

Executive

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ASSAULT ON OUR RIGHTS

Lebanon battles for its soul

CAPITAL CONCEPT S.A.L.



STRATEGY - FINANCE - GOVERNANCE

EDITORIAL

#247

■ Doomed to repeat?

When I was a kid, around five or six years old, I had two neighbors, Dalal and Claude. I was fascinated by them; I wanted to be like them. They were maybe 16 or 17 years old, and what they did in 1975 was grab white flags and head to Downtown Beirut to chase the militiamen there up and down Banks Street.

These militiamen were not there for the people, they were there stealing for themselves, their warlords, or for the international mafia. They claimed to be leftist but the truth is that they were just interested in Lebanon's coffers. Never forget that one of the biggest bank heists in the world took place in Beirut in 1976, when a group of armed men broke through the wall of the British Bank of the Middle East from an adjoining Catholic church and stole up to \$50 million in gold, cash, and jewels.

Those I admired as a child both went into journalism. Dalal Saoud is still working today, and is one of the best journalists Lebanon has ever produced. Claude Salhani became a photojournalist, winning awards as a war photographer for his images of the 1982 Israeli invasion.

Around the time they were both bearing their white flags, there was a Spinneys in Ramlet el-Baida, this beautiful, huge, glass, modernist building where you could walk in and find anything you'd be able to get on the streets of London, Paris, or Geneva. For a kid my age, it was a wonder to behold, and I would love my visits there with my mom. One day, when we arrived at the Spinneys we saw it had been raided. The images I saw that day I have never been able to get out of my head—I have shared them here with our readers before. Poor Lebanese, in their hunger and desperation, eating tins of cat and dog food that they had taken out of the store. Behind them were the militiamen in their bosses' fancy cars, stocked up on all the stolen luxury goods, imported meats, alcohols and the like.

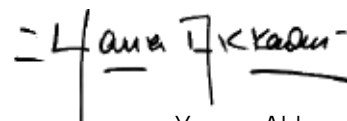
Somehow these warlords—now our politicians—have managed to manipulate the vulnerable, convincing them that the middle classes' lifestyles are at their expense when the reality is that the “Zaims” are the ones responsible for their misery. The social divide was caused by our government's failure to anchor its plans in sound economic principles and develop other core industries that create prosperity.

Let's not forget that Lebanon is one of, if not the only, country in the world whose constitution was drafted by a banker. Banking is embedded in our DNA. What Lebanon needs is visionary leaders that can capitalize, preserve, and grow an industry that was able to attract \$170 billion in deposits while complying with international best regulations—and who can learn from its success to vitalize other sectors needed to ensure prosperity.

Our biggest failure has been our inability to understand the concept of economic sovereignty and how only those nations who are truly sovereign can protect themselves. History is sadly repeating itself.

For someone in my generation, what is happening now is what happened then, the attacks on the banks, the attacks on private enterprise, the attack on our sovereignty, the same manipulation, the same spite, bloodthirst, and greed. Who wants to steal our money? We know.

To all those, of whatever creed, who wish to impose their will on Lebanon and stifle the diversity that is integral to our lives, we say this: No matter the darkness in your souls, freedom always prevails.



Yasser Akkaoui
Editor-in-chief

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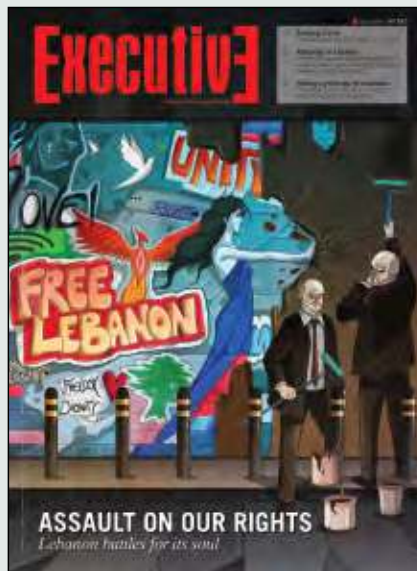
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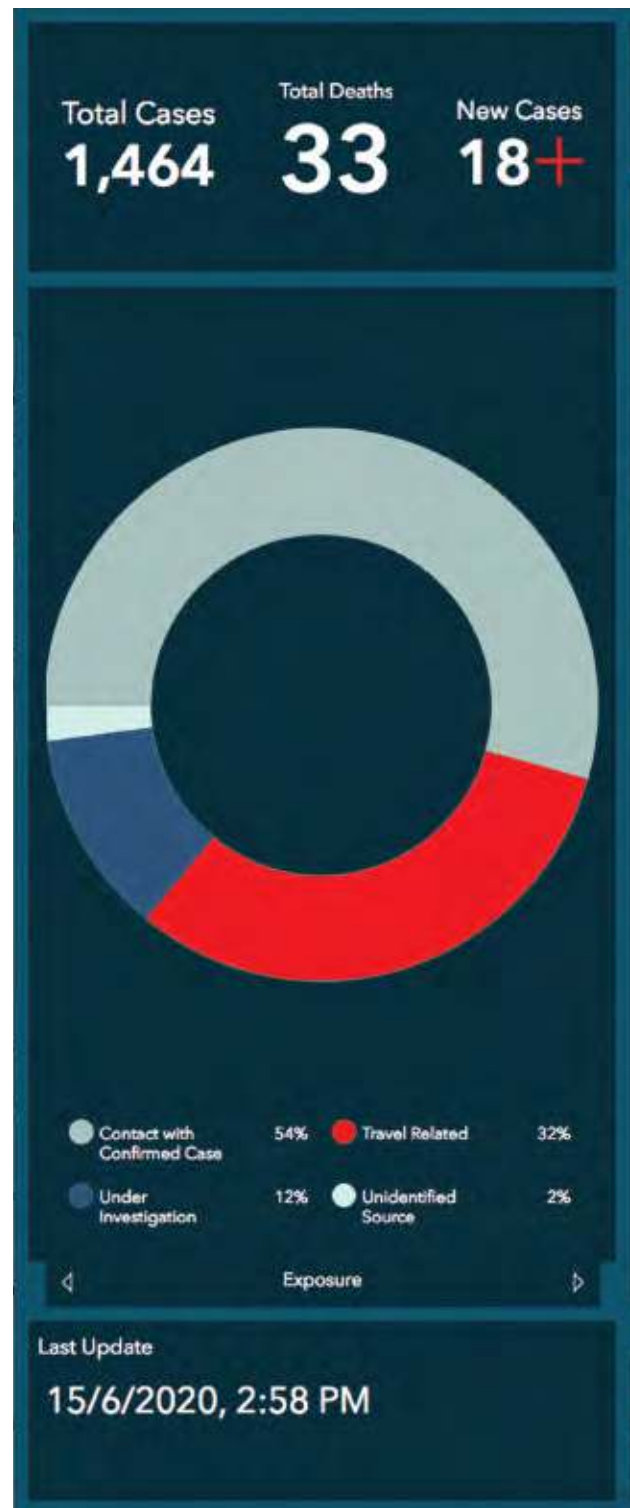
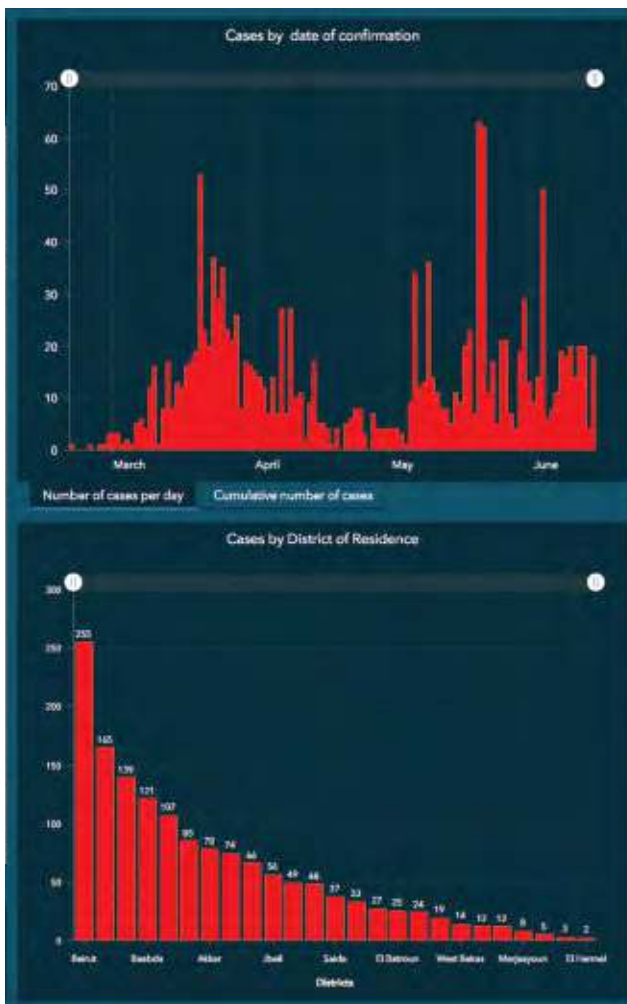
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LEBANON INFOGRAPHICS

Tracking the coronavirus

Lebanon's first coronavirus infection was recorded on February 21, with a general mobilization and lockdown announced on March 15. Numbers of new cases stayed low throughout April, beginning to rise again as lockdown measures eased in May. Information on the number of new cases is released daily by the Ministry of Public Health (see charts). For more information on coronavirus testing, see story page 62.

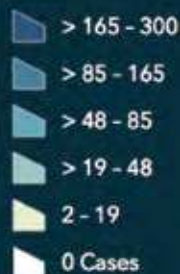


Source: Epidemiological Surveillance Program

Mobile Version: <https://bit.ly/3amyNAo>

Districts

Cases



Cases per District

Cases Per Cadaster



LEADERS

BANKING & FINANCE

For economic rights

The Lebanese people have the right to know and the capacity to contribute to their economic rescue

Three men in suits, with the carefully groomed looks of advanced-middle-age males, stand on Beirut's landmark cliff and contemplate the mysteries of the sea that looms some 150 feet below them. One is a reputed banking economist, one a famous government technocrat, and one, with a much cheaper suit, the driver/bodyguard that brought them to this scenic spot for a secret personal discussion about Lebanon's economic future.

The technocrat and the banker are almost ready to start their confidential conversation on how to rescue the Lebanese economy together. Then a sudden, relentless gale—the type that lifted Dorothy over her rainbow—strikes out of an almost blue sky, grabs the suddenly helpless suits and dumps them unceremoniously in the sea below. Thank God, they all can swim and it is a balmy June 2020 afternoon in Raouché.

Treading water, the sharp banking economist immediately whips out a—coincidentally waterproof—tablet and produces a chart to illustrate how impossibly remote the risk of such a long-tail event is, all but proving that it could never have happened. The government technocrat pulls out his encrypted secure phone and vigorously calls for an international rescue team and an investigation into who stole the money that had been allocated in the previous decade for putting a railing on the cliff. The driver sheds his useless, and now dangerous, jacket and bullet-proof vest and starts swimming to shore.

Before you place your bet on who you think would be the first of the three to reach safety—please answer why this

fantastic scenario is even more improbable than a black swan event?

The answer, our smart readers will easily surmise, is that there is no chance that any member of the government and any representative of the banking sector would, during this month of June 2020, enter into constructive communication, secret or otherwise, even if the survival of the entire Lebanese economy were to depend on it (which it does).

COMMUNICATION DEFICIT

While they are not saying it in so many words, the signals that persons of the greatest importance to the rescue of the Lebanese economy—namely the country's political decision-makers and its financial power players in banking, historically the best performing sector in the economy—are sending out, and have sent out for the past six months, have been pointing in direction of continued lost time.

There is plainly, at the time of writing, no sign of hope for unpolitical and ideology-free deliberations between the two most important groups of power over the Lebanese economy, irrespective of the month after month of swelling outcry over systemic political disasters and the people's socioeconomic torture.

From mid-March up to the month of May, it seemed almost understandable that momentum for decisive action was not visibly building. To arrive at this thought, one needed to take stock from imagining these decision-makers' perception of what happened in the first four months of the year: the experiences of being faced with an outraged and no longer acquiescent public in the *thawra* (revolution); the destruction of jobs and income opportunities at the beginning of the year; the birth pangs

and alignment of a supposedly technocratic government; the decision to default on the early March Eurobond payment; and the initial coronavirus shock of the 40 days thereafter. Noting all this, it would have been a miracle to see decisiveness from any person of power in this country, which has accustomed its people to practices of clientelism and to expectations of radical escapism from responsibility by nominal political leaders.

Moreover, when talking about the period from early May onward, it must be noted that complex and painful decisions take time if they are to be achieved through constructive discussions instead of unreasonable and panicked shouting matches. This need for reasoning and well-considered time has to be accepted. But key

■ Complex and painful decisions take time if they are to be achieved through constructive discussions.

here is the word “constructive,” not the word “discussions.” And the big mystery in this regard is how constructive were discussions that ensued after the contrarian presentations of a “Financial Recovery Plan” at the end of April by the government and a “Contribution” to the Financial Recovery Plan by the Association of Banks in Lebanon (ABL) several weeks later in May. It is already water under the bridge as far as discussions that could have happened in those weeks of late spring. In the intervening time, of course, there have been—at the time of writing—13 sessions with the International Monetary Fund (IMF), all or partly involving the government and Banque du Liban (BDL), Lebanon's central bank, which presumably entailed technical, financial, and policy and reform negotiations.



