know that if there is a devaluation of the assets, the associated liabilities of these companies will also have to be re-valued. Technically speaking, it cannot be said that the insurance industry is bankrupt because their liabilities in some cases may decrease as well. What is very interesting here is that out of the \$2.7 billion in total assets there are about \$1.4 billion in assets for the life portfolio, which does not include unit-

linked policies (NB: savings-cum-life insurance contracts that are linked to specified assets and are exposed to upside and downside risks. Returns of such plans are linked to market performance

and the investment risk in investment portfolio is borne entirely by the policyholder). Insurers total earmarked assets for unit-linked life policies amount to around \$700 million, which match the insurers' associated liabilities.

Therefore, the tens of thousands unit-linked policyholders are the ones exposed to any haircut and will be the ones affected.

■ **"In a pessimistic scenario, up to 17 insurance companies would have their equity completely depleted if a 50 percent haircut is implemented in some form."**

E *Then holders of unit-linked combined life-and-savings insurance contracts will be hit heavily?*

That is right. But it can be mitigated, even when there is a financial crisis. To give an example from the time when the financial crisis hit Cyprus in 2011, our firm was managing pension funds of different syndicates. When capital controls were introduced in Cyprus, we said [to the authorities] that we have seven such accounts with about €500,000 each but

Insurance

these are not really seven accounts. They represent 1,000 individual sub-accounts because each deposit account/fund account is for hundreds of individual members of the total pension fund. Each member's contributions to the pension fund and rights to the fund are for example in one case €17,000 or in another €56,000. We identified all these contributors, submitted their cases to the central bank, and were able to renegotiate the capital control of certain funds.

E *Would that be a route that insurers in Lebanon should take in your opinion?*

I think that it can be one of the possible options to study to mitigate the risk. You and I know very well that most of the life policies in Lebanon are sold in dollars. If someone has a cash value of his policy of \$17,000 or of \$26,000, whether in unit-linked or in endowment form, these people should not be hit under the capital controls. They can be safeguarded. We in the insurance industry have an opportunity right now to proactively say that these total amounts are really for our thousands of individual policyholders. They can earmark these amounts and protect and ring-fence these values.

As a consulting firm, we have consulted in different jurisdictions on such situations and ways that insurance companies can protect their assets and their policyholders' funds. Had the levels of exposure to the banking sector been reduced by other admissible assets, the solvency margins might have been sufficient to safeguard both the policyholders' and the shareholders' funds. I am very surprised that few insurance companies were exposed to the banks above 50 percent of their total assets without holding reserves against this risk.

E *What is the average exposure of insurance companies to banks in other jurisdictions by your experience?*

Twenty percent to the banking sector.

E *How do you think the economic crisis will impact the insurance companies in Lebanon on the demand side? Will market demand for general insurance lines, health insurance, and life insurance hold up or do you expect destruction of demand?*

On the medical side, the demand will be maintained, because people buy insurance out of fear. Whether they can afford to buy it or not is a different ballgame. But the appetite to buy [health] insurance will be there. In other products, whether motor or fire, household or marine, demand will be affected tremendously because of the economic crisis.

E *Going forward a bit into the future, there will be the IFRS 17 regulation as the new global accounting standard for insurance. A first seminar on the new standard was conducted in Lebanon last fall by the Insurance Control Commission. Even if IFRS 17 will*

now come into force in January 2023 as per the latest delay announced only weeks ago will the new accounting standards also have an impact on the Lebanese insurance companies?


It is right that regarding IFRS 17 everything is being postponed internationally. I would think, however, that before talking about IFRS in general,

this time is an opportunity for the insurance industry to reflect and figure out how they can survive this crisis—the financial crisis in Lebanon, compounded with the corona crisis. Those who will emerge from this crisis will be very few companies in my opinion.

E *So you expect that if there is the long overdue merger wave of Lebanese insurance companies, it will be bound to happen before IFRS 17 kicks in, rather than after?*

Definitely. Now that all the cards are on the table, people will have to view the situation. I think within the next month or so, things will be clarified. In short, I expect a massive impact on the insurance sector in Lebanon and a large role for risk professionals and actuaries to play as they help navigate the upcoming systemic shocks.

E *You are an actuary and also have long been very active in consulting on pensions. Is it possible in your opinion to create a sustainable pension system for the people of Lebanon?*

I was very happy to hear that they are talking about seriously reforming the pensions of the civil service and the military because that is costing the government quite a bit. Certainly if there is more [done about] the electricity authority, they can in my opinion easily balance the budget but they have so much to worry about right now that I don't know what priority they are addressing. 



To tame a financial monster that's stuck in a closet



Leaked Lebanese government reform plan addresses lira peg head on

“The existing dual exchange rate is not suited for the long-term recovery of the Lebanese economy, because of its distortionary nature and the limited availability of FX-resources in the parallel market.”

The Lebanese Government's reform program, April 6 draft

Chained to the dollar for the longest time under a policy favoring partisan interests—but not Lebanon's socio-economic best interests—the Lebanese lira has broken loose from its peg. The rate of LL1,500 to the dollar, an automatic beacon in the Lebanese economy for over 20 years, has been partially replaced by a parallel market rate that has been dancing and twirling all over the place, from LL1,800 to

LL2,200 and back, and up again to within spitting distance of LL3,000 to the dollar. But it is not a happy sort of freedom. According to a new assessment that was produced as part of a nameless rescue plan for Lebanon—and leaked in draft form soon after its internal release on April 6—the emergence of a parallel market has done no good and this market has no future beyond the middle of next year.

In principle, the paper argues, the widening gap between Lebanon's official and parallel rates of exchange is prone to be the source of “social inequalities.” The gap could have a rentier effect of leading to economic rents for accessing dollars at official rate, which would be “prolonging an already inefficient system.” And adding to this economic burden of the parallel market that has existed for the most turbulent six months in the past 28 years is the scarcity of foreign hard currency. This scarcity is due to unofficial but increasingly stringent bank-imposed capital controls that have been in place from last October and are continuing to this date. These distortions of capital flows are preventing the emergence of a functioning parallel market and drive parallel rates to excessive highs, the paper argues. But what is the story with the dollar peg, and why is this peg officially still in existence?

One can think of a peg as a form of partnership, a marriage of currencies in which one currency follows the other for better or worse. However, since the business of following is 100 percent one sided—it is always the pegged currency that follows slavishly, and never the currency that it is pegged to, usually the US dollar—these partnerships, at least for larger economies, rarely last more than a few years or even a few months accompanying a promise of fundamental economic reforms. And when the promises are not kept the consequences are often spectacular, as seen in examples from Mexico and Turkey in the 1990s to Argentina and Egypt. In the better cases where a peg has been engineered, it was often done for a limited time and was designed

as support tool to overcome a financial crisis, allowing a pegged country to stabilize its currency.

Pegs have been perceived by economists as limited because they come with a conceptual downside known as the trilemma or the impossible trinity—the practical impossibility to simultaneously have a fixed foreign exchange rate (peg), free flow of capital (no controls), and an independent monetary policy. Since amounts of capital behave like profit-seeking missiles, recent financial history shows that whenever the interest rate environment in a pegged country with no capital controls opens wide doors for capital to profit from carry trade, the central bank of a pegged country cannot make its own interest rate decisions to stabilize the domestic economy. It has to copy the other country's prevailing interest rate, the hypothesis goes and practical experience of the past 40 years has corroborated.