We know that these sessions happened, we know that they were—in line with our coronavirus restrictions—happening via digital link, and we have heard the usual cryptic comments and witnessed the, even more usual, flood of stupid, malicious, and unsourced rumors.

It thus would be wrong to say the people know nothing about what is going on in the determination of their present and future fortunes. They just know nothing reliable or precise as they were not deemed eligible to sit at the virtual negotiations table or be informed of what really happens at the online party and slugfest of Lebanese and IMF decision-makers—who notably have in common that they are persons without popular mandates in the true sense of the term.

The central bank, true to its form of never having dedicated itself even to the veiled forward-guidance communication adopted by some other central banks (most notably the Federal Reserve), would not answer to questions or requests for additional information beyond its customary data and the circulars that are its mandate to issue.

Communication about the negotiation sessions by the government's

team was limited to an array of terse and unhelpful information releases by the Ministry of Finance relayed by the National News Agency to the media and public and to balmy political assurances of progress by finance minister Ghazi Wazni and Prime Minister Hassan Diab. The bulk of these latter political assurances about the outlook and time needs of the IMF negotiations reminded of the declarations of nothing in particular that a curious patient could expect to get from an indulgent senior physician who knows that it is expected to sound reassuring at all times.

A MATTER OF PERSPECTIVE

This depth of information on the Lebanese side was shamefully matched, and only minimally improved on, through the information promulgated by the IMF. In the fund's global briefing of journalists in early June, IMF communication director Gerry Rice characterized the discussions with Lebanon as "constructive"—noting that he had used the exact same term in the previous briefing. To one who does not hang on every word that pours forth from the IMF, "constructive" appears to be a general-

purpose term for all occasions. Moments later in the same briefing, when Rice talked about the fund's negotiations with Argentina, he varied his description by saying that there was a "very active and constructive dialog" with the Argentine authorities.

As far as the timeline of the Lebanon negotiations, the briefing's listeners were enlightened with the confirmation that Lebanon's problems are indeed intractable. "I don't have a timeline for the conclusion of the discussions. We do expect them to be rather lengthy due to the complexity of the issues," the IMF spokesman allowed. The most tangible information provided in the media briefing was on numbers, as Rice reported (with enough veiled caveats to allow for any sort of later clarification) that "the preliminary view from Fund's staff, is that the estimated losses presented in the reform plan, are broadly in the right order of magnitude, given the assumptions presented." It is comforting to know that the Lebanese numbers are not off by a few trillion liras or dollars.

Those who were not invited to sit in on the IMF discussions—and who by some assumptions should have been grilled at the virtual table and

LEADERS

by others should have been consulted for their expertise in running, almost entirely, the finance scene in Lebanon—namely the commercial banks and the ABL, did not have messages of a reassuring outlook for mutually constructive deliberations with the government during their first interactive communication encounter with media. When four ABL board members, led by the association's current president Salim Sfeir, faced journalists on June 10 after having essentially been shrouding themselves in silence for the entire period since the release of the contribution cited above, they broadly restated the rationale of the ABL position as laid out in the contribution document.

The ABL contribution's banking sector perspective is presented in form of five strategic priorities, of which the first priority (securing the most agreeable debt restructuring process) and the fourth priority (constructive financial sector restructuring) seem to have the greatest potential for being debated productively against the positions in the government's rescue plan (see story page 22).

However, despite those highly discussion-worthy elements in the ABL contribution, Sfeir indicated that there was not even progress toward constructive discussions yet, let alone progress in closing the vast gaps between the ABL and the government's positions, saying in response to a question by EXECUTIVE that communication was still pending "until we sit together with the government people. And we are still waiting for the right time to sit with them. So far they do not have time for us."

To empower competent stakeholders, including academics, civil society financial experts, or economic media to contribute an educated opinion to the current IMF discussion that is crucial for the future of the Lebanese people requires access

to the right information. Yet, no one in Lebanon—not the bankers, not the media, and not the people—can rightly and truly claim to being trusted with the type of facts and quality information necessary.

THE RIGHT TO KNOW

It is deplorable that Lebanon is not moving forward by power of such competent collaboration. It is deplorable that there is no visible progress and interaction across the economic and ideological divides on issues such as banking sector restructuring, rescuing the impoverished lower-middle income, low-income, and no-income families; and it is additionally deplorable that there is a surge in conspiracy tales, reporting of uncorroborated rumors, and persistent lack of honesty in the current situation.

In 2020, the world has conducted two decades of incessant talk about an ever widening canon of rights of the people on both the level of the United Nations and on the level of academic and civil society discussions. Despite being painfully aware of the specters of rising inequality, poverty, racism, and discrimination and the, by now, predictable failure to achieve the sustainable development goals by the target of 2030, EXECUTIVE editors regard the economic rights of the people, and especially the economic rights of people in scenarios of economic distress under provision of minimal unconditional support from the government—as is the case in Lebanon and most countries—as non-negotiable rights.

Freedoms and rights of any type are chained and suffocated if they are not able to stand on foundations of economic self-determination, security, and protection from ideological experiments. At the most fundamental level, and wholly irrespective of

their ability to influence policy and international financial entanglements with global institutions and foreign lenders by democratic participation, people in Lebanon have the unalienable right to know what is in store for them in form of systemic economic prescriptions. This right must have priority with regard to all human machinations and implementations of whatever rescue or revival concepts (of which, as EXECUTIVE has reported, there is a plethora in Lebanon beyond the government and the ABL models), however well-intended and financial expertise-fortified such solutions and their inevitable economic dictates and policy impositions may be.

■ People in Lebanon have the unalienable right to know what is in store for them in the form of systemic economic prescriptions.

EXECUTIVE thus calls for the Lebanese, and for people of financial and banking power first of all, to make every effort to roll back all infringements on rightful freedoms and historic and new diversities found in this country. We call for transparency, honesty, and as much popular consultation as technically possible with 2020 virtual communication tools between the IMF and the Lebanese people. We call for those in Lebanon who are—openly or indirectly—in the political driving seat and who have been entrusted by fate and circumstances with monetary, financial, policy-making, and political and opinion power to waste not a minute more by arguing from their silos of partisan interests and ideological ambitions, but to make utmost haste in collaborating for holistic and historically coherent solutions to the national economy.

The right to learn

Lebanon needs a national strategy for education

The academic year 2019-2020 has been the most dysfunctional one Lebanon has experienced in recent memory. It has also highlighted discrepancies in the quality of education that high-income families have access to versus that which low income families can afford. This inequality needs to be addressed and rectified if Lebanon is to place its hope of a brighter future on its well-educated human capital.

Discrepancies in access to quality education were most apparent in two aspects this year, the first being distance learning programs implemented when all schools were mandated to close due to the outbreak of COVID-19 at the end of February (see article on distance learning page 52). Schools that cater to high-income families tend to follow international programs that are technology-based and hence made a smoother transition to interactive online learning and assessment. On the other end of the spectrum, distance learning in private schools in remote areas of Lebanon as well as public schools across the board, i.e. those schools that cater to medium- to low- or low-income students, was largely reliant on having students watch their teacher on YouTube or television (with no monitoring or assessment of knowledge involved) or, at worst, non-existent.

Secondly, discrepancies occurred due to the ongoing economic crisis, with low- to medium-income parents finding themselves no longer able to afford their children's tuition in private schools and many switching them to less expensive and low-tier private schools or public schools (around 100,000 students are estimated to have made the switch to public schools this year, see school financials article page 48). If this trend continues in the 2020/2021 academic year, as expected according to those EXECUTIVE spoke with, then the education gap in Leba-

non could be further deepened as those who can afford it enjoy schools with a holistic approach to learning and those who can't are stuck with rote-based learning. The implications this has on Lebanon's human capital once all these children graduate and become adult members of society is disheartening.

But this does not have to be the case. While it is sadly expected that there will be a variation in the quality of education provided in elite private schools versus public schools or low-tier private schools, it is the job of the Ministry of Education and Higher Education (MoEHE) to sincerely strive and provide the largest number of students possible in Lebanon with the best possible education. EXECUTIVE realizes that having very high-quality education across all the schools in Lebanon may not be feasible, but all students in Lebanon should have access to a good quality education that allows them to develop into well-rounded human beings.

It is high time that education gets a seat at the table and is earnestly discussed with the goal of developing an integrated national strategy that would cater to all Lebanese. Through this strategy, a pathway to improve the quality of education provided in public schools needs to be outlined and ideas to reduce the cost of private school education should also be addressed.

For this strategy to truly be comprehensive and inclusive it needs to involve a wide scope of stakeholders, under the MoEHE's initiative and guidance, starting with the students themselves and the parent committees and moving on to teachers and school administrations. It should also include representatives of nonprofit organizations, tech startups, and academics involved in education. The role of these stakeholders would be to pool their expertise into forming this strategy, which, frankly, has a lot of ground to cover.


A national strategy on education should have, as its base, a restructuring of the Lebanese curriculum, which has not been updated since 1996. This means critically evaluating what Lebanese stu-

dents are learning now and bridging the gap between the current curricula and 21st century skills, such as research and coding, currently being taught in the country's best private schools.

In line with that, the integrated strategy should improve the MoEHE's distance learning initiative (see article page 52) and make it more accessible to a wider number of Lebanese by, for example, strengthening internet connections across Lebanon or providing public school students with cheap phones for studying through WhatsApp. Distance learning can also be made more effective by introducing mandatory monitoring and assessment techniques, which are currently lacking from the MoEHE's initiative, thereby reducing the efficacy of distance learning in the public and private schools that follow the initiative.

Reducing the cost of education in private schools should also be on the agenda as well, with discussions on the merits of ideas like continuing online learning for a set number of days per week—the theory being that it would reduce expenses on parents (such as cost of transport to school, school lunches, physical cost of books if they can be bought online) and schools (cost of water and electricity and transport for their teachers).

EXECUTIVE is aware that developing and then implementing such a strategy comes with a hefty budget. It is not within our scope of knowledge or expertise to estimate the cost of such a strategy but Lebanon has many potential partners, nations like the UK (see interview with ambassador page 36) and multi-lateral organizations, which are already supporting MoEHE and from whom it could continue to benefit.

What the strategy ends up looking like does not matter so long as the main outcome is making affordable and good quality education accessible to as many students in Lebanon as possible. The future of Lebanon relies on its well-educated citizens and youth contributing to rebuilding and reshaping the nation as we pass through the crises of today. 

SEEKING CLARITY

■ “Lebanon’s geographic location and trading history dictate the need for three basic premises in terms of its Economic Policy: a strong and stable currency, advantageous trading facilities and low taxes.”

Michel Chiha

The Lebanese banking sector, a long view

Once there was a time when a Lebanese banker had a national vision. Whether a contemporary citizen agrees with this vision or not is immaterial for recognizing its historic influence. Even the question whether or not this banker was consciously intending—as some Western academics speculate—to steer the economy in a direction that was optimal for the interest of the financial bourgeoisie in the early and mid-20th century, is unimportant for the consideration that the vision shared by this banker and by his intellectual and social peers has played a profound role in writing the story of this country. It has determined the Lebanese national narrative and the country’s broad economic course for almost a century—the entire period since the adoption of modern Lebanon’s first constitution and the achievement of independence later on.

The historic fact is that the visionary banker, patriot, and influencer, Michel Chiha, was among the key shapers of not only the 1926 constitution but also of post-independence politics and the Lebanese merchant-republic paradigm. Chiha’s credo was that a nation is created by “the desire and the will to live together.” For him, Lebanon was a composite country dependent on internal balance, a nation of many “associated confessional minorities,” and a nation whose fortune was determined by a confluence of geographic givens—the mountain and the sea—with part mythical, part historic factors, namely the Phoenician heritage of seafar-

ing trade. The nation’s economic policy would have to incorporate a freewheeling market system, Chiha believed, because to his mind “even a moderate version of a tightly controlled economic system is not a rational option for Lebanon.”

Whether one agrees with or disdains the invention of a nation state narrative grown on Lebanese territory from an essentially European historicist seed, it is a truth not to be ignored that this country was shaped by a *laissez-faire* commercial culture mingled with a quasi-mythical tale of entrepreneurial spirit, trader mentality, and prowess in financial intermediation. In a competition over economic direction that a century ago juxtaposed industry and agriculture to trade and services, the course of modern Lebanon was effectively set from its first charting toward a type of economic give-and-take activity that would be nurtured by, and be attractive to, bankers in a mutually profitable symbiosis with landed gentry—or, to put it more accurately in local terms, the traditional *zu’ama* with all their pseudo-feudal webs of tribal privileges, emotional interactions, and social obligations—and that allowed for some seriously oligopolistic cultural traits of communal and religious tribalism.

TESTS OF FORTUNE

All this made Lebanon flourish in the ways it did from the 1950s onward (when it did blossom radiantly for substantial periods of relative peace and growth of, admittedly uneven, wealth) in ways



Banking & finance

that regional peer countries didn't manifest and that Lebanon could not have achieved without its traders, middlemen, and bankers. This history and merchant-republic paradigm with confessional and oligopolistic patterns, however, also played a massive role in bringing on the tests and temptations of the Lebanese fortune in the context of its detrimental exposure to geopolitical interests in the years of imported and indigenous internal violence and in feeding social imbalances in application of this economic model in the last 30 years.