To get away from economic deserts full of narrow triangles, one can compare a currency pairing perhaps to generic partnership. Productive partnerships have consequences. Short-term exclusionary partnerships involving individuals, enterprises, and even currencies that begin with common interests tend to yield shared outcomes but can also produce divergences. These divergences can be curtailed by dissolving the partnership—or they end in a disingenuous breakup.

Open-ended productive partnerships with solid foundations and processes, such as mutual/shared ownership of equal-value assets, agreed principles, and dynamically developing joint interests under adherence to proactive and transparent internal information policies, can generate continually improving superior outcomes as well as intensely align the stakeholders in the partnership—like a couple in a marriage that finishes each other's sentence or is so in tune

with each other's intentions that they appear to read each other's minds.

Such intense and mutually beneficial alignments can emerge not only in social and economic partnerships of equal individuals, but also in asymmetric partnerships of senior and junior business partners, in and between enterprises and stakeholders in long-distance enterprises. But the downside risk of such uneven partnerships is immense. Total dependency can develop into hell for the weaker partner. The one-sided, open-ended, and overlong currency partnership of Lebanese lira and US dollar lasted for over two decades, in which it seemed to defy the impossible trilemma and survived many external stresses, episodes of capital outflows, and pressures of divergence.

The partnership might have continued as it had, with the knowledge that the freedom to set its own interest rate policy is something of an illusory freedom for a small country embedded in webs of international trade. After all, no theorem in economics is unshakable, many very small countries have a fixed exchange rate policy without drawing undue attention, and there is a polar counterperspective to every presumed truth. But the end result

of the long dollar partnership—first adopted to accompany nation building, reforms, and private sector's recovery after the Lebanese Civil War—was disaster for the Lebanese, largely due to the establishment's perpetual failure to enact lasting reforms.

According to the above cited draft rescue plan, the lira was increasingly overvalued during the last few years. Notable ratios of overvaluation included estimates of 6 percent in 2008, 15 percent in 2012, 18 percent in 2014, 12 percent in 2016, 19 per-

cent in 2019, and 33 percent in 2020. Other signals of alarm have exacerbated the problem. As confidence in financial markets evaporated and the long accumulating economic imbalances came to erupt, the relationship of currency dependence turned into hell for central bank, Banque du Liban (BDL), the suddenly incapacitated banking sector, and all Lebanese. The peg of the lira to the dollar is broken in principle and for most practical purposes with it the hopes for reforms toward an efficient and functional Lebanon.

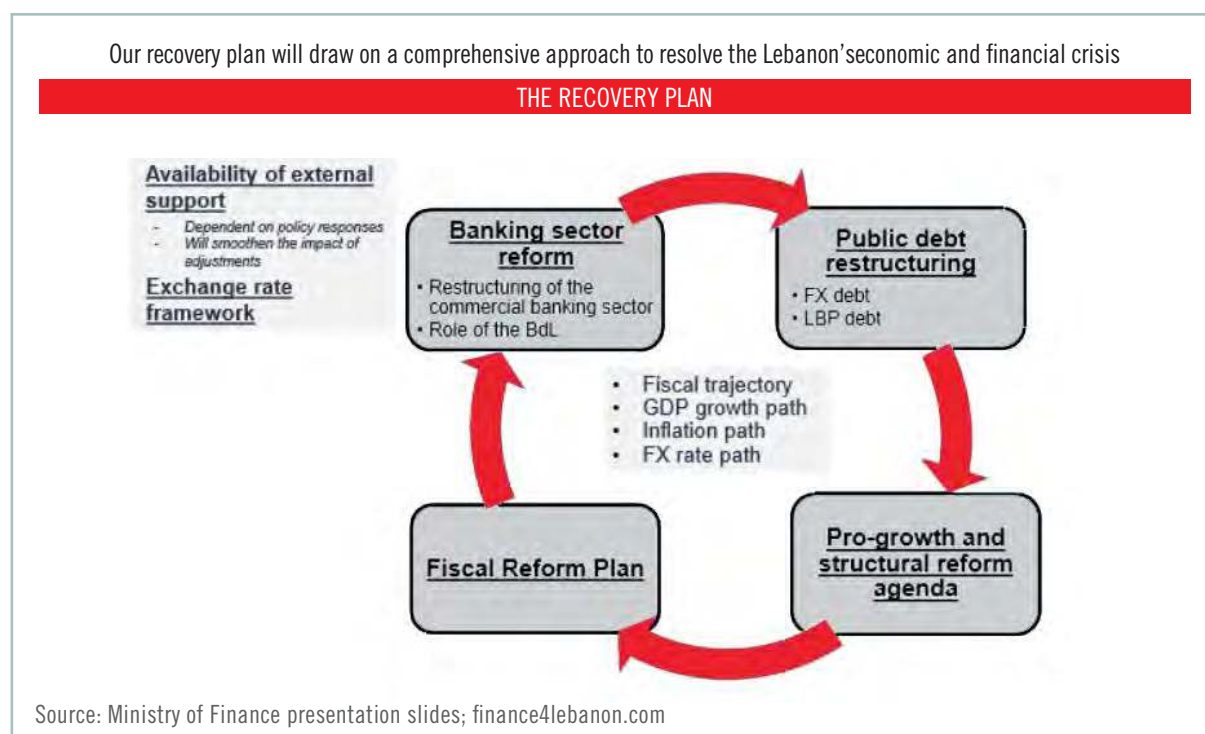
Now, with economies and financial interests that could be not more dissimilar, and finding themselves in a totally untenable currency relation on top of a totally untenable economic hole, the question of the Lebanese is how to survive after the divorce and how to save any monetary integrity. For more than five months, this problem of the factually broken peg has become increasingly exacerbated although the nominal parity was supposedly maintained. What to do in this quagmire, one of the many life-threatening and chronic conditions of which the almost comatose Lebanese economy has for months been in need of intensive care?

■ Chained to the dollar for the longest time under a policy favoring partisan interests—but not Lebanon's socio-economic best interests—the Lebanese lira has broken loose from its peg.

PLANS LONG OVERDUE

This problem has been no secret. At the EXECUTIVE roundtable series just before Lebanon's Independence Day last November, the lira peg and its future was one topic on the agenda, with a plurality of discussants expressing views that the peg in the long

Exchange rate



run would not be defensible. Some participants at the table argued for a crawling peg, others saw a need to stabilize the exchange rate at the official level before carefully revising it.

While this type of discussion has been repeated many times since—for example, in the public squares during the *thawra* (revolution) and via online meetings under coronavirus conditions—efforts on part of official Lebanon to disambiguate the picture of the two diverging rates until very recently were foggy. Unequivocal statements on the peg's need for replacement were scarce both before the appointment of a new government in January this year and since that theoretically pivotal moment.

In the early days of the mother of all crises in Lebanon, assurances that the peg would not be touched were made from the side of the monetary authorities and its highest representative, BDL Governor Riad Salameh. Even in late March, the issue of having to change the exchange rate policy was not clearly stated and the unfortunate bipolarity of the lira was only alluded to by Minister of Finance Ghazi Wazni.