Long before there were 20th century-type bankers in Lebanon, there were farmers, tribal warriors, seafaring traders, artful crafts people, small but enterprising producers, hospitable innkeepers, money lenders, healers, drafters of contracts, useful scribes, religious and cultural adopters and educators, rebellious and brilliant poets, non-conformist sculptors, painters, and thinkers, monastic minds, and even hermits and spiritual visionaries.

With this historic mental wealth of note, it would be a mistaken belief to think that Lebanese, like human beings in general, should or could be molded into a homogenous group—say, a two-layered and egalitarian sort of society composed largely of an internationally competitive agrarian producer class and an equally competitive urban class of industrial producers, a small society with a superstructure of, however ideologically aligned, administrative mandarins. It, by contrast, deserves to be acknowledged that Lebanon is a prime (and indeed exceptional beyond the confines of the Arab region) incarnation of a nation whose human diversity is its engine and capitalist division of labor is the transmission.

Tapping into this diversity, but capitalizing on it only with deteriorating efficacy, the private sector is the historic main conduit of progress and social reality in Lebanon, with all the advantages that this has generated. But the private sector has been an imperfect engine, with deteriorating strength and, by global comparison, dwindling productivity, with all that this means in terms of impaired developments of public goods, for the concentration of capital and market power, and for harmful paralyzes of social mobility reflected in economic inequality and expressed through rentier and entitlement mindsets that infested society from the very top deep down into the sectarian upper, middle, and even lower-middle classes.

These detriments of the Lebanese model—impaired social mobility, entrapment of wealth, power

and freedom in the hands of a few, and horrible underinvestment in public goods—have been visible for the entirety of the past three decades. They have been criminally ignored and those who benefited from them are now facing the consequences of their moral failings. The people cannot but be applauded for insisting, in the demonstrations of the *thawra* (revolution), that Lebanon's political and financial failings have to be remedied. And as many see and say clearly, this restoration of Lebanon requires a redesign of the moribund political system, judicial restitution of illicit gains, and strenuous social efforts and economic sacrifices of many coming years.

But it is also of paramount importance—and vital in charting the next phase of Lebanon's national course—to acknowledge and take into account that the country is inextricably embedded in the structures of a capitalist world, a world that has for the last 40 years not been challenged by any credible alternative. As it did the world's economically leading societies, and perhaps much more so than for many small economies in culturally less exposed positions, capitalism has shaped this country and, to rely on a keen observation of political economist Joseph Schumpeter, it has created the interests that are reflected in the "manufactured will" of the populace in this Lebanese democracy.

This has to be recognized if one wants to embark on changing the Lebanese model. One can argue with Schumpeter (who highlighted this point in his seminal book *Capitalism, Socialism and Democracy*) that capitalism, due to the fascination created by the tangible success of entrepreneurial activity, has acted over centuries as "the

propelling force of the rationalization of human behavior." One can then subsume in local application of this thought that all that is rational as a determinant in the evolution of the Lebanese merchant republic has, since this state's formative years, been inseparable from the DNA of capitalism—which means that banking, trade, and private entrepreneurialism can in no way be behaviorally cut out, economically amputated, or genetically eliminated from the overall DNA of Lebanese society, irrespective of its sad secto-political reality and all that is in need of rectification and healing in this polity.

■ It deserves to be acknowledged that Lebanon is a prime incarnation of a nation whose human diversity is its engine.



LEBANON'S FINANCIAL VITALITY

This entwinement of the banking and commercial DNA with the viability of Lebanon as late-emerging state in the context of early 20th century geopolitics means that it is futile to think Lebanon could exist in any contingent future without this banking ingredient in the national political identity. It is simply not possible to retain Lebanon in the sense of its history and functional organization of society and take the banker out of Lebanon. In this sense, it serves well to remember what Chiha emphasized to his compatriots of 75 years ago—that the Lebanese banker needed to be neither a gold-encrusted Croesus nor a money-worshipping “Mammonist” but fulfills his role best as simply a “talented money technician” when combined with the crucial human qualification of “someone who embodies confidence.” (Chiha apparently expounded this insight years before it became a hollow stock phrase in teaching economic fundamentals at b-schools and a boilerplate cliché thrown around by banks’ PR departments.)

On one hand, this country’s human talent reservoir means the Lebanese are much more than just a gaggle of bankers and their subservient economists, of monopolist traders and their obliging marketers, of rentier landlords and corruptible rentier politicians who (while they instinctively and dishonestly denounce rentierism) press down on the collective neck of a vast proletarian rest. The talented, educated, and underemployed Lebanese women (and even some males) can be top agrarian and industrial producers as well as excel in all of the economic callings mentioned above. Lebanese talent and human capital should not be viewed

solely or even primarily through the 20th century societal stratification lens of the western liberal market economy that, as a model, has advanced far into old age of its civilizational lifecycle.

It would on the other hand also be delusional, however, to assume that Lebanon will thrive by ideologically or operationally reining in its talents in trade, banking, and marketing or by artificially limiting the strength of its banking sector by means of either politics of ideology. In absolute terms, the Lebanese banking sector—like this entire polity—is small, with an exceedingly small contribution to global GDP (even in pre-2020 terms) and a minuscule role in international financial markets. In relative terms of size to the local economy and strength of its human capital, however, the Lebanese banking sector has been growing surprisingly well over the post-conflict decades from 1990.

NEED FOR RENEWAL

This relative increase of banking is all the more notable when financial sector performance is compared with the insufficiently growing professionalism and productivity of many other specializations in the economy. The extent and exceptional scope of this banking growth is further accentuated when examined by the harsh lights of the severe external shocks that the country was exposed to in these three decades, not to speak of the fact that ethics and law as enforced by the state were politically and societally insufficient in the past three decades.

In the global sense and also by its internal coherence, legal, regulatory, and informal Lebanese solidarity, the country’s entire banking sector has been regarded by some local economists as if it were a single bank, and rightly so, given the tight knit identity and extensive formal and even unspoken alignment of local banks with their supervisors and regulators at the central bank. This very intimate alignment is by ethical, psycho-social, societal, and commercial standards not perfectly desirable and has not panned out over the past decade. Thus the need for digital renewal, for mental challenging of entrenched thought patterns in the top banking stratum, and for corruption-resistant managerial change and infusion of fresh minds into decision-making ranks of local banks has been building and has become ever-more unmistakable by time of this writing, judging from the evidence of listening to those who have long, often too long, occupied positions of influence.

For the last nine months, this evidence has been overwhelming—senior bankers (with very few ex-

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ceptions, see Obegi interview page 28) have either been totally silent or exceedingly defensive in their media statements and interactions. They have been found wanting in policy declarations and in their attempts to deflect public attention—quite understandably, but not productively so—from the realities that Lebanese are facing when attempting to access their money at their banks. This is not to say that sole responsibility lies on the banking sector. It has been clear over these past few months that two conflicting narratives have been gaining traction dependent on political leanings: one that lays the blame of Lebanon's economic crisis at the door of an intractable and corrupt political elite, and one that has been throwing increasing ire and vitriol toward the banking sector, in particular the governor of the central bank, laying the blame firmly at the feet of Lebanon's financial sector. The reality, as it often is, is being obscured by the rife rumors and political machinations that are occurring in the country. What can be said, without any equivocation, is that there is plenty of blame to pass around. Amid these competing narratives and ideologies, too many in the banking sector have—perhaps fearing the inevitable backlash—stayed silent, and, by not speaking up at all, and doing so for weeks

and months, up to mid this month, sent out the worse kind of message.

Lebanese banks need digital transformation, internal renewal, and a move to the future—but the mechanism and method for organic change has to be what Schumpeter called capitalism's “perennial gale of creative destruction;” it cannot be forced

■ Experience shows how risky government action is and how this role must be surgical in method, ideology-free, informed by facts, and collaborative instead of interventionist.

by the ideology of a temporary government or state intervention. Recent years—especially the time since after the Great Recession of 2007-2009—have been marked

internationally by an increasing understanding that states and governments need to play roles in political economy that go beyond the blind belief in markets preached by economic theorists late in the last century under some neoliberal ideologies and the older “hands-off” thinking of laissez-faire capitalism. But experience of many economic ac-



tions by governments and central banks in the past 100 years—from Keynesian deficit-spending recipes to protectionist experiments, government bail-outs, and quantitative easing that under the impact of the new coronavirus recession have in recent months proliferated exponentially—also shows how risky government action is and how this role must be surgical in method, ideology-free, informed by facts, and collaborative instead of interventionist.

OBJECTIVE AND CONSTRUCTIVE

EXECUTIVE editors have to admit that we have no indication what Chiha would have thought about the sorry state of the Lebanese condition of 2020 or what the Lebanese would think of this current society for whose independence they strove, sacrificed, and even bore martyrdom. One suspects that they would not have been idle or fallen into shock at witnessing the dismal state of the country they loved (notably, a young Chiha's 1919 return to Beirut from Egypt was to a city in "ruins, sadness and silence," a city devastated by the wars of others).

But it is with immensely greater sadness that we confess to our current ignorance. We believe that our assessments of the Lebanese economy, and specifically the banking sector, in our coverage of the past 22 years have been accurate and analytical to the best of our journalistic abilities, collectively as magazine and individually as writers. We have been, and still are, relentlessly striving for an objective and constructive approach in our particular focuses on Lebanese banking, finance, feeble capital markets, policy-making, and political economy.

Thus it is with a sadness that is incomparable to accepting that we cannot divine the thought, feelings, and ambitions of this republic's forebears that we say this: as of mid-2020 the future and productive utilization of the Lebanese banking sector is obscure to our view. Not because of the sector's reduction in size. As Association of Banks in Lebanon board member Waïl Raphael noted in the association's one interactive on-the-ground meeting with journalists in June 2020, this reduction is happening and driven by rational depositor behaviors and market logic. What is obscure is the rationale, presented by the government in its financial recovery plan, for banking sector restructuring. Introduced with the ominous note that "complacency or partial solutions are not an option" and an apparent determination to allow buildup of risk (the management of which is the existential business

of banks), the government plan declares that "The authorities will elaborate a comprehensive strategy for the restructuring of banks balance sheets in due course," before hinting that "a full restructuring of the banking sector will require new legal powers for the government."

In the testing times of the Lebanese crisis, it is uncertain what the comprehensive strategy and the new legal powers given to the government will look like. Why would the plan further mention new legal powers for relevant supervisory bodies (without naming any)? Were the old powers not sufficient? Why would the plan say that the Lebanese government will contemplate the issuance of five new commercial banking licenses? Is the intention to create specialized sectoral banks, e.g. for agriculture, reminiscent of dated finance models that have not become known for their successes in other jurisdictions? Are the real intentions for the future of banking in Lebanon for a well-regulated, market-driven and efficient banking sector, or are they dreaming a different banking dream, one that was last dreamt in this part of the world in 1963?

The uncertainty over the accurate data points in banking, finance, and debt realities will be resolved, as the numbers on the first part of the year have recently begun to come in, albeit a bit later

■ The uncertainty over the accurate data points in banking, finance, and debt realities will be resolved.

than journalists and analysts might wish for. The uncertainty over eventual mergers and consolidations in the banking sector will vanish with time if market

forces and the banking regulator—Banque du Liban—are allowed to do their job along the same consolidation logic that has been applied in the past decades, and improve on this practice. The uncertainty over the political economy strategy of the Lebanese state is the component that by mid-2020 appears farthest from resolution. The mindset, however, that might be most productive for this economic future, could very well be the mindset of national independence, interdependence, and responsibility—shown before Lebanon gained its statehood and self-determination in the first half of the 20th century—that might be suitable to guide constructive communication between bankers and their political counterparts, something that is urgently needed but has not been in evidence during the past five months.



Banking & finance

By Thomas Schellen

TALKING BANKERS

Banking economists on the Lebanese banking sector

Bankers are people. Brothers, sisters, mothers, fathers, spouses, children, cousins, clients, business advisors, financial partners, and friends of other Lebanese people. Given that over 25,000 individuals are employed in the local banking sector, with high percentages of them being women (in comparison to most not “traditionally female” professions) in a banking workforce that is composed overwhelmingly of university graduates in their most productive years, it would be strange if most Lebanese were not either connected to a banker themselves or by one or a few degrees of separation to someone else who has a personal connection to someone in the banking industry. Young bankers with positions of responsibility were among the peaceful and cheerful Martyrs’ Square crowds shouting *thawra* (revolution) last November that today seem like a distant dream of hope of a reformed Lebanon that belongs to its people.

But in the public discussions that have been raging for many months—a period in which bankers have and continue to be publicly blamed for their roles—the Lebanese banker has been reduced from a living and breathing human being to a cut-out figure in a shadow play.

Mistakes have been made in Lebanese finance over the past three decades. Honest mistakes. Undeniably things need to change. To facilitate and spur on productivity-enhancing behavior and the migration of banking culture into a new and more socially beneficial pattern, better interpersonal communication is needed. Even in normal times, the personal connection between average retail customers and local finance houses are subjected to pressures that easily can make them drift apart. Much worse impairments of trust and increases in the emotional distance between Lebanese citizens and their banks, though, have been the result of the financial and economic crisis of 2019/2020. One collateral impact of the crisis and the, at times, overheated animosities affecting banks and their customers was an unprecedented reticence of banks to communicate.

In response to our outreach to banks since early May 2020, however, two major Lebanese lenders,



Bank Audi and Byblos Bank, directed EXECUTIVE to their lead economists to ask our questions. Both chief economists preferred to answer our questions in writing. In the following we present the answers of Marwan Barakat, group chief economist and head of research at Bank Audi, and Nassib Ghobril, chief economist and head of the economic research and analysis department at Byblos Bank Group.

Presenting our list of questions, we noted, by way of introduction, that a central pillar in the government’s financial rescue plan famously calls for a comprehensive restructuring of the banking sector to decisively address the accumulated “FX mismatches at the central bank,” reveal embedded losses, and refocus “a resized banking system on the distribution of credit to the private sector.” Noting the obvious political economy and



economic policy implications in this narrative, stretching from a need and form of a “haircut” to issues of state intervention in the design of the Lebanese economic system for the coming 20 years or more, led EXECUTIVE to ask about banks’ views regarding the real size of impairments of their assets, the issue of recapitalization of banks, and the acceptable levels of debt that Lebanon can shoulder. Below are the questions posed and the answers received in writing.

E *What are your views with regards to the size of the hole in the banking sector and your views on the need and optimal available means for sanitizing balance sheets?*

MB: While the economic recovery plan contains some positive points and tangible public sector soft landing measures, it also contains some

weaknesses in our opinion, mainly at the level of the banking system restructuring. The figures provided are of course estimates, and might be exaggerated. For instance, one should not forget that the losses attributed to banks’ credit portfolio to the private sector do not at all take into account that when and if borrowers fail to repay banks their dues, banks themselves already have collateral and real guarantees, such as property assets they could seize and monetize. Hence, losses might very well be lower than envisaged in the government’s plan.

It would be wrong to restructure banks without knowing the real amount of losses, and, even more so, wrong to penalize depositors in one way or the other based on inflated or inaccurate loss estimates. Speaking of depositors, it would also be wrong for banks and depositors to bear the burden of the state’s default. When a borrower defaults, lenders seize their assets rather than the borrower (in this case the state) seizing banks’ and depositors’. On another note, looking at the plan put forth by the Association of Banks in Lebanon (ABL) shows that it is possible for the central bank, Banque du Liban (BDL), to avoid losses thanks to a defeasance fund valued at \$40 billion, and that would avoid banks having to incur losses related to their exposure to BDL. Sanitizing balance sheets should take place in close coordination with the BDL and banks themselves and would be in the interest of all stakeholders.

E *What would be the best mechanisms of asset protection in the interest of future generations and for banks’ recapitalizations?*

MB: If all means to protect depositors’ money prove to be insufficient, the best mechanism would be to establish a sovereign fund where part of large depositors’ money is transferred against shares or stakes. Privatizations and selling of state assets would help depositors recoup those funds. We do not believe that all banks’ equity should be wiped out as suggested by the government plan. In line with the ABL’s own plan that is being currently discussed, banks can save part of their equity and thus continue to operate in the future. Once a consensual plan is put in place, and an International Monetary Fund (IMF) agreement is underway, the economic cycle can start again, confidence can resume, and fresh funds inflows might follow from existing and perhaps new shareholders, thus ensuring banks’ recapitalization. The ABL plan mentioned a voluntary deposit-to-capital conversion for those large depositors who believe that banks that are equity-positive once the restructuring is over can ensure share appreciation for them in the future.

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NG: Lebanese citizens lost confidence in the ability and willingness of the executive branch and of political parties in power to deliver public services and to improve their standards of living, as reflected by the Byblos Bank/AUB Consumer Confidence Index. Amid these developments, it is normal that confidence in the banking sector gets affected, as banks are a key part of the Lebanese economy and are the most affected stakeholder of the Lebanese economy by developments, due to the fact that it is the only sector that lends to the entire economy. So it was expected that banks will be impacted by the crisis more than other sectors. However, the perception about banks was affected by a massive campaign that started in November 2019 to put the blame of the crisis on the banking sector in order for political parties in power to evade responsibility. This campaign, which is still ongoing, has affected the perception of citizens toward banks.

Therefore, confidence in the banking sector is closely tied to confidence in the ability and willingness of the executive and legislative branches to implement much-needed structural reforms. The best way to restore confidence is for a government reform plan with sequenced priorities that would create a positive shock in the market, prioritize growth, tackle the size of the public sector, and address the liquidity shortages in the market. The plan that the government issued at the end of April has faced significant criticism from various stakeholders, and did not result in the positive shock that citizens, the private sector, and the diaspora have been waiting for. But an agreement with the IMF on a funded program will be the start of the long road to restoring confidence.

E *What do you see as the best way forward in terms of recovering or rebuilding trust in the banking sector and how much time do you anticipate will be needed until a working level of trust with banks is restored locally and among Lebanese expatriates?*

MB: Building back trust will take time; that is for sure. In order for that to happen, the government must implement an economic recovery plan ensuring an equitable distribution of losses among economic agents. Burdening depositors is certainly not going to bring back trust, on the contrary [it would] damage it for a long period of time. Once a credible plan is put in place, and IMF and perhaps CEDRE funds are on their way, restrictions on withdrawals and transfers might be lifted and trust restored gradually.

E *There seems to be no large disagreement that the banking sector will lose some players by market-driven consolidation or under some form of merger policy that could be implemented in various ways—for example imposed through new laws or guided by the central bank under use of its regulatory toolkits; the government mentions a downsizing of 50 percent in the number of banks and quite a few independent analysts also seem to think that up to half of the banking sector is slated for a rational reduction in terms of total assets. What do you think?*

MB: With a banking sector nearly 5 times larger than pre-crisis GDP, it is normal to say that the local banking sector is overcrowded. The BDL Governor [Riad Salameh] has long advocated that the number of banks should be reduced. In the current conditions, banking institutions more hit than others and/or unable to raise capital in accordance with BDL regulations, might be forced to merge with others. This would ensure the reduction of the number of banks in the market. Only a handful of larger banks would remain, although it is difficult at this point in time to say how many.

NG: There is a large difference between a market-driven consolidation of the banking sector and the imposition of consolidation as stipulated in the government's financial plan. It is market dynamics, economic conditions, and competition among banks that determine the size of the sector and the number of banks, not government interventionism. There are several factors that are having an impact on the banking sector. First, the current

■ “It is market dynamics, economic conditions, and competition among banks that determine the size of the sector and the number of banks, not government interventionism.”

government's decision to default on the foreign obligations of the Lebanese state in March will inevitably result in heavy losses for banks. Second, deposits have declined by \$25 billion between the end

of August 2019 and the end of April 2020. Third, loans to the private sector have regressed by nearly \$6 billion in the first four months of 2020 and by \$15.5 billion since the start of 2019. Fourth, the severe economic contraction and very low level of household confidence have put on hold any prospects of demand for new loans.

Three of these factors are putting pressure on banks, but three of them are market-driven factors that will push the boards of directors of banks to examine the value-added of merging with or ac-

GLOBAL RISKS ARE COMING

In the long term, the current Lebanese crisis will by all historic experiences of other jurisdictions be a traumatic memory but a memory nonetheless. However, the financial landscape for the remainder of the 21st century is likely going to be informed by the impact of the combination of what the International Monetary Fund (IMF) has called “The Great Lockdown” and the impact of new risks that have been highlighted in 2020 and led to what will be remembered as the deepest correction to developed world financial overconfidence and shakedown of socioeconomic complacency in the annals of Western-dominated capitalism. In assessing global macro-financial reality, the Bank for International Settlements (BIS) has very recently expanded its perspective on predictable but immeasurable global risks that originate in humanity’s overlong dismissal of natural risks. Specifically, the risks labeled Green Swans—a term that was the title of a joint publication of BIS and Banque de France, the French central bank, in January 2020—have now been expanded to prominently include the COVID-19 pandemic, adding to the previously identified Green Swan of climate risk. Green swans are “highly likely” but unpredictable in terms of time and

“too complex to fully understand,” the deputy general manager of BIS Luiz Awazu Pereira da Silva emphasizes. To address the new, radically altered global risk landscape, BIS sees the need for proper measurement and pricing of emerging global risks and the need for strengthening resilience of systems and institutions for avoiding/mitigating Green Swans. As already established in climate risk scenarios, such risk management involves multilateral development banks (MDBs), regulators, and the financial sectors of countries around the world. Collaboration between local and international banks has become instrumental in moving economic agents in less developed countries in direction of adoption and promulgation of the environmental, social, and governance (ESG) standards that can contribute to increased efforts in managing environmental risks. In recent years, Lebanese banks that entered SME financing partnerships with International Financial Institutions and MDBs have begun to steer their SME loan applicants toward prudent climate practices and environmental standards. Thus the following question by EXECUTIVE was posed to 15 banks via email, with the option to respond anonymously. Bank Audi’s Marwan Barakat answered.

E How much of a role does the Lebanese banking sector play in contributing toward the creation of not just more short-term productive but long-term sustainable economic sectors in Lebanon that are viable under increased Green Swan risks, and how can the banking sector’s functioning be improved for the development of the productive sectors in a sustainable economy under new macro-social paradigms and trade-offs between economic efficiency and societal resilience that are being anticipated by leading global banking institutions such as BIS?

MB: Of course banks operating in Lebanon have a big role to play as they are the ones ensuring financial intermediation and channeling liquidity toward productive sectors of the economy in order to contribute to their growth. What is required is for the public sector authorities to ensure a conducive investment climate, a proper macroeconomic background, and, above all, political stability, in addition to implementing a credible economic recovery plan, in order for investors to come back to the country and have faith again in its financial system. Once this is ensured, and the public sector has lower financing needs, banks can benefit from more opportunities to lend to the productive sectors of the economy and contribute to their development.

quiring other banks. Also, historically, the banking sector has seen a gradual and orderly consolidation under the supervision of BDL. In the early 1990s, there were about 82 banks in the country. So BDL provided incentives to banks to merge, acquire other players, be acquired by another bank, or exit the market altogether. There are currently 47 commercial banks in the country, in addition to 16 medium- and long-term banks, also known as “investment banks,” that are owned by the commercial banks. Market factors and BDL incentives are the only logical and healthy way to determine the size of the banking sector and the number of banks. And it is up to boards of directors of banks to explore, examine, and determine

the best course for their bank, and it is up to the shareholders through general assemblies to vote on these measures. Therefore, some of the other ideas that have been suggested sound obsolete and out of touch with realities, and have already negatively affected confidence.

E Noting that the discussion over this topic of the optimal number of banks in the country has seen a wide variety of views for the last 20 years, how many banks are appropriate for Lebanon when considering all future expectations from our local economic outlook to the global recession, goals of financial inclusiveness and open-banking-related trends of digital disruption?

MB: See [answer to previous question] above.

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NG: There is no need to venture onto this obsolete path, as there is no such thing as an “optimal” number of banks. Market forces determine the number of banks in any economy, not theoretical assumptions and abstract notions, and certainly not pervasive opinions about the redistribution of income and about punishing banks because they generate income. A small economy can absorb a large number of banks if it is posting healthy growth rates, if it is attracting capital and investments, if it is transparent and has a developed statistical system, if it has an efficient legal system and its political parties respect and abide by the rule of law, and if it provides the proper investment climate and business environment to encourage investments, risk-taking, and expansion by the private sector. Conversely, a large economy that lacks transparency, that suffers from the government’s intrusion and meddling into the private sector, that endures from a large and costly public sector and inefficient bureaucracy, that applies laws arbitrarily, will not have a developed banking sector and will not attract foreign banks or expertise, and, most importantly, will not gain the confidence of potential depositors and borrowers.

E *How large do you think the banking sector asset base will be in relation to Lebanese GDP at the end of this year, next year, and five years from now? How many large banks will remain, and how extensive do you expect the branch networks of the largest banks to be by 2025?*

NG: It is very ironic that the asset base of the Lebanese banking sector will be large relative to the size of the Lebanese economy at the end of 2020. The banking sector’s assets-to-GDP was about 382 percent at the end of 2019. But despite the ongoing decline in deposits and in credit to the private sector in 2020, and despite the “netting” operation on the assets and liabilities’ sides of the consolidated balance sheet of banks as part of the implementation of international accounting standard IFRS 7 that reduced the assets of banks by about 19 percent year-on-year as at April of this year, the economy is shrinking at a much faster rate. The sector’s assets have declined by 5 percent in the first four months of this [year and] deposits regressed by 7 percent [whereas] loans shrank by 12 percent in the first four months of 2020. However, preliminary projections show a contraction in real GDP of about 14 percent for this year, but I believe the economy will contract by 18 percent based on the current trends. Still,

even with a contraction of 14 percent, nominal GDP will shrink from \$52.3 billion in 2019 to about \$33 billion in 2020. As such we estimate the assets-to-GDP ratio to reach about 270 percent of GDP at the end of 2020.