When Wazni went before a video conferencing setup on Friday, March 27, he had something to say to bond holders. Those were the people who have financial claims on Lebanon and who have hardly been happy campers since the country's announcement in early March that they would not settle what was due in regard to the then-outstanding eurobond on March 9 (an announcement from the Ministry of Finance [MoF] later in that month had confirmed that Lebanon would not be making its payments for any of this year's maturing eurobonds in foreign currencies).

But what the minister told these finance professionals with regard to the schizophrenic reality of the Lebanese foreign exchange (FX) rate in his opening speech (as published on the MoF website) was only a fleeting mention of the “critical level of available foreign currency” at the central bank, after which Wazni went on to acknowledge, equally vaguely, that one of the problems facing Lebanon was the “FX liquidity crisis, including the depreciation of the parallel exchange rate.”

As several stakeholders in the challenge of realizing a national economic recovery plan for Lebanon—which includes everyone in the country—noted in the days following the MoF investor presentation, the provided content was on the light side. “Big on words and small on deliverables or plans,” as one entrepreneur put it to EXECUTIVE.

Indeed, the minister's observation was not followed in his opening speech by a rectification formula or outline of practical steps for dealing with the Lebanese exchange rate. Nor, according to content displayed on 27 presentation slides presented subsequently during the event, was such a formula made concrete there. One slide (see above) mentioned an exchange rate framework, but did not provide hints to any intended FX rate path or plan for an exchange rate framework.

TO CRAWL, TO FLOAT, TO LEAVE WELL ALONE?

Seeking for deeper understandings of the overlong ongoing currency conundrum, EXECUTIVE asked

economists for their opinions on the lira peg's sustainability and their perspectives on a devaluation—meaning a decision to revise the currency exchange rate downward from the decades old existing rate and of ca. LL1,500 to the dollar to a specific net level—or a depreciation—meaning a relinquishment of the official peg in favor of letting market forces determine the overvalued lira's trajectory.

For economist Marwan Mikhael, it makes no practical sense for the government to embark on a redesign of the exchange rate regime at the moment. “The issue is that there are no advantages from devaluing the official exchange rate right now. As long as you have capital controls, the parallel market will depreciate more if you devalue the official exchange rate,” he tells EXECUTIVE at the end of March. “There is thus no point of devaluing the official rate at this time. [Only] if you are lifting capital controls, can you devalue. This is my opinion.”

According to Mikhael, the theoretical increase of competitiveness of Lebanese goods in international markets after a devaluation is hampered by the highly dollarized cost structure of Lebanese companies that can even include their payment of salaries in US dollars. A market with a single exchange regime could be realized on fresh money (money transferred into the country after November 17 last year), he adds: “For everything in fresh money, there should be a unified rate.”

In his perception, Lebanon should move toward a crawling exchange rate peg—one that allows for gradual adjustments and envisions minor down and up moves of the exchange rate, even as some overshoot of the rate is to be expected in the early stage of a transition to a crawling peg via an intermediate free float decision. Describing the IMF program that has been implemented with a similar process in Egypt as successful, he advises that it would likely be ben-

eficial to allow the market in this way to provide an indication on the rate at which to position a crawling peg. “This is why you perhaps will first float it and then get the right price that you can defend,” he explains.

Seasoned economists Elie Yachoui and Roy Badaro (speaking separately to EXECUTIVE prior to the March 27 investor presentation), both point out that the opposition to a fixed exchange rate peg in Lebanon has almost as long a tradition as the peg itself. “I am totally against pegging and have been so since the beginning [of the policy in the 1990s],” Yachoui says. “Market forces have finally overcome Banque du Liban's policy of pegging. We are a free market economy and have to operate according to market dynamics in a monetary market and all other markets.”

Yachoui tells EXECUTIVE that he favors depreciation as the more market-compliant path over a governmental decision to devalue, and also that he prefers a free float of the currency as opposed to a crawling peg or managed exchange rate regime in any form. “It is high time to see free float of exchange in Lebanon after 27 years of fixed rate,” he says. “I am against a devaluation to a new and lower peg or a managed exchange rate regime because I am against the central bank committing the same error again.”

In Badaro's perspective, the decision for a fixed exchange rate regime in the 1990s was linked to international policy preferences at the World Bank level, in line with what was then called the Washington Consensus (as defined by economist John Williamson, not to be confused with the later usage of the term). The peg might have succeeded as monetary

Lebanese policy of the early 1990s if peace in the Mashreq would have been achieved then, but as peace was but a dream by the late 1990s, the policy should have been changed back then. “They stuck to it and we are paying the consequences of the decision,” he says.

Differing in this from Yachoui, Badaro is in favor of a gradual freeing of the exchange rate and recommends a crawling peg. “I think that before October, [2019], the equilibrium rate was around LL2,300 [to the dollar],” he says. “[Adopting it] could have brought trade balance, but nobody would listen [to such advocacy].” He points out that neither the MoF nor BDL have a policy addressing the way in which the parallel market's existence impairs lives of vulnerable population groups.

“Many take advantage of [the black market] at the expense of the poor population,” Badaro says. “I would

■ The end result of the long dollar partnership was disaster for the Lebanese, largely due to the establishment's perpetual failure to enact lasting reforms.

be in favor of freeing [the exchange rate] but at the same time of revising the minimum salary twice yearly, [so as to] catch up with inflation. There is a cost-push inflation [created by] the pass-through of the exchange rate but this inflation would decrease if we take measures of promoting a pro-competition environment, which means to abolish all the anti-competition regulations, exclusive agencies, and any monopolies.”

For Tamim Akiki, an entrepreneur and data sleuth with training in heterodox economics, the devaluation issue has to be dealt with as part

Exchange rate

of a larger context. Maintaining an exchange regime that is close to the status quo of a fixed peg would first require deep research and investigation of what benefits this could provide to a very small economy like Lebanon, and for how long and for what reason a fixed regime should be maintained. A new exchange rate policy that even considers a fixed peg should therefore first address questions such as: Do you want to maintain a fixed exchange rate for a year so that you can overcome a certain crisis?

Saying that rather than adherence to any fixed rate, a different regime should be pursued, Akiki tells *EXECUTIVE*: “I think there is a general consensus that having a more flexible monetary policy can be very advantageous for Lebanon. So I don’t see why we would stick to the status quo. My view is that Lebanon should move to something like a managed float, which is what exists in most of the world. Everybody manages their exchange rates—it has never been a total free floating environment. I think we have to move to something similar so that we don’t have this buildup of instability over time.”

The top priority in his view, however, should be that a new exchange rate regime is integrated into a national strategy for the economy. “I think the devaluation has to be part of the rescue package,” he says. “My concern is much more related to seeing if this will be an opportunity to move to a modern sovereign monetary policy or will this remain a policy that has proven to be a mistake. What we need to do is start developing a master plan for the next financial system in Lebanon. This should include a floating exchange rate, which can always be influenced by the central bank [BDL].”

With devising a promising exchange rate policy being a major challenge in itself—let alone seeking to do so in combination with measures aimed at increasing the purchasing

power in the population and fostering improvements in competitiveness that is based not on price competition but on increased reliance on skilled labor—it becomes clearer why the issue of adjusting the lira exchange rate appears to be viewed by many in government and even some in industry as a hot potato. This impression is heightened even further when one considers that economists generally agree that a traditional tradeoff between pricier imports and cheaper exports will not give a significant advantage to local producers, most of whom are a long distance away from being ready to tackle international markets with efficiency.

ECONOMIC RESCUE PROPOSAL

A positive flash on the thought horizon of proposing an economic rescue that incorporates a clear view on the lira reached *EXECUTIVE* on April 1. Consultants Gerard Charvet and Ziad Hayek (who, like Mikhael, was one of the highly knowledgeable experts participating in *EXECUTIVE*’s roundtable in November) published a plan that explicitly addresses the FX issue and lira devaluation under inclusion of inflation aspects. Stipulating that four core concerns need to be dealt with in the people’s interest, the plan lists the national debt, banking sector health, depositor protection, and the exchange rate of the Lebanese lira indispensable targets for attention.

The consultants propose as a second thematic focus of their plan—right after advocating for the establishment of a defeasance company that holds state assets by a new law—to reset the price of the lira at LL3,000 to the dollar. As the next step in a viable currency policy, they recommend letting this devalued lira “float at least for an interim period

before installing a crawling peg policy,” and soon thereafter eliminate the lira’s tail of three zeros, which would mean targeting parity at three (new and rationalized) lira to the dollar.

In a financial projection, the Charvet-Hayek plan calculates the budgetary impact of their devaluation/float/crawling peg scenario on basis of their proposed ratio of LL3,000 per dollar rate. They say it would modify the central bank balance sheet from LL216,541 billion in assets and liabilities to LL302,981 billion. Charvet and Hayek advocate that their proposed economic measures ought to be brought on simultaneously in one comprehensive package, under inclusion of flanking measures to soften the plan’s social blows to average earners and argue: “The devaluation (free float) will restore competitiveness to the Lebanese economy, stabilize the exchange rate at a real level, and encourage depositors to return to LBP deposits.”

REASONS TO BE WARY

As the economic crisis is showing no intent to vanish—it is behaving to the contrary—it is welcome news that the government as of now

■ “Market forces have finally overcome Banque du Liban’s policy of pegging. We are a free market economy and have to operate according to market dynamics in a monetary market and all other markets.”

has some numbers to discuss on the exchange rate. There is much to be said about the April 6 draft. Much of it can be shocking in good ways, for example when it states early in the text—which is all marked as “strictly confidential”—that the government

is committed “to change its harmful practices.” But the plan also reminds of exercises where lip service to social care is juxtaposed with actions that dissolve social stability. Terminology such as “rationalizing public sector employment” and advocacy of efforts to “rein in” salaries and benefits in public institutions (e.g. universities) is not the kind of terminology that departs from neoliberal recipes which, when implemented, regularly fell short of humane successes. As Akiki notes, the plan seems neither ambitious enough nor creative enough and offers prescriptions that “are pretty much the same as in other countries and tend to perpetuate financial and debt crises.”

Justified criticisms on its general drift notwithstanding—and also despite some overconfident assertions on global realities in governmental treatment of systemic banks that sounded off even before the coronavirus pandemic changed every outlook on governmental support for vital economic entities—the draft plan has enticing aspect from the perspective of the need for a clear FX policy. Naming its program objectives and strategies, it declares one of eight pillars to be: “Moving to a more flexible exchange rate policy beyond the near term to lessen strains on BOP [Balance of Payments] and improve competitiveness.”

And it puts some exchange rate policy numbers on the table. As projections, these are debatable but at least they are numbers to debate, starting from an effective exchange rate of LL2,302 to the dollar in 2020—calculated by assuming that 80 percent of economic transactions are conducted at the parallel market rate and 20 percent at the old and still existing official rate. According to the table of numerical projections in the plan, the lira rate would move further from LL2,771 to the dollar in 2022 to just below LL3,000 per dollar in 2024. A parallel market would be tolerated by the central bank as long as abso-

lutely necessary but the bipolar market of today is expected to be replaced with a unified official exchange rate by 2022, the draft plan says.

“The unification of the two rates and the formal depreciation of the official exchange rate require the prior stabilization of the economy and the restructuring of the banking sector,” the authors note, giving their rationale why the discussion over the devaluations and depreciation issue might not be incessantly sizzling on the front burner of governmental elaborations.

Authors of the plan are unequivocal when they declare in relation to the dollar peg that, in their view: “For years, the lack of competitiveness of Lebanese companies has prevented the emergence of a productive and diversified economic base in Lebanon and encouraged the consumption of imported goods through artificially inflated purchasing power.” They are also unmistakably clear in making a statement a few lines earlier that: “The peg to the US dollar that has been maintained over decades is now impossible to restore and must be abandoned as part of the Government reform program.”

For the foreseeable—and by their wording practically indefinite—outlook on the exchange rate, they say that a free float of the exchange rate is in their opinion not advisable as long as the economy has not reached a stable equilibrium but foresee, in the same vein as most economists that EXECUTIVE inquired with, a managed float or a crawling peg as the best policy after a recalibration of the rate through an initial devaluation and successive depreciation driven by inflation differential.

In theory, a currency devaluation or depreciation is a trade-off affair that makes imports more expensive but exports more competitive. But as

increasing competitiveness in export markets appears to be a long struggle in conjunction with an even greater struggle for economic sanity, the deterioration of the lira exchange rate—that is all over the short, medium, and long horizons—could very well be a lesser booster of the competitiveness of Lebanese goods and services than increased reliance on skilled labor and high value-added. For the moment, the question of devaluation and the future of the exchange rate is the monster in the large herd of our economic problems that has come out of the closet and is now waiting to be tamed.

For the credibility of the Lebanese government, the honest discussion of this monster can only be beneficial. Honest discussions and interactions with the Lebanese public, as the example of the devaluation shows, are still in need of improvement. In

■ “What we need to do is start developing a master plan for the next financial system in Lebanon. This should include a floating exchange rate.”

this sense, an open and transparent presentation of the draft plan to the public for discussion would have been vastly preferable over the emergence of a leaked copy—even if one can hardly imagine a more surefire way than the leaking of a document to whet the appetites of analysts and self-appointed finance watchdogs on social networks, or to honey-trap by definition lazy business journalists who might otherwise not bother with poring over an intellectually advanced document. But the plan did not have to be hidden. When truth comes, falsehood vanishes. Ignorance, as a saying goes, is the shadow of death where knowledge is the light of life. ■

By Thomas Schellen

A potential lifeline for Lebanese jobseekers



The jobsforlebanon initiative envisions a new labor paradigm for Lebanon

For those who are addicted to adrenaline rushes from springtime thrill rides, March 2020 may very well be as good as it can ever get.

But only as far as the thrills of being exposed to the mother-of-all economic shocks. For the large majority of us, it is a world-engulfing nightmare. For the Lebanese, it is a nightmare that is embedded in a disaster.

This fourth week in March 2020, jobless claims in the United States jumped by a record 3 million filings, and this is just one of the scary numbers from the global labor market. In macroeconomic terms, this month appears as prime candidate to enter the history books as a pinnacle of global economic shocks, a time when some countries started to think seriously about helicopter money and new economic formulas, and a time when Lebanese government officials

felt compelled to wax lyrically about social responsibilities, the state's duty to assist the people, and about money (money that is nowhere certain) for the support of suffering citizens and the army of newly laid off workers—an army of many divisions.