Therefore, these facts and figures discredit the theories and statements by some public officials about the large size of the banking sector relative to the size of the economy and of the need to downsize it through a centrally-planned process. Instead, they should spend their time producing a blueprint for downsizing the size of the bloated, inefficient, unproductive, mismanaged, overstaffed, and costly public sector. This is the most important factor and a *sine qua non* condition to restore the confidence of Lebanese citizens, of the private sector, of the banking sector, of the Lebanese diaspora, and of the Arab and international community.

E *How do you see the idea that banks should strengthen their “distribution of credit to the private sector”? What needs to be changed in the risk approach to productive sector lending?*

MB: Banks have indeed contributed a lot to supporting the economy and its private sector in difficult times by extending credit. No need to expand further on that, you are right. The government seems to believe that banks have a lot of exposure to BDL, which is an indirect exposure to the state itself. They believe that part of such funds should be allocated to the private sector. However, banks have been very cautious with regards to extending new loans to the private sector in the past couple of years due to the accentuated economic slowdown from 2016 to 2019, and private sector borrowers themselves reduced demand for new loans as they scaled down their expansion plans amidst the prevailing conditions. At the same time, political bickering took a toll on reforms and policy-making and BDL and banks had to come to the rescue of the public sector once again, hence the increased sovereign exposure lately. Once the economic cycle starts again, we would like to lend more to the private sector, but the government needs to create the proper macroeconomic conditions for that.

NG: The notion that Lebanese commercial banks do not lend to the private sector is politically-motivated and displays a deliberate lack of knowledge about the functioning and operations of Lebanese banks, as the numbers speak for themselves. Figures issued by BDL show that utilized credits by the private sector totaled \$59.6 billion at


the end of 2019, despite a decrease of \$10 billion, or 14.3 percent from \$69.5 billion at end-2018.

Further, lending to the private sector exceeded 100 percent of GDP, which shows that banks have reached the prudential limit to lend to the private sector relative to the size of the economy. Still, banks would have liked, and still want, to lend even more to the private sector. But the very large size of the informal economy has prevented such lending. According to the IMF's estimates and to the Central Administration of Statistics' national accounts, the size of the informal economy is about 30 percent of nominal GDP or about \$15 billion based on the size of the economy in 2018.

Last but not least, the executive branch and the political class should realize that they are the reason for the increase in interest rates through politically and electorally-driven decisions that widened the fiscal deficit and increased the borrowing needs of the government. Therefore, a sustained effort to reduce public expenditures drastically is the fastest way to produce market-driven low interest rates, as the current forced and administrative measures to have reduced rates are artificial, temporary, and will not restore the confidence of borrowers.

E *The vision for the Lebanese economy is to return to growth. Banking has not been mentioned as much as agriculture and industry in this context. In the past,*

banking had a big role not just in financing of the public and private sector but also in terms of contribution to taxes and employment. How large do you estimate can the contribution of banking to GDP and fiscal revenue be in the future and how does this compare to the average of the five years until 2018? How many jobs will a restructured banking sector provide and how many new hires can be expected from the sector per year between now and 2025?

MB: A downsized banking sector in a smaller-sized economy will definitely bring some changes. While efforts to promote the primary and secondary sectors of the economy are welcome, and we have been calling for supportive government policies for those sectors for a long time, Lebanon will remain services-oriented to a large extent. Hence, banking and financial services will continue to play an important role in economic activity. However, with much lower banking sector activity and higher corporate tax rates, [the] earnings generation capacity of banks will be affected and their contribution to government revenues will unfortunately be much lower than in recent years. Banks have been one of the most important taxpayers and perhaps because of their transparency, they have been penalized by the government that saw an easy way of raising revenues. Government efforts should be geared toward raising tax collection and fighting tax evasion. 

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TO BANK OR NOT TO BANK



Questions on data, policy design, and usefulness of assumptions

Economic man is a curious construct. Once thought to be a being superior to the common human in his pursuit of value creation and profit generation, the image of this specialized imaginary human subspecies has fundamentally changed. In fact, economic man has reached a point where some contemporary economists describe this model as emotionally dysfunctional—proposing that economic behavior today requires old paradigms of social paternalism to be replaced by models of social maternalism that might have the power to heal societal cleavages.

Such a genderized ideological spin, however superior a social maternalism model could turn out to be in comparison with the historic male economic models and their many inequities, entails its own riskiness if one considers that any exclusionary assumption of absolute or merely relative superiority engenders dangers for social integrity—whether under current strivings for improved gender sensitivity, greater economic equality, and elimination of racism, or under older concepts of

socialization of private property. Strong notions for the need of new paradigms in economy and finance notwithstanding, the fact is that, by today's realities, economic man and his financial sub-variety, banking man (uncovered by this magazine's anthropological research team as *homo banco bancorum*, who originated in the eastern Mediterranean but has spread all over the world) have culturally evolved by historic necessity.

WIDENING THE PERSPECTIVES

The anthropological assumptions of economic and banking man have morphed into modern concepts of economic agents that require a base of inclusiveness and openness to diversity to achieve their purpose of individual profit optimization within the context of social productivity and integrity. Even the dinosaur-like clinging stakeholders in corporate and financial life who—by the clear evidence of the male-dominant composition of boardrooms (around the world, not just in Arab countries)—have desperately resisted to go as far

really accepting women as their equals, have long been forced to change their tune to, albeit only verbal, affirmations of inclusiveness and social integrity in diverseness.

In addition to the widening of the perspectives with regard to banking and organized or formal economy from the particular, exclusionary, and self-interested focuses to their importance for and orientation upon inclusive growth as core attitudinal component, the other core element necessary for the sustenance and redemption of both the modern economic person and homo banco is data. Data related to the business cycle, the financial market, and all kinds of economic risks have to be properly collected, organized, and interpreted.

Relatively sparse and hard to acquire before the arrival of the digital era, such data has become the life blood of economic existence and has been, for the last 20 or so years, turned into virtual torrents that nurture economic planning and reinforce understanding. Data thus demonstrates tangibly that it is, for example, better for a society, specifically any society that aims for broad economic growth, to develop its banking further than to artificially, ideologically restrain financial markets.

As the data experiences of the year 2020 are underlining with their uncertain and, in hindsight, faulty assumptions about the coronavirus threat and modeling of this threat and economic ramifications, collection of correct and complete data and its proper evaluation is vital for preserving the intactness of the entire social body and the individual social cell, and is crucial for protecting national and individual fortunes.

The same point of the importance of data is being driven home with full force also by the Lebanese economic and financial crisis. In all efforts to assess and address this crisis, there have been huge problems related to the disagreement on data, the interpretation of data streams, and the general insecurity over historical economic data as well as the particular uncertainty over the speed and accuracy of computation of very recent financial and monetary data.

This uncertainty affects both the necessary exceptional analyses relating to the emergency situations on the fiscal, central bank, and commercial banking levels and to the reading and contextualization of the regular data streams of banking, financial markets, public finance, and real economy indicators that have been flowing, albeit persistently less perfectly than desirable, for many years (and that have often been reported and commented on in EXECUTIVE, for example in our mid-year banking focus coverages and end-of-year analysis and outlook issues).

Additionally, the recent months and days have been illuminating the questionable validity of narratives that are incessantly being concocted around data. Such narratives are spread indiscriminately, often without any prior examination and scientific process of verification. In this sense, fake data and also incomplete or misunderstood data has proven to be the opposite of the stabilizing and correct-

ing informational factors that data should be. Fears created by misleading and fake data narratives in Lebanon are actually proving to be even more damaging than the existing data uncertainties, a problem that is further exacerbated by the wielding of fake data as a

weapon in the creation of panic and the instigation of excessive mass fearfulness.

Not to forget, there already are devastating and highly warranted fear factors in the real economy of 2020. These fears and the underlying existential threats are bad enough. But it is precisely those circumstances of real existing economic and social threats to the people that make the addition of fake data narratives such potent dangers that can lead to either unjustified depression and economic paralysis or to confrontation and violence as seen in the first two weeks of June which—if building up much farther—could ultimately escalate into self-destruction of Lebanese society.

THE CRUCIAL ROLE OF ASSUMPTIONS

The data assumptions in the government's economic rescue plan in this context are critically important and need to be beyond reproach as they will inform the way in which the immediate course of financial rescue is pursued. As Dany Baz, chief executive officer of analysis provider and consultancy Bankdata speaks to EXECUTIVE about the veracity of the data used for assessing the Lebanese financial hole, the underlying numbers on the size of banking deposits are based on solid information published regularly by Banque du Liban (BDL), Lebanon's central bank. "BDL publishes its balance sheet fortnightly and total bank deposits are clearly highlighted in the breakdown by currency is based on estimates and obviously USD exposure is paramount," she says. "Figures of \$75-80 billion of foreign currency deposits are realistic."

Also in terms of the impairments of banking assets, she considers the three main sources of impairment to be real, namely the exposure, mainly

■ In all efforts to assess and address this crisis, there have been huge problems related to disagreements on data.

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in hard currency, of banks to BDL, the exposure of banks to eurobonds, and their loan exposure on the domestic private sector. “However, there are some details that need to be taken into account when calculating total impairment [as] I believe the government estimate was more in terms of stock than in terms of flows,” she adds (stock being a snapshot of time as opposed to flow being over time).

Baz points out that regarding banks’ exposure to BDL, no reference to the average duration of these deposits, estimated at seven and a half years, was clearly presented by the Lebanese government in its financial rescue plan. “Was duration taken into account?” she asks, noting that within the current economic and political context, calculation of net present value (value over a certain time period) of this exposure would be much lower than the government assumed, irrespective of what discount rate is used. “Consequently, the total stated impairment would be reduced, bearing in mind that according to international accounting standards, [estimation of expected credit loss] on this exposure should be undertaken, translating into obvious provisioning requirements that would represent a material portion of the stated exposure,” she explains. Or simply put, under accounting rules banks must assume that some money owed to them will not be paid back and so they put aside a provision (a projected expense recorded on their books) to cover this eventuality, meaning that when they reassess the likelihood of repayment, the amount written off is lowered by the difference between the new expected loss and the previously assumed loss already accounted for on their balance sheets.

Uncertainty in terms of the size of eurobond exposure relates, according to Baz, to the question of if and how the residual value (the value after an event) was taken into account, noting that current prices of eurobonds in secondary markets are not reflective of the residual values today and the outcome of negotiations with bondholders have to be waited for to have a real assessment of residual values. Also concerning the size of banks’ loan exposure to the private sector, Baz sees a need for clarification. “It was probably based on flat percentage assumptions and we don’t know if such a figure includes existing cash collaterals and real guarantees on impaired loans (loans that lenders think will likely not be paid in full), which would revise the total downward,” she tells EXECUTIVE (for Q&A in interview see box on page 25).

CONCERNS BEYOND BANKING MATTERS

The need to further examine and evaluate the government’s rescue plan extends beyond the questions concerning materially important aspects of the assumed banking exposure and related data. This has been pointed out by many interested parties to the rescue mission, premier among them the Association of Banks in Lebanon (ABL), in its “Contribution to the Lebanese Government’s

Financial Recovery Plan.” Describing the government’s plan as a mere “accounting exercise,” the contribution consists of two pillars (immediate response action and long-term structural reforms) and five priorities, the first (debt restructuring) and

■ The ABL’s most notable diversion from the government plan is the affirmation of the principle of market integrity as paramount for any banking sector restructuring.

fourth (financial sector restructuring) of which are most material to the future of banking in Lebanon.

The contribution’s sharpest and most noteworthy conceptual divergence from the government plan’s assumptions is the affirmation of the principle of market integrity as paramount for any banking sector restructuring and recapitalization. A “one-size-fits-all approach” to this task would be detrimental to the entire economy, ABL emphasizes, and recapitalization needs to adhere to the principle of “case-by-case” guidance by the central bank as a regulator, under the “aegis of the Basel III systemic event forbearance system.” The regulator alone should decide if any banking entities need to be resolved.

“The plan anticipates that the regulator may also encourage some of the more weakly-capitalized financial institutions to merge,” ABL allowed. Elaborating further on the association’s perspective, ABL board member Tanal Sabbah pointed out to media in a rare June 2020 gathering that an approach such as merging two banks that have become problematic because of imposition of a haircut would not solve anything because “as they say, two chicken don’t make an eagle.” (For further banking opinions on the restructuring topic see story page 16).

Questions on the government plan have come as well from less-directly affected stakeholders in the economy, a good example of which is a paper

Q&A WITH DANY BAZ

In order to better comprehend what data-related factors in banking might have contributed to the buildup of Lebanon's factual crisis of the century, EXECUTIVE sat down virtually with Dany Baz, general manager of Bankdata.

E Were banks in your opinion aware of the building of imbalances and the dimensions of the shortfalls now reported?

Banks were definitely aware of the many challenges ahead since their job is to buy risks while ensuring that they are well-monitored, priced, and covered. Nonetheless, the sustainability of the system, within the transition management toward the long-awaited improvement of the economic situation, would have entailed maintaining, at all times and by any means, a sufficient foreign liquidity cushion placed with correspondent banks abroad. In order to keep servicing customer requests, mainly in terms of transfers abroad and cash withdrawals, we estimate the cushion at 20 percent of the foreign currency deposit base. This would have prevented everything we are witnessing from happening. Exacerbation of internal political tensions and weakness in political speech and response heavily impacted confidence, which led to the blowing up of the rapidly deteriorating situation.