But it is also a month when a new startup portends to offer “a glimmer of hope” for employment of people who call Lebanon their home (and who to continue to live here). Startup movement jobsforlebanon.com (J4L) was intended to be launched online on March 16, 2020, but leaped into existence a bit prematurely and unintentionally on March 10, its co-founder and newly minted president Roy Baladi tells EXECUTIVE during an extensive interview with the J4L founding team (see Q&A page 90).

Over merely two full weeks of virtual life, the initiative encountered

what Baladi says were spectacular rates of attention. “We had 26,000 people—probably almost 30,000 by now—come onto the site in less than two weeks; we had 118 jobs posted [and saw] Lebanese expatriates from 126 countries [visiting the website]—rich Lebanese in Nepal, Botswana, and Bhutan,” he says. “We had over 1,300 candidates apply to these 118 posted jobs and are now seeing hires happen. Four hires were completed. Also, more hiring managers and candidates are reaching out and saying that they were able to [arrange] jobs through jobsforlebanon.”

THE BACKSTORY

According to Baladi, the J4L movement was conceived toward the end of 2019 during the *thawra* (revolution), at a time of high optimism fueled by the national unity witnessed

in the rising protests. During a conversation with Baladi, J4L co-founder Yalda Aoukar expressed her dismay over having received a shocking number of appeals for loans or any sort of work and living income from highly qualified and yet out-of-work friends back home, and so she brought up the idea to call upon Lebanese expats in the diaspora to provide freelance jobs that could be worked remotely from Lebanon. Next was a conversation with another co-founder-to-be, Neal El-Jor Taouk who at the time was already engaged in the organization of a Lebanese expat network called Meghterbin Mejtemiin (Lebanese diaspora united) who, it was agreed, would commit to building the diaspora network for J4L.

This meant that two key building blocks for J4L were ready for sourcing: a recruitment tool and a network. Recruitment software could be sourced from San Francisco-based Smart Recruiters—a company whose business was the development and provision of exactly this type of software. Baladi, an early employee of the company, could access the product under a corporate social responsibility commitment by his employer. The nucleus of a diaspora network was also already in place.

CONSTRUCTING A NARRATIVE

In addition to this, Baladi, El Jor (a former Facebook employee and marketing and communications expert), and Aoukar (a finance expert and entrepreneur who is managing partner in an investment company), set out to find someone who would provide them with a snappy marketing message that could send J4L on a viral trajectory on social networks. They found Rhea Nasard, creative director at Lebanon-based agency its communication.

By early 2020, while seeing Lebanon languish under its economic crisis and unemployment rise ahead of the days of the coronavirus crisis, J4L had its three main arrows in the

quiver: a product, a network, and a message. “Our aim with this initiative was to provide a glimmer of hope and offer people in Lebanon a way to stay in their country, and empower the diaspora, like Neal said, to tap into a market place of extremely competent individuals who also happen to be your compatriots,” Aoukar explains.

Next to join was Natasha-Christina Akda, lawyer and founder of a New York—based corporate advisory—and also a passionate advocate for Lebanon with high civic involvement. While progressing on its trajectory toward incorporation and a legal identity J4L met with a surge of attention in the days of the exploding global coronavirus crisis. In this context, it rapidly encountered interest not only from Lebanese job seekers and diaspora members but also from potential emulators of its non-profit recruitment model in countries from the Netherlands and Germany to Australia. The venture also established two outreach enhancement programs, one an ambassador program and the other a partner program.

Even more fascinating to this observer than this narrative of growth beyond expectation is the way in which J4L’s own path and experience mirrors its founders’ vision and aims. Here is a core team of diverse Lebanese expatriates who “made it” and by all appearances built viable existences in important economic hubs and vibrant sectors. This team links back to Lebanon but does not follow an—often seen and not always successful—track of moving physically back into the home country for the Lebanese economy to benefit from all they acquired abroad in a reverse migration of brainpower and skills. Instead, they clone their own cultural

and entrepreneurial DNA into a platform that has global potential—with Lebanese ingenuity inside. Irrespective of its somewhat parochial name, which might evoke misgivings of a narrow agenda and nationalism, this new online startup initiative comes across as not exclusionary, not racist, nor populist, nor politically exposed. It is not just about Lebanese jobs either, at least not conceptually and not in the long run.

CAVEATS AND POTENTIALS

There are caveats, as with all human endeavors and daring innovations. While the enthusiasm and creative energy of the J4L team are as

■ “Our aim with this initiative was to provide a glimmer of hope and offer people in Lebanon a way to stay in their country, and empower the diaspora to tap into a market place of extremely competent individuals who also happen to be your compatriots.”

laudable, as their optimism and dedication to their self-chosen mission, assurances by team members that this team will “always” remain committed to the movement irrespective of what changes it might undergo and how responsibilities might shift from board oversight roles to operational officer roles have to be regarded with a caveat about the very limited predictability of human relations over multi-year time spans.

From a perspective of potential conflicts of interests and corporate behavior, the, at this point exclusive, reliance of J4L on the software solutions of Smart Recruiters, which itself is said to operate under a software as a service (SaaS) business model, in conjunction with the overlap of Baladi’s personal involvement as president of J4L and as head of com-

Labor

munications in charge of corporate social responsibility at Smart Recruiters, some cautiousness seems to also be warranted. Even as a casual look and reputation check of Smart Recruiters does not raise any red flags, it cannot be overlooked that the company is a fairly young corporate partner, which undertook a Series D funding round a little less than one year ago and raised \$50 million in this round according to US-based tech website Venturebeat.

Further, it can not be ignored that the operation of a recruitment platform using algorithmic and artificial intelligence (AI) that is incorporating processes for vetting candidates for their technical skills, language proficiency, personality, and backgrounds by third-party providers is not necessarily void of errors or even biases (such as male chauvinism seen in genderless AI). Moreover, the field of recruitment companies is marked by high competitive pressures.

Finally, when looking at the Lebanon aspect of the J4L equation from the perspective of the enormous rise in competition for finding work across most national and all international labor markets, the horizon for 2020

and 2021 is clouded to a fright. The rise in US jobless by a brutal three million people in a single week this March and an Chinese urban unemployment statistics showing five million people to be out of work for the months of January and February—with forecasters' expectations of another increase due to global vanishing of demand for Chinese manufactured goods for at least several months—imply a glut of labor supply in the world's two largest economies. Even if only 5 or 10 percent of this added rise in eager job seekers were highly qualified or experienced, their

number would be overwhelmingly large when compared to the number of the entire Lebanese labor supply.

J4L's repeated assurances and conviction that this country has an abundant supply of highly skilled and multilingual candidates for employment or freelance positions on global level must be thus juxtaposed with the fact that—while job seekers from other countries of origin may or may not be equipped with on average equivalent skill level, motivation, multilingual background, tech savviness, or entrepreneurial drive—there is no denying that the absolute number of Lebanese talent does not measure up to the numbers of job seekers from much more populous countries. This observation applies not just in these days of high global unemployment but even at times when corporate demand for labor in coming years might be reaching levels that are closer to full employment—which is in itself a doubtful proposition in a decade where speculations over job destruction due to increased automa-

■ There is no denying that the absolute number of Lebanese talent does not measure up to the numbers of job seekers from much more populous countries.

tion and substitution of human workers by AI have been globally rampant for the last few years.

In terms of numbers, furthermore, the one-year vision of seeing 50,000 jobs happening in Lebanon due to J4L and its partners, which J4L's Baldadi very determinedly stated to EXECUTIVE (see interview page 90), would require a disproportionate candidate pool, given the average 100:1 ratio of job candidates per successful hire that is assumed by J4L itself—even when assuming an extensive involvement of partners of over 50 percent in the supply creation

and hiring activity. In a rough back-of-the-envelope estimate, a pool of 2 million candidates (for achieving just 20,000 hires at the anticipated 1 percent conversion rate of applications to hires) would have to exceed the entire working-age Lebanese population of 2021, let alone the pool of top-skilled university graduates or experienced professionals—such as teachers, designers, journalists, researchers, lawyers, copywriters, and creatives—that are on the prowl for better economic opportunities.

Caveats over risks and fundamental uncertainties are common and prudent in contemplating daring economic propositions and projects—and more so than ever in a period of an unprecedented global economic shutdown, recession, and unpredictability. Resilient to any caveat, however, is the impression of the J4L core team's professionalism, strategic thinking, individual commitment, passion, and collective emotional intelligence.

Despite the uncertainty that must be apportioned to any prediction of how the global labor markets, labor practices, and AI-driven or human-driven human resource acquisition patterns will develop in the coming year, and years, bona fide social-good centric recruitment as professed by J4L is an enterprise that is not just worth watching for jobseekers and to link up to for job creators from the diaspora. It is equally worth tracking for labor-focused policy-makers, activists, researchers, and reporters. From this perspective, it would be ill-advised to presently preclude anything as far as J4L. This movement's involvement in and for Lebanon could well generate a positive labor push and produce something that significantly exceeds initiating a few positive growth impulses and sparkling comet tails of hope for the country's large pool of individuals who are desperate for dignified work and livelihood. ■

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Q&A

By Thomas Schellen

Bringing opportunities home



Q&A with the team behind jobsforlebanon

They want to bring jobs to jobstarved Lebanon. They also want to do something that has been tried many times and rarely been crowned by success: mobilize direct investments into Lebanon from the country's large global diaspora. Specifically, they want to seed job investments—work opportunities that can be located anywhere in the world, yet be done by people in Lebanon. They have combined both missions into one vision that they are chasing. “They” are a cheerful group of successful expat professionals with a brand-new online venture that can be found at jobsforlebanon.com. To learn more, EXECUTIVE talked, naturally remotely by video conference, with jobsforlebanon (J4L) team members Roy Baladi and Neal El-Jor Taouk in San Francisco, Natasha-

Christina Akda in New York, and Yalda Aoukar in London.

E *As you are telling me, your initiative for creating jobs for Lebanon has met with a very positive initial response and is moreover already evolving. How do you explain that this initiative is so successful with the diaspora? And as your platform is changing, will J4L activities still be focused mostly on channeling remote jobs for Lebanese freelancers, as was said in some early reports, and do you expect partner organizations to help with scaling in terms of job offers?*

Yalda: The reason that this is really resonating is because [faced with the problems in Lebanon] there was a lot of appetite from the diaspora to get involved. But they were not knowing how to get involved or what the right channels are.

Roy: Starting with the vision that we have for ourselves: [We envision] that one year from now we will have a very reliable source of jobs for Lebanese where people can export their skills without necessarily having to export their bodies. This becomes a reliable source of jobs, a reliable source of income, and an alternate economy. To get to that level, we aim to unite the Lebanese diaspora wherever they are, having a global expat network with a simple message: Hire a Lebanese in Lebanon.

Neal: The beautiful thing about this movement is that it is growing and changing shape as it grows. Even though we started as an initiative to bring jobs to Lebanon as freelance opportunities, we are now in talks with several industry-specific agencies in Lebanon who are interested to

partner with us to open it up to even contractors. This is making it scalable on the Lebanese level and even more beautiful is that the movement is going to be scalable to other countries.

E *You seem to be working on modifications to the J4L approach also on the demand side, meaning its functionality for Lebanese job applicants. Can you elaborate?*

Roy: What we are doing right now in Lebanon is to start making it easy for not just individuals to say 'I am interested in this job,' but also for teams, so that they can come in and say, 'We are a team of creatives and can take over a project.'

E *Do you want to operate continually as a not-for-profit enterprise, as a civil society organization (CSO) or non-governmental organization (NGO), or as a for-profit social enterprise? Are you working toward a commercialization model and are you seeking to monetize the site, for example by charging commissions from talents who found a freelance job via J4L?*

Roy: After talking about what we will be, an NGO or a [Certified B Corporation], we have decided to be an NGO. We want to be self-sustainable as an NGO but we are not looking at this as a for-profit venture. This subject is where Natasha comes in.

E *How do you want to sustain J4L then beyond the initial phase of enthusiasm-driven volunteer work, which is how you appear to be operating at this point?*

Natasha: This is a question that every entity and organization has to confront. The team of volunteers has thankfully very early on started to look at the long-term sustainability for the organization and the movement, and how do we plan our next steps and how do we institutionalize these next steps so that we can continue to exist and serve in the long run. As Roy said, the original conversation ran between either incorporating as a non-profit or as a B-corp. These were the two main op-

tions just because this team wants to make sure that the mission and spirit of the movement are legally protected at all times. This is not about money. However, money is required to make sure that this process can continue in the long run.

E *How are you planning to obtain this money?*

Natasha: They have started by creating a non-profit organization that is a self-sustaining social good enterprise. There are also different ways built into the model so that they are going to be able to monetize the business and structure that they have implemented. The board of directors has already been identified. As [the movement] starts to get larger and more time is taken up, those roles are going to morph from board of directors to officer roles and at that point there will be a conversation about how we take this to the next level. Right now I think this is still premature because all energy, all effort, and all finances are dedicated to the movement and not to the individuals.

E *Has each participant in the founding team contributed and pooled hard cash to make this vision happen?*

Roy: We have so far funded it ourselves.

E *How do you plan to sustain the movement's operational momentum and growth in the long run? Do you have targets or KPIs, key performance indicators for monthly increases in a) the supply of job opportunities and b) the number of job applicants?*

Neal: We meet on weekly basis to discuss everything that happened in the past week and what we plan on doing in moving forward. We have four initiatives within this movement, one being the product function

where we do everything to improve the product to make sure that we can provide the best service possible; we have the marketing department that is in charge of everything creative and branding, as well as of course social media. We then have a business development function that is in charge of the ambassador program, the partnership program, and any other outreach that needs to be done. Finally, there is legal. Each of the four functions has their own set of KPIs, all of which feed into a main one, which is to seed as many jobs as possible and get candidates which will then hopefully translate into new hires.

■ "We aim to unite the Lebanese diaspora wherever they are, having a global expat network with a simple message: Hire a Lebanese in Lebanon."