E Was there an effort to hide these problems from analysts such as Bankdata and from the general public?

Bankdata does not express any opinion on the financial situation of banks. We require audited financial statements that are undergone by the big four audit firms operating in Lebanon. That said, banks were transparent in their three exposures and figures are correct and available to all. If extraordinary events led to the sudden deterioration of the underlying quality of such exposures, the normal evolution was to reach the situation today.

E What do you think of the explanation that the high influx of funds into the banking system in 2007-2010 was the sole or main reason for the later buildup of financial and currency imbalances?

This is the classical debate between an oversized financial system and an undersized economy. The answer is yes if the abundant liquidity was misused by not channeling it into productive investments to grow the GDP or bridge the gap between actual and potential GDP. Our GDP should have been at \$120 billion if not for the numerous setbacks we have been through. Had the funds been channeled toward productive investments and job creations, then they would have been salutary.

E Did the various governments in power since 2007 have a fiduciary duty to examine and restrain BDL exposure and fulfill such a duty?

Monetary authorities in Lebanon are independent by law. The government's interaction/supervision is delimited by its representation in the Banque du Liban (BDL) Central Council and in the Higher Banking Commission, where all executive powers are embedded, through the memberships of the Director General of the Ministry of Finance, the Director General of the Ministry of Economy and Trade, and the judge approved by the Higher Judicial Council and appointed by government decree. Should each party fulfill its role, then the government should have been aware as it participated in major decisions via these three representatives.

E What can be said about the basic idea of banking sector restructuring and the organizational aspects of such a project from the viewpoint of the sector's role in employment of Lebanese?

Any bank restructuring is salutary as long as it translates into a higher



access to finance, mainly from SMEs, MSMEs, and the youth, as well as more efficient services at a lower cost.

E What is the size of the ancillary economic activities that feed into banking as menial, clerical, and professional services?

It is difficult to estimate ancillary economic activities, mostly in terms of outsourcing, at this stage.

E What do you expect the impact of a banking sector restructuring or eventually forced consolidation to be on the ancillary economy, the work prospects of a company like Bankdata and the capacity of Lebanon as financial analysis center in the region?

Lebanon's banking sector represented four times its GDP and therefore should have two to three mega entities ranking in the top 10 to 15 regional banks. At a decent horizon, this should attract more funds into Lebanon and create more jobs and opportunities in the sector and the economy. As for prospects, companies will certainly struggle to adjust and survive in the short term and I am confident that the renowned resilience and creativity of the Lebanese will allow us to rebound. As for Bankdata, our 38 years of collaboration with the banking sector through highs and lows is nurturing both our energy to overcome this phase and our hope to perpetuate the transparency and professionalism that has made our financial sector unique.

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produced by academic researchers affiliated with the Issam Fares Institute for Public Policy and International Affairs at the American University of Beirut. “The plan raises several questions regarding its many assumptions and the calculation of its values,” writes Nasser Yassin, Professor of Policy and Director of IFI, in an introduction to short analyses produced individually by nine different experts.

Poring over aspects of the plan, these researchers voiced their concerns over the governmental concepts in the areas of the time frame of reforms, monetary policy, perspectives on spending reduction and increasing of state revenue, the proposed creation of a Public Asset Management Company, attempts to improve competitiveness, energy sector reform, the social component, and the necessity of the alignment with the International Monetary Fund (IMF). Among many other points, the academics noted the discrepancies between figures presented in the plan’s April 30 version with those used in a previous version, the nature of the plan as political statement, many promises for enhancement of competitiveness that are not accompanied by concepts of their financing, and the dichotomy between the plan’s list of desirable outcomes and its absence of plans for sequencing in form of a roadmap with metrics, a convincing timetable, and an assertion of accountability.

MANY REASONS TO DELIBERATE FAST AND CAREFULLY

This discussion is healthy and necessary even as it requires time and places the stakeholders in positions of having to elaborate on their visions and explain them—specifically the government with its agenda of presumably very serious reforms and the banking sector with its presumed interest in cleaning up and improving its practices as the primary concerned parties, but also all the academics, compassionate business leaders, and organizations. What is neither healthy nor helpful, however, but instead an objectionable waste of time, is any obsessing of primary stakeholders at the top of national decision chains with defensively-minded attributions of guilt to other primary stakeholders for their alleged past sins.

Despite all presumed educatedness and sophistication attained under the power of modern human development, dependence on data and tendency to blindly rely on it have been revealed during the coronavirus crises for their fatal potential to instigate and exaggerate herd behavior



of the 21st century economic person. Even in our time, data pretensions can cause fears and amplify them rapidly. Fake data, and quite transparently fake data at that, have been factors in the escalation of fears and unrest on Lebanese streets in the month of June.

■ A combination of incomplete data, its premature interpretation, instantaneous transmission, and human herd behavior makes for a lethal cocktail with the potential to kill any economy.

It is therefore not only that data and its exaggerated assessments under the impact of fearful biases have arguably stoked the fires of meta-physical economic uncertainty during the trajectory of the

Lebanese economic crisis over the past nine or ten months. In regarding the contribution of fake data and malicious rumors to the outbreak of violent fears in the distressed Lebanese population groups in the course of the country’s existential crisis, the conclusion could be the same as it also suggests itself globally from the 2020 coronavirus crisis: a combination of incomplete data, its premature interpretation, instantaneous transmission, and human herd behavior makes for a lethal cocktail with the potential to kill any economy. To avert this risk requires maturity of vision and clarity of confirmed data.





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DOUBLE JEOPARDY



Q&A with Riad Obegi, chairman of Banque BEMO, on banking sector challenges

First published online on May 28

At a time when banking is materially challenged by economic and financial stresses, and is faced with extreme criticism from distressed depositors and the explosion of economic commentators and activists of all colors in the country, EXECUTIVE wanted to know what local banking leaders have to say about the quagmire and the way forward. Riad Obegi, chairman and general manager of Banque BEMO, was ready to answer.

E Where is the banking sector situated in terms of the short-term crisis and of the long-term economic recovery, rescue, or revival of Lebanon?

Let me start with a more basic consideration of banking. Any economy is based on trust and banks are traders of trust. People prefer to put their money in a bank rather than lending it directly to persons who need the money. So you have people who have savings and people who need funds for investing in the future. To put those two together, you need someone of trust in the middle. When you have lack of trust, or lack of trusting this middleman, the whole system is compromised.

In Lebanon specifically, the situation in my opinion is not really a question of total bankruptcy. There is no bankruptcy, but there is a lack of trust. Unfortunately, the people whose role it is to [instill] trust, are in fact doing the opposite. Everybody is a little guilty—[including] banks of course. They made a mistake closing for two weeks [last October]; they made a mistake by not expressing themselves clearly; they made a mistake in not being very transparent in their policy, and they made a mistake not defending themselves when they were attacked.

E Only the banks?

Banks are a little bit guilty but the government is extremely guilty. I am not talking about the previous governments. This present government is saying we are bankrupt and cannot do anything without the International Monetary Fund (IMF). It says: 'The IMF is requesting that we do a haircut and we are going to do a haircut. We don't know how much but we are going to do it.' So they are creating uncertainty. Uncertainty does not generate trust. Adding to that is that they are saying there are too many banks in Lebanon. Forty is too much, 20 is better, they say. Why should it be bad for Lebanon to have the second [highest] ratio of deposits to GDP in the world? The first country in this regard is Luxembourg and I don't think it is bad for any country in the world to aim to be like Luxembourg. They have the highest GDP per capita in Europe.

When the government is saying that banks are bad or banks should close, I think it is destroying the trust and also destroying the possibilities of recovery. In the theory of [American economist Ben] Bernanke, the Great Depression of 1929 was so deep and so long because the authorities in the United States allowed banks to go bankrupt and disappear. This has crippled the credit channel. The information [stored] in the banks disappeared and the recovery took much longer. This is very well known but apparently not by our government and not by the advisors of this government.

E *What can be done as an alternative to having our finance and economy exposed to the state?*

I think the most important thing is to bring back trust. I don't know what the government is going to do but if he [Prime Minister Hassan Diab] does a haircut, I don't think trust will come back very soon. This [government narrative] is very absurd because he, and experts around him, say we do a haircut and decrease the debt of the government and then the IMF is going to give us money, and then people are going to trust us. I am a banker. If a client [takes a loan] and then finds ways not to pay me back, I am sure that I am not going to lend to him again. Not only am I not going to lend to him again, bankers usually have a long memory and they talk together. I do not expect this recovery plan, except for picking [funds] from one pocket to the other, to give good results.

E *If we are looking at the proposed recapitalization of banks, do you think banks will be interested in adopting the government's idea on recapitalization?*

The government is saying: 'Do recapitalization.' Suppose you have just been robbed by the Mafia and then the Mafia tells you: 'This is the last time. Come back, bring in your money again.' I don't know. I am not sure.

E *It seems that some of us do not care to reflect on how we as consumers have been benefiting from the elevated value of the lira in the past decade. Could we blame the banks for making us consume?*

There is something that is more serious in that the government should normally be an entity that creates coordination between people, not cause problems among people. This government is saying there is this category of people; these are bad people. Thus they are creating animosity between the people.

E *We could debate for hours if banks are just the intermediaries between savers and investors or if banks have a societal role to play beyond this function.*

They do of course. They are the depositories of trust.

E *What is the role of banks today in recovering and protecting assets of the Lebanese people, not just financial assets in the short term but also environmental assets, assets of civil peace among diverse population groups, or assets of Lebanese identity?*

I think the Lebanese banks don't have much of a say in these things now. They cannot do much.

E *But they could?*

Yes. Again, let us go back to the assumptions of the government of Lebanon. These assumptions are that the state of Lebanon is bankrupt, that Lebanon is bankrupt, that the Lebanese lira is overvalued, and that the banks are bankrupt. Everything is bankrupt, and whatever we do, it doesn't matter. We cannot do anything. For us, this is wrong because the state of Lebanon is not bankrupt. It has assets. [We should tell the world:] 'The state of Lebanon has liquidity problems but it has the assets and can pay—however, not now. We are not the type who does not pay our obligations.' If we can make this point, everything goes up.

E *Even the lira?*

Even the lira. Another assumption [of this government] is that Lebanon is consuming much more than it is producing. This assumption is based on wrong figures that do not make sense. We are importing \$20 billion dollars in goods and ex-

porting \$3 billion in goods. But the services are not counted in this equation. If, for 50 years, we had been consuming more than we were producing, we would not be here. You can see from the figures in the banks that savings are in-

■ "The government is saying: 'Do recapitalization.' Suppose you have just been robbed by the Mafia and then the Mafia tells you: 'This is the last time. Come back, bring your money again.'"

creasing year after year since we are producing more than we are consuming. In the last few years, because of the financial engineering, we perhaps received some money that was opportunistic but over 50 years or 70 years? This does not make sense. It is impossible.

Based on these wrong assumptions [the government] concluded with our foreign friends that the Lebanese lira should be devalued. I think this is a political decision in order to take back from the public servants what was given to them perhaps somewhat too generously. But there is no reason [for a devaluation because it would help us to export more], because we are mainly exporting services and services are not very elastic in terms of price changes. If you are a lawyer you are not going to get more business if you are going to say my hour is no longer costing \$200 but only \$100 from now. People would ask: 'What type of lawyer are you when you are pricing yourself at \$100?'

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E *In that sense it is almost a Veblen good (based on the theories of American economist and socialist Thorstein Veblen) where the demand and price are positively correlated.*

Exactly. So I think that it is a wrong decision; wrong assumptions and wrong decisions. What can banks still do? I will tell you what we as bank [BEMO] are doing. I cannot talk for all other banks. We decided that we will lend again to our clients because our job is to take deposits and lend money.

E *You resumed lending actively as of when?*

We resumed lending as of April.

E *How much demand did you encounter?*

There is not a lot of demand, frankly, because people feel uncertain. But there are still people who are saying: 'They are lending to me at a lower price than the bank from whom I am borrowing now, so let me go to them.' All of this is progressing little by little as we decided to lend.

E *How much of a percentage contribution to GDP do you see banks make by 2025?*

The progression of loans follows the progression of GDP everywhere in the world. You might have temporary distortions, but on the long term, you see a very strong link between progression of GDP and progression of loans and as everything is going to reduce bank loans [in Lebanon], you have to expect a reduction of GDP. What can banks do? I think that banks, as much as possible, should resume lending. This is what we have done.

E *Are there other things banks can do beyond their core financial business?*

Banks can also help their clients to become more productive. How can they do this? I think that one of the weaknesses in Lebanon is that people do not like to work together. So we have to push them to work together, to make partnerships. Not necessarily to become public [as listed companies] but at least to partner together. I think the current situation pushes people to work together and also to try and look outside of Lebanon, because Lebanon is not [a territory of] 10,000 square kilometers; it is much more. You have Lebanese everywhere and Lebanese companies everywhere. They are using Lebanon as a base. The government does not like that, but that does not matter. [People] will continue working

until this government goes away and somebody else comes and understands what Lebanon truly is. As banks, we need to help our clients to become more efficient, not necessarily to hire more people.


We need to help [with regard to] the basis of the wealth of Lebanon, which is education. Today, universities and schools have very big problems in collecting tuitions. So we are going to develop financial products where tuitions are going to be financed partly by our bank and paid back over a long period of time. This [type of education finance] does not really exist now but we are going to do that. We are also going to—and are announcing this week—support mediation. This is because we have to expect a lot of bankruptcies very soon, which means that the judiciary system, which is already not very efficient, is going to be overburdened. What we as bank would do is encourage mediation, which might solve 20 to 30 percent of the problems [which otherwise would end in court]. It won't solve all of them; mediation is not the judiciary.

E *Would that be mediation in the sense of an arbiter or perhaps offer mediation to people who seek extensions of loan maturities?*

A mediator is not a judge and not an arbitrator. He just puts people together and helps them to close the distance between their positions. A mediator gets active when there is a conflict,

■ “We have to expect a lot of bankruptcies very soon, which means the judiciary system, which is already not very efficient, is going to be overburdened.”

for example you call a mediator when there is a conflict between you and your banker who is saying I will not finance this need *etcetera*. So you call a mediator and the bank should accept

this mediator who asks both sides what they can offer and tries to facilitate the dialog between the conflict parties. A mediator has a moral authority; however, he has zero power to force anything on you or the second party. There are universities that teach mediation. We are partnering with the Professional Mediation Center at Saint Joseph University (USJ) in Beirut. We are a bank but we can support mediation and push our clients perhaps to have a mediation clause in their contracts. 

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Q&A with Ziad Hayek on his and Gérard Charvet's plan to overcome Lebanon's financial crisis

First published online on May 14

The arrival of a team by the International Monetary Fund (IMF) in Beirut for negotiations on the national need for financial assistance under a rescue package has sparked a wave of discussions on the task.

This interest is fueled by widespread concerns that the latest official draft plan—based on a paper by international financial firm Lazard and presented by the Lebanese government on April 30—is only one of several possibilities, despite entailing numerous assurances of it being credible and “the only way.” In discussion are important alternatives for determining the Lebanese societal and economic trajectory for the coming decades, with updated alternative plans being put up for debate in the second week of May by, for example, local media company InfoPro or an outlook of expectations for the IMF negotiations floated under the umbrella of Carnegie Middle East. EXECUTIVE spoke with Ziad Hayek, privatization and partnership specialist and, until February 2019, head of Lebanon's Higher Council for Privatization and PPP, about the “Proposal to help Lebanon to overcome its financial crisis” that Hayek and French debt restructuring expert Gérard Charvet developed over the past three months.

E Two components in your latest concept that strike me as highly interesting were the Lebanon Asset Trust (LAT), and the role of the Lebanese capital markets and the Beirut Stock Exchange, where you used the abbreviation BEX, rather than the well-known BSE moniker. Why did you choose the phrase BEX? Did you envision it to be a revived and privatized BSE, or a



privatized BSE working in conjunction with the ETP project, meaning the supposed Electronic Trading Platform, or something totally new?

I was not looking at it from that angle. I just used an abbreviation that I thought to be representative of the capital markets as a whole. I was envisioning capital markets as driven by a new entity that integrates everything that you are talking about, as a place where all the securities will be traded.

E As for the LAT, are you proposing it to be established by law as a single entity that will pursue an initial public offering on the Lebanese capital markets and that will involve a strategic investor with the management experience needed to run an

entity that will own all the public sector assets of Lebanon?

Not a strategic investor to run the LAT as a listed entity, no. The LAT, as established by law, is a trust—there are trustees. The governance of the trust is a separate matter and has to involve a number of people other than the trustees. There would be a management committee that works in the interest of the trust beneficiaries, who are the trust certificate holders. We are recommending for civil society and multilateral organizations to be represented in that trust management structure. The strategic investor comes into play at the time of privatization—every time that an entity is privatized you find a strate-

gic investor that can take this entity to a world-class level or an acceptable level of performance.

E *Would the LAT be privatized and put on capital markets as one unit?*

No, the LAT is an interim entity. Its task is to restructure and improve the value of the public assets and privatize them within a ten-year period.

E *So each asset individually?*

Exactly. The purpose of the LAT is to safeguard the banks' balance sheets. The banks today have these eurobonds and BDL CDs (certificates of deposit). If they were to mark them to market, they would have to absorb huge losses, which they would have to take against their equity. Thus, they would basically lose all their equity. To avoid that, we are saying that this trust will be established and the eurobonds exchanged at par, one for one, for trust certificates. Because the trust certificates are not listed or quoted or traded, their value is basically their issuance value, which is one. The banks will carry them on their balance sheets as such. In this way, you will have sanitized the banks' balance sheets. Now, there are many who say that these [LAT assets] are assets that belong to all the Lebanese people. However, we have put them in a trust, we have not given their ownership to the banks. They are in a trust and still belong to the Lebanese government. At one point in time, when these assets are privatized, the income from this privatization will go to the banks to make them whole. What the banks get paid is principal and a certain amount of profit representing interest that they would have been owed, up to a certain level. Above that, the money goes to the state.

E *It seems that there is currently skepticism regarding the capacity of the financial sector and the banking industry. Would the banks, as interested parties in the LAT, have to be major trustees of the entity?*

No, they are the beneficiaries of the trust, not the trustee. The trust would have to be managed for their benefit by whoever is the trustee and the entity managing the trust. They cannot act against the interest of the banks, but banks would not be managing this thing.

E *When you look at an entrepreneurship project, the business plan is one thing but the most important thing is the team. In this sense of a trust that has not been existing in the past, do you have an LAT startup team in mind?*

We would have to talk about this issue further down the line. First, the trustee would be an international trustee, so not involved in Lebanese mat-

■ "Since Lebanon's independence in 1943 until today, the Lebanese state has never privatized a single asset. Why should we trust politicians to privatize entities they consider their own fiefdoms?"

ters and people who are managing the trust will not be appointed by Lebanese politicians. This is a third-party trustee. Also, the management of the trust should be open to inspection and transparency, with best practices and multilateral stakeholders. The main thing is that we cannot trust the government to undertake the reforms and the privatization of [state-owned commercial] entities in the way that the Lazard plan said. Their plan is to put these assets into what is called a public asset management company that is

owned by the government and managed directly or indirectly by the government. Since Lebanon's independence in 1943 until today, the Lebanese state has never privatized a single asset. Why should we trust politicians to privatize entities that they consider their own fiefdoms? That is why we are putting it in the hands of a trust.

E *How would one find an international trustee? What kind of model that is working elsewhere that you could emulate in the management of such a trust?*

There is no need to reinvent the wheel when it comes to trusts. There are trustees for everything and all kinds of trusts that are well-established globally. Costa Rica, for instance, has put its state-owned enterprises in a trust and other countries, including Morocco and Jordan, are forming holding companies for their state-owned enterprises.

E *According to your latest plan, more than \$32 billion of investment is envisioned over ten years. I understood that this is in three tranches, a \$10 billion tranche for economic recovery, a \$10 billion tranche for infrastructure and development deploying international financial assistance, and a \$12 billion welfare fund for employees.*

Correct.

E *I understand that the second \$10 billion tranche would come from sources such as the ones in the CEDRE plan. But where is the origin of the first \$10 billion dollars, earmarked for economic recovery in your investment?*

From public indebtedness.

E *Does this mean it will increase public sector debt?*

Yes. Basically what happens is that after you have solved your situation today, the economy is supposed to grow again and as it grows, you can add debt to it, as long as we put some parameters to it and debt service does not surpass 3 percent of GDP.

Q&A

E *How does this entire vision of going forward in the next ten years and realizing economic growth corroborate with the post-corona world with large uncertainties that we are heading into?*

As you can see from the work-sheets in our presentation in the slide before last, we looked at economic sectors [such as agriculture, industry, IT and communication etc.] and built this growth not hypothetically but based on expected sector growth. Someone can argue with the assumptions that we have made for those sectors and there can be an honest discussion about those but the point is that we have to look at those numbers of growth of the sectors and then decide what the growth is going to be.

E *What do you feel yourself in this regard? What is your margin of confidence that you have on those growth numbers, such as 168 percent in agriculture, 206 percent in industry, and 149 percent in ICT over the decade to 2030?*

I am confident with these numbers and will tell you why. Of course the coronavirus has had a major effect on us. It has had a major effect on the world, but in our case this is exacerbated by our financial crisis. If you like, the difference between our plan and the plan of Lazard is the following: Lazard's plan is for a U-shaped recovery. You have the country in decline now and this is going to be an accelerated decline. At some point in time, they want to stabilize it with the measures that they have in their plan, and then they want [the country] to resume growth on a normal slope. Ours is a V-shaped recovery. It is a drastic

decline that has to do with freeing the exchange rate and [other factors], and an accelerated and quick recovery immediately following.

E *It looks to be a shock treatment.*

It is a shock treatment, exactly. You can see this also in the plan that we will eliminate zeros from the currency. This is not cosmetic. This is intended to change people's reference point, and then you have a V-shaped recovery, because you bounce back very quickly. And the reason that the growth rate is so high is that you have gone down so low. Then the growth rate becomes very high.

E *Someone I talked with asked why the IPR note on intellectual property is placed right at the top of your presentation. Is this something that you want to sell as a consulting service?*

What we have in this presentation is only part of the total information that we have. We of course want to provide this to Lebanon and help the country for free. What we wouldn't be happy about would be government consultants, who are paid millions of dollars, taking our ideas and implementing them, getting paid for work that we have done.

E *How many hours of work have you invested as co-authors of this plan, between you and Gérard Charvet?*

We do not stop; we work on it every day.

E *How many man-hours or workdays?*

I don't know. We have been working every day since February. We were not counting hours.


E *It certainly looks very impressive as a plan but this raises the question of how you will get remunerated for such an effort.*

That is not important for us. As I said, we wanted to do something of value here. We just didn't want other people to profit from our work, but we want Lebanon to profit from our work, for free.

E *Would you be willing to go into politics in order to make the plan happen?*

I have not expected this question. Gérard is French, doesn't speak Arabic, and would not go into politics here. I myself have left the government a year ago and it is not like I am eager to get back in. But I feel that the experience that I have is valuable in the situation, having restructured the debt of Honduras, Trinidad and Tobago, and Venezuela, and having been an advisor to the Mexican government on the peso crisis in 1994. Also Gérard, having been the guy who thought up the Brady bonds for Latin American debt solutions, we both felt that we have expertise and that it would be a pity not to use that expertise to help Lebanon. We are not thinking beyond that. I am not thinking beyond that.

E *The reason why I am asking is that the whole discussion of a financial rescue and economic plan is very political and has been so from the beginning—but I do not see anybody who could be the superhero or historic leader to drive this, nor do I see political consensus for working in the best interest of the Lebanese people as much as I would want it to be. I think our politicians in charge are now trying to work in the best interest of the people but ask myself: Are they up to the task in the current scenario?*

I agree. These times require a different type of leadership. We are missing that as a country. But to end on an optimistic note, I just want to make sure that our plan is grasped in its entirety; any piece of this plan can be criticized but, taken as a whole, it is very well balanced. That is the important message. 

■ “You can see also in this plan that we will eliminate zeros from the currency. This is not cosmetic. This is intended to change people's reference point.”

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WEALTH MANAGEMENT

Ramplng on Lebanon

British ambassador outlines prospects of bilateral relations and economic interaction between London and Beirut

First published online on June 15

The situation may change, but trusted relations remain. Lebanon's economy today needs honest interaction and connectivity to long-standing partners more than ever before in the history of this state. The United Kingdom is a partner country at the (from Lebanese geographic perspective) far end of Europe that has had engaged with Lebanon in significant ways for a century and that in the 21st century to date has specifically developed natural touch points of economic, financial, and entrepreneurship importance. EXECUTIVE, which conducted interviews with ambassadors Tom Fletcher and Hugo Shorter in the past, sat down with Ambassador Christopher Maxwell Rampling MBE to inquire about his assessments and the most productive way forward for the vital bilateral relationship between the UK and Lebanon.

E *The World Bank has just released its report on Global Economic Prospects in 2020 and 2021, which are probably the most divergent forecasts ever from the projections made in the previous report in January 2020. For the Euro area, the forecast is a 9.1 percent contraction of real GDP in 2020 and a 4.5 percent growth in 2021, suggesting a steep decline and significantly slower recovery for the Eurozone. How does the United Kingdom perceive the outlook for the coming two years and its relations to Europe as Brexit at long last is moving toward full implementation?*

What we have seen over the last three or four months has been the most profound economic shock of our lifetimes and the kind of numbers that you were talking about tell the story. We too in the United Kingdom will obviously have to deal with that shock and,



when you look at the amount and the extent by which the treasury and the finance ministry have been supporting our businesses, our citizens, and elsewhere, this is obviously going to be a significant burden. I would distinguish this very clearly from our exit from the European Union. We have now left the European Union and, as everyone knows, we are now negotiating the future arrangement. For this year, throughout the implementation period we will continue to have all the rules that were in place before [Brexit], and this is also the case here in Lebanon. We have agreed on a new trade agreement with Lebanon which I can talk about a little bit, but in terms of the UK at home we are negotiating a new deal [with the EU], but those are going to be difficult negotiations. I spent five years of my life in Brussels, four years at the representation of the UK to the EU during the period of the referendum and I know that those kind of negotiations are always

difficult. But I am absolutely convinced that, whatever happens, that we will have a close relationship with Europe going forward and that we will not extend the implementation period. One of the key elements of the referendum in 2016 was a very important principle of taking back control and that is something we remain firmly wedded to.