E *To go into the practical side of the matchmaking between candidates and job givers: Are you vetting prospective job suppliers and vetting prospective job seekers in any way or just trusting everyone to be honest? Do you do background checks?*

Roy: In the product, there are three ways in which you can vet the candidates. The first thing that you can do with the product is to compare. It has an algorithm to give a ranking to each candidate relative to the job. So you start with an ordered list with a percent fit of every candidate to every job. The second thing is that based on the responses of the candidate [via a variety of presentation formats], the algorithm can read their command of the English language, or the German or French language—40 plus languages in all. That is an objective metric done by a third party that tests the validity of a person's skill. The third tool that you have are background checks.

Q&A

E *Are these functionalities connected to the Smart Recruiters software as part of the backend package?*

Roy: Correct. Smart Recruiters is a company that is ten years old, has 80 engineers, and that is supporting more than 4,000 companies all over the globe using it at this very moment. We have the ability to use that product in order to repurpose it for jobsforlebanon. So yes, it is in the back.

E *How are you then protecting J4L to not become a marketing outlet as a covert profit-oriented enterprise, or from being perceived as a marketing outlet for Smart Recruiters?*

Roy: Smart Recruiters has done the one percent pledge, giving away one percent of the equity, one percent of the product, [and] one percent of the time of employees. I look after these CSR initiatives. It is a cost for Smart Recruiters to offer the software for free for Lebanon and it is the same thing for Germany and Ireland, Australia and the other countries, but this is also part of the mission of Smart Recruiters.

E *So you as president of the NGO will be the guardian to make sure that Smart Recruiters doesn't use this network and the movement's social good centered outlets as a way to gain influence and make money?*

Roy: Yes. As the president, I look after that, and our whole team does too. But also every partner that comes in and connects with us is offering something as well as getting exposure. So as we partner with BDD, they are offering their office space at cost for our community that gets hired. [In turn], they will get advertisements on our platform. Similarly, [this applies to] any partner that comes in. Every piece that comes together is going to benefit from exposure and good will coming out of it. This is part of the collaboration. It is a fringe benefit of being part of this movement that you

are betting on and which will help grow an economy.

Natasha: I want to add to what Roy was saying. We as a team are very conscious of the risks and the entire team is very protective of the mission and the underlying philosophy and spirit of the work that is being done. As part of that, from a legal standpoint, the social good components are actually being built in as part of the contracts that we are developing with our future partners so that we can make sure that we protect the product itself and the nature in which it is presented to the world.

E *As your name hints to jobs in Lebanon, how far are there restrictions requiring candidates that want to join the community to be Lebanese or live in Lebanon? Could I for example, as someone who has lived some 23 years in Lebanon but is a German expatriate here, be eligible to be among the talent on your platform or would you say, 'No, you are not Lebanese and can't participate'?*

Roy [chuckling]: There is no way for us to restrict this. This product is an open product where anybody can create a job and anybody can post a job. When you post a job, anybody can apply. However, there is a lens. The campaign that we have is geared primarily toward calling on Lebanese, wherever they are in the world. Also [we aim] beyond the diaspora, if you are not Lebanese and want to hire someone in Lebanon, because the [availability of] talent [for hire] in Lebanon is honestly very high at the moment. This is because of the layoffs and unemployment that have been done due to a systemic issue, not a job performance issue. I am meeting people with 15 or 20 years of experience that have been let go. So there

is a skill abundance in Lebanon at the moment; our main campaign is calling on anybody who wants to hire those people without making them leave the country. However,

■ **"I am meeting people with 15 or 20 years of experience that have been let go. So there is a skill abundance in Lebanon at the moment."**

anybody can apply and if they do and are well vetted and get the job, this is excellent.

E *In your initial outreach to the Lebanese diaspora, did you start using any existing database of Lebanese expats or did you work on peer-to-peer basis?*

Roy: Peer-to-peer. We did a bit of information research in terms of journalists and in terms of the embassies and their contact information and charted [those groups] but we did not [use practices found elsewhere such as scraping websites for jobs]. With us, it was zero catalysts and zero jobs. [The network] populated organically.

E *From a Lebanese perspective, the issue of the diaspora has what everything in Lebanon has, namely a political connotation and not necessarily the most innocent one. Do you, as a movement, have any political links in Lebanon or internationally with political organizations in the diaspora?*

All in unison: No.

E *Do you have any partnerships with any Lebanese bank as part of their CSR activity, financial intermediaries, with someone like IM Capital or anybody in the venture capital space in Lebanon, with the Capital Markets Authority or Banque du Liban (BDL), Lebanon's central bank?*

Roy: Everybody is shaking their head.

E *So you are all financially outside of Lebanon and emotionally inside of Lebanon?*

All interviewees: Yeah.

E *And may I presume that—merely in an operational sense—it was almost serendipitous for J4L that the coronavirus struck in the Middle East just at the time when you were ready to start rolling?*

Yalda: We are going to see a massive shift to teleworking. Everyone in the world is now working from home and a large part of the jobs that are now being conducted remotely will continue to be conducted remotely. That can only serve our mission. It is our hope that due to its highly skilled, multilingual population that has a very strong aptitude as well in the field of technology, Lebanon will become the destination of choice [to hire people that work remotely], at least for its diaspora.

E *In the promotional video there was the number of 16 million mentioned with respect to the diaspora, but this is a wide count and a bit of a popular myth considering that this includes millions who are descendants from people who emigrated three or four generations ago. What is your addressable market as far as entrepreneurs in the Lebanese diaspora who can create and offer jobs?*

Natasha: You will be surprised. I have family in Mexico, distant relatives, some of whom have not even been to Lebanon but they eat their grandmother's [Lebanese food]. As soon as we launched that promotional video, third generation Mexican-Lebanese were telling me that they loved it and were sharing it with their network of 25,000 people that are part of a Lebanese club in a district of Mexico City. Let's not underestimate the power of the emotional ties of the Lebanese.

Also I think that 16 million [as a target outreach number] would mean that we are limiting ourselves. [Stipulating an] addressable market of 16

million people for me is really underselling ourselves. Lebanon has extreme talent to offer to the world. Our aim of connections with the Lebanese diaspora is our first step.

E *So you want to reach job creators internationally beyond the Lebanese diaspora?*

Natasha: Yes. In our team of 23 people, we have people that work for Facebook, for Google, and for some of the largest corporations in the world. If at some point we can forge partnerships with these huge organizations, [this would be] a power that goes beyond the 16-million diaspora.

E *Would it then be correct to say that you want to scale up from the job givers among the Lebanese diaspora to other mega-large corporations or even SME job givers all around the world who are not linked to the Lebanese diaspora?*

Neal: That would be safe to say. One thing to mention is that, before the launching, we took part in a conference and participated in a hackathon. In this conference it was very interesting to see the feedback from non-Lebanese people. I was positively shocked how emotionally touched non-Lebanese people were by this initiative.

E *In wrapping this interview up, do you have a target ratio regarding job offers versus applications? It seems that you now have about ten or 11 ratio to one in terms of applicants for each job. But as it has occurred especially in times of high job demand that 500,000 people sometimes apply for something like ten available jobs. This can be a strong deterrent from any job initiative. What is our target ratio in this regard?*


Roy: It takes roughly ten applications per interview and ten interviews per hire, so one percent of people who apply get hired. So it takes about 100 applications for one hire. Right now we are trending at about ten or 12 to one. Our KPI is the one—the job. Our focus is really on maximizing the number of jobs and maximizing the

number of hires and everything else will fall into place. Yes, we can fall into the trap of getting too many applicants to very few jobs. We are very focused on this issue and that is why our KPIs are the way they are and why our organization is broken down into departments that are focusing on those KPIs.

E *It seems that you are applying time-tested or newly orthodox recruitment methodologies, including assumptions of ratios on what real chances job applicants have when they apply. Do you plan for any education effort for candidates to explain how big or small their chances are when they apply?*

Roy: Yes. As Neal was mentioning, we have four departments. In the product department, we have product and product education. We are putting in motion right now video tutorials that reach the two segments, the candidates and the hiring managers. This includes education and surveys to keep our finger on the pulse of who is coming into our system.

E *From all that you have told me, you are not looking to terminate your project after the corona recession ends, whenever that is. You are in this for the long haul and envisioning an institutional future that is open ended and benefiting from the worldwide shift to more home office work and remote work. Is that correct?*

Roy: Yes. As for where we want to see us in a year, we want to see very large hype and first of all a large number of Lebanese—we cannot put a number to it yet but internally we say 50,000. Visions are sometime based on bets so let me say we anticipate 50,000 jobs happening in Lebanon with jobs that they obtained from job-sforlebanon and partners. Anybody who is working on this mission, is a partner of ours. [In addition to the 50,000], we [foresee] another pipeline of 100,000 plus jobs that are on the platform and ready to hire and make this a sustainable major sector of the Lebanese economy. That is what we are hoping to see in a year. 

A leap of faith



How feasible is the recovery of stolen Lebanese assets?

The Lebanese uprising that burst into the streets across the country on October 17, 2019 was a focal point for long held frustrations over a poor governance system and widely perceived endemic corruption. The trigger for the protests was a series of proposed taxes that the previous Lebanese cabinet had agreed on, as part of its austerity push amid a declared state of economic emergency. Those that took to the streets saw these measures as punching down on a populace already suffering economically, and instead directed their anger toward a political class that had, since the end of the civil war, been presiding over Lebanon's ever-expanding fiscal deficit and public debt. Among the demands that emerged from the streets over months of protests was a call to retrieve stolen public funds and freeze the assets of Lebanese

politicians located abroad. Recovering these assets, however, is not a straightforward process.

The full scale of illicit proceeds from corrupt practices is challenging to calculate. The United Nations Office on Drugs and Crime (UNODC) estimates that the amount of money laundered through corrupt or criminal activities in the world ranges from 2 to 5 percent of global GDP, calculated as between \$800 billion to \$2 trillion per year at the time of estimation. UNODC notes that, while the margin is huge, even at the lower scale it "underlines the seriousness of the problem."

Those engaged in corrupt activities have various strategies to conceal the origins of their illicitly gained assets. They can illegally—or legally—transform them into several forms, including but not limited to: hard

or electronic currency, movable and immovable property, shareholdings, and offshore companies. These asset transformations facilitate their circulation across multiple jurisdictions, while using the names of different owners to further camouflage their real point of origin. This makes it increasingly challenging for law enforcement agencies to track, trace, and legally confiscate them. Tracing and identifying these assets is time consuming as it requires lengthy and costly legal investigations, which, in turn, require the relevant jurisdictions to have open access to public registers such as court records, company and land registers, customs records, and bank accounts. These investigations need to identify the causal link between the crime(s) and the offender(s)—and lead to prosecution and the recovery of the assets.

Effective cross-border judicial assistance requires transparent and effective communication; this is complicated by the differences, in many cases complex, between legal processes and terminologies across multiple jurisdictions. The efficiency of the asset recovery process is also hindered by the lack of qualified and experienced judges in state authorities, as well as the absence of focal point agencies and local and international assistance networks. To overcome these challenges, strong national legal and institutional frameworks compliant with the international measures and best practices—such as the United Nations Convention Against Corruption and United Nations Convention Against Transnational Organised Crimes—are indispensable.

Unfortunately, the legal anti-corruption and anti-money laundering tools in Lebanon pose several serious obstacles to the asset recovery process. A 1956 law on banking secrecy law prohibits national banks from revealing any information concerning banks' books, transactions, or correspondence of depositors—including politicians and their relatives. Sitting unvoted on in Parliament is a now almost three-year-old draft law to amend Law 154 (1999) on illicit enrichment, yet neither the law or the awaited amendment require government officials and politicians to publicly disclose their assets in all their forms located in or outside Lebanon. Two laws designed to control, prevent, and criminalize acts of corruption—Law 44 (2015) on anti-money laundering and terrorism financing, and Law 55 (2016) on the exchange of information for tax purposes—were also not effectively implemented. Law 44 states that the Special Investigation Commission (SIC) of Banque du Liban (BDL), Lebanon's central bank, is the focal point within the authority to seize suspicious bank accounts

and to confiscate the movable and immovable assets that are proven to be the results of money laundering activities. The law is silent, however, regarding any further measures or practical procedures regulating the asset recovery process—from the pre-investigation and investigation to the judicial and the return phases. Law 28 (2017) on access to information, which took almost a decade to be passed by Parliament, has faced endless implementation challenges. In particular, Law 28 is hampered by its co-dependence on a National Anti-Corruption Commission (NACC) that is yet to be established. Besides the slow passage of necessary legal tools to combat corrupt practices, as well as the obsolescence and the in compliance of Lebanese laws with the international measures the country has ratified, there is also an entrenched culture of secrecy that is wearing down every attempt for reform and compounding the obstacles brought on by the lack of a clear, full-fledged, and unified asset recovery legal framework.

During a seminar that took place in Beirut on January 26, 2020, on fighting corruption, tax evasion, and asset recovery, Charles Bratz, a French judge specialized in anti-corruption and asset recovery, stated that the independence of the judiciary is a prerequisite for a successful and efficient asset recovery process. The Lebanese Judges Association did call, on October 18, 2019, for the temporary seizure of the accounts of all politicians, senior officials, judges, and public sector workers, in addition to their family members, whose deposits exceed LL750 million (\$500,000 at the official rate). Yet this never materialized, and, in the now over five months since the protests first broke out, there have been no indictments or

investigations by our judiciary into corrupt practices. Serious questions remain over whether the Lebanese judiciary, hampered by a severely politicized judicial system lacking in basic independence, would be able to prosecute corrupt politicians and succeed in recovering stolen funds.

One further—and crucial—aspect to consider before originating an asset recovery case is cost. These kinds of investigations can often be prohibitively expensive, as they involve all kinds of anticipated or ad-hoc costs—such as employing additional experts, translating large number of documents, and managing and maintaining the frozen assets—that Lebanon currently cannot handle, given the economic, financial, monetary, and now coronavirus crises that are unfolding in tandem.


Given the above, there is a serious question to be answered: Is recovering stolen assets from abroad the entry point for Lebanon or should efforts be focused on bridging the legal gaps in ways that would prevent politicians from looting and laundering public funds in the future? In other words we must ask ourselves moving forward if the benefits, i.e. the amount of recovered as-

■ Effective cross-border judicial assistance requires transparent and effective communication.

sets, would outweigh the costs, i.e. the money spent throughout the process of asset recovery.

The views and opinions expressed in this article are those of the author/s and do not necessarily reflect the position of the Lebanese Transparency Association or the editorial views of EXECUTIVE Magazine. ■

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