E *Trade is one of the big concerns of Lebanon, not only in light of the de-dollarization of the economy but also because of the many needs for importation that have been reflected over the very long term in the strongly negative Lebanese balance of trade. Going forward, how do you see the UK and Lebanon relate in terms of trade?*

I started [serving as ambassador to Lebanon] in Beirut in September 2018 and believed and still believe very strongly that the nature and depth of the trading relationship and the investment relationship between our countries is not as strong as it should be.

Within a few months [of my arrival] we had a very important investor forum in London with the [then] Prime Minister [Saad] Hariri, we had the largest-ever bilateral trade deal struck between Rolls Royce and MEA and I still think that we will ultimately be able to do more together. Clearly, when you see the economic crisis that is taking place in Lebanon, trade and investment is seriously challenged at the moment. If we put the global context that you were referring to on top of that, this adds to the challenge. But I would say and I do believe that there is much that we can be doing together. The Lebanese government needs to work through what its future vision will be and what the structure of its economy will be and what sectors it might chase [for development]. If you look at the McKinsey [Lebanon Economic Vision] report, there are many sectors that the UK can be very positive in, the knowledge economy, tourism, agro-food—lots of areas where we can work together. I think that the trade agreement that we struck last year, which was [our] first bilateral trade agreement ever, can be a very good basis for developing in that area. But let's be very honest, that is not going to happen quickly.

E *Would there be an option from the UK side to support Lebanon with a sort of trade facilitation framework for credit and financial transfers?*

Moving onto how one can help in detail with the economic crisis, there are a number of ideas out there at the moment. We already have programs of technical assistance and other programs of support for small businesses and have put tens of million into that. I think this, which is called the Lebanon Enterprise and Employment Programme (LEEP), has been a success. There are further areas that we are supporting, services etcetera. The focus of the [Lebanese] government at the moment is clearly, as it should be, to see how the discussions with the International Monetary Fund (IMF) can move forward. Within that context, we are very happy to look at different options but that is where the focus needs to be.

E *Obviously, the large commitments of support for their domestic economies and international trade positions—worth \$9 trillion by mid-May 2020 according to an IMF blog entry—that 620 countries have been pursuing and are continuing to expand is something that no other block of economies or individual country can even come close to providing. In Lebanon, we have the additional scenario that the Lebanese government is not cash-rich at the moment, to put it very mildly. Noting that your government is one that has committed itself very strongly, with a very large amount, to the support of its people and domestic recovery in the UK, what kind of advice can you give to the Lebanese government in this regard?*

We are strong supporters of Lebanon and have been supporting Lebanon for many, many years. Last year we spent about \$200 million on this country in lots of different areas, army, education, police, and lots of other sectors. I am not going to give advice but the things that the government needs to be cracking on with and needs to be focusing on are in many ways the things that the government has been talking about. But it needs to get on with them. [By this I mean] reform of the system that they have got here, particularly reform that they have been talking about for a long time. Above everything else, the inability to deliver those things as well as living in a current account deficit has hit credibility in this country. There are other structural problems of course, the debt and other structural elements. So these things just need to be tackled. I know that this is easy to say and very difficult to do but that would be the advice. There no longer is time. The only alternative to doing these things is to watch the country steadily deteriorate, and that is no alternative for anyone.

E *As you mentioned, investment interaction and financial interaction between Lebanon and the UK has been very intensive, with one of its aspects that the Lebanese diaspora in London and the investment community in the City was often the first port of call for Lebanese officials when presenting investment prospects and talking to potential equity funders and such. On the side of*

investments, banking relations and financial cooperation between UK and Lebanon, how do you see things going forward?

In particular with regard to financial cooperation, we could do a lot more together and are open to doing that. One of the things we were over recent years vaguely thinking about working in has been in working to develop capital markets. There is plenty of expertise and experience in that which we can provide from the UK.

E *Would that be cooperation on capital markets development by providing expertise from the private sector or the public sector?*

These would be details and we have not really gotten yet into the details. I think the challenge now would be that the Lebanese government and the authorities need to work through what will be the future vision for the economy going forward. Once it has defined that, has a plan and is implementing that plan, we will be very strong supporters and not just supporters but partners. Like I said and want to come back to, I think there is significantly more in this space that we can do together than we have done in the past. But I think the Lebanese side has to decide ultimately what their vision is.

E *Taking the linkage between Lebanon and the UK from the financial sphere to the physical, over the past decades the air travel links between Beirut and London had been vulnerable to severe temporary disruptions and economic changes, such as experienced in the mid-2000s by UK-based airlines. How much can we expect from the British side in terms of future air connectivity and regular travel, visa policies, and tourism facilitation including quarantine requirements in the remainder of this year? What is the outlook for hopping over to London for a quick weekend of fun, for example, given that the current requirement is for a two-week quarantine?*

The short-term outlook is that it is difficult to move, almost no matter what two countries in the world you are talking about. You are absolutely right in saying that we for now have a two week quarantine when you land in the UK. The number of exemptions to

Q&A

that are extremely small. But to be fair, that is exactly what happens here, too, and in plenty of other countries. Two, as of now, there is very few flights as we all know. In the very short term, clearly all this is on hold. I think that in the slightly longer term, I will say that our visa policy is clear and not currently shifting. We will have to see how this develops over coming months but as of now our policies are stable. I am also confident that there will continue to be direct flights between London and Beirut and commitment to assure that there will be direct flights between London and Beirut. One thing that I think is relevant to this, [is that] the people to people links between our countries have gone up dramatically over the last ten years. The latest figure that I have—which by now may be a few years old—was that the number of Lebanese students going to the UK for higher education was going up year-on-year and has gone up by something like 80 percent over six years and something like 9 percent in the last year. To date, we have over 200 Lebanese future leaders who have pursued their Masters degrees at the best UK universities, through the British Government's Chevening Scholarships Programme and over 300 Lebanese graduates of UK Universities across Lebanon that have joined our overall growing alumni network. The regularity of traffic has been going up quite significantly, and that is a good thing. I am the British ambassador to Lebanon and I want that. I want more people to be going in both directions.

E *Could the increase in terms of education-related travel of Lebanese students to the UK also extend to the virtual sphere of distance learning and online enrollment in UK universities?*

Of course it could. You have taken us neatly into the education sector, which is a sector that we have invested a great deal in in Lebanon. We think it is extremely important. What we have

been able to support on both the formal side and the non-formal side in the education sector has delivered an enormous amount, with strong Lebanese partnership. And in particular, we have been exploring, even [motivated by] COVID-19, what more we can do in terms of the kind of modern technology-side of education. [UK-based knowledge economy tech

■ “Education has been a cornerstone of our support for Lebanon for years and should continue to be so.”

startup] Century Tech recently signed an agreement with the Ministry of Education and Higher Education to provide some artificial intelligence software that supports schools. I have also no doubt that if people are up for distance learning—that will be doable too. It is an exciting sector that I want to do more in. I recognize that the education sector is deeply challenged here in Lebanon at the moment but I think that by working more closely together, we will be able to help.

E *Could there be British government-led intermediation between academic institutions of higher learning in the UK and in Lebanon?*

The [academic institutions] have their own links. We already have a few universities with direct hookups, [such as] the University of Aberdeen and the American University of Technology, and the Open University UK and the Arab Open University. At the same time, the British Council is very active here and is able to facilitate some of that [collaboration].

E *And the British Council will continue to be active in Lebanon in the future?*

For the record, yes!

E *In terms of one particular education support project that the UK has been engaged with in Lebanon, your government*

has reported that the UK has committed £93 million to the refugee education program with the unfortunate acronym RACE, of which you have deployed about 80 percent, fully in line with the program's five year duration and scheduled for conclusion in March 2021. Given the current dismal outlook for education finance in Lebanon, not only in refugee-related areas but in schooling anywhere in Lebanon, is there any possibility that you might think about an extension, increase, or shifting to digital of this program?

Education has been a cornerstone of our support for Lebanon for years and should continue to be so. I think ultimately the ministry needs to work through what its plan is and then we will be very happy to have a conversation with them about this. But I think it is fair to say that a lot of international [actors] who have been actively supporting the education sector are focused not only on today, which is very important, and on tomorrow, [meaning] the beginning of the next financial year and how that works, but also on how education provision in this country becomes sustainable.

E *In terms of the knowledge economy we want to know what is in the cards for the UK Lebanon Tech Hub (UKLTH). What is its outlook?*

[Engages in a short discussion with an aide about an upcoming announcement on UKLTH]. The prospects for the UK Lebanon Tech Hub are very positive. I think we will be able to demonstrate that this has been a real success story. It came very obviously out of [Circular] 331 and out of the central bank and there is a very serious prospect of graduation, which I think will be very good.

E *Since you mentioned Circular 331, would there in this context be a possibility to substitute the central bank guarantees for venture capital funding in the Lebanese entrepreneurship ecosystem with more direct involvement of, for example, UK-based financial institutions and lenders, including their setting up shop in the Beirut Digital District (BDD) to open new access to finance pathways to the young companies at BDD?*

The best people to talk to about the way forward is the Tech Hub themselves but I think it is fair to say that we have all been keen that the Tech Hub and its services can stand alone. This is obviously the best way forward and I think we will see some really good, positive news on that. I am actually quite optimistic about what they can do because I think that there are ways by which they can use the existing networks they've got, the existing programs and connectivity that they have got, both with academic institutions and very much in the UK, to work both for Lebanon but maybe also for elsewhere in the region. One of things that we announced in September, the same day that we signed the trade deal, was that UK Lebanon Tech Hub would also be the mechanism for the UK government's Department for [Digital], Culture, Media and Sport to run a program in the Middle East and North Africa. This has not been able to make an enormous amount of progress in recent months, for obvious reasons, but is still an ambition and a good opportunity. That is another reason why I think that the prospects for us being able to work together are very strong but in a very difficult economic climate.

E Are there specific humanitarian programs for this period of economic difficulty in Lebanon that you are preparing or would want to report on?

We have been supporting the most vulnerable in this country for years and years, obviously particularly Syrian and Palestinian refugees but we are all looking at the increasing—and you saw it when you look at the recent UN report and the UN appeal recently—demand for support for the most vulnerable Lebanese. We do that quite a lot already through services and in other areas but we will continue to be looking at options.

E Doing it through the host communities program?

You are extremely well-researched. The Lebanese Host Communities Support Program is a great program and

we put in, I think, \$100 million over recent years. It is not about the inputs. It is about the outputs and in terms of outputs we have, with UNDP, with the Ministry of Social Affairs, and with others, [seen outcomes such as] apple factories, ports for fishermen, [and] markets. It is fantastic stuff that has been done. What I love about the program is that you go to local communities and say, “what do you like” and then you go to provide it.

E The International Support Group for Lebanon, ISG, plays an important role for this country not only in economic terms but in political monitoring and advisory and everything that concerns Lebanon's future. Will the UK's role in the ISG change going forward, will the contribution of the UK increase, where are you seeing your participation and input going considering your standing against some very influential powers in this region?

[Laughs] You slightly obscured the question.

E But you understand the question perfectly.

Look, the UK supports Lebanon and we support the Lebanese people. You are absolutely right that we have strong political views, in particular—which you didn't mention but I will—about Hezbollah. Last year we extended the listing [of terrorist organizations] to include the political wing [of Hezbollah]. That is an important part of our policy. One of the reasons for the decision we made last year was because we saw that for a period of years they have been working across the region, in direct contravention of the policy of disassociation, and [have been] destabilizing the region. This destabilizes the country too.

We work very closely with our allies, as you would expect we work closely with our allies locally, including the Europeans and the European Union, despite the fact that we have now left, and obviously including the US, Canada, and other members of the G7. We have lots of different formats [for international coordination

on Lebanon]—in some areas through the ISG, in some areas through the G7, in some areas with the GCFF countries [invested in the World Bank's Global Concessional Financing Facility], in some areas with a kind of particular New York-based group. There are plenty of different formulations that we work in.

E Is this easy to coordinate the cooperation across all these international entities?

It is fine. This is my fifth Arab country. Coordination here is as good as it is elsewhere.


E With regard to the new Caesar sanctions, how will those sanctions for example impact activities such as the UK Lebanon Tech Hub being active regionally?

I will [not answer] this question because I am not a great expert on the Caesar Act. I am working through the implications of it. As it stands at the moment, we will see, and there are still details to be worked out.

E We are trying to understand what the act's implications for Lebanon are. Do you have any tips for us?

No.

E With all new internal and external obstacles that one might see, what lies ahead for Lebanon?

I arrived in September '18 and we are clearly in a significantly worse period now than we were then if we look at the amount of jobs that were lost and the eye-watering figures of [GDP] contraction, at the inflation, [and] devaluation of the [Lebanese] pound. Times ahead look tough and that brings us back to where I was at the beginning—which I know I say all the time and everyone finds a bit boring but it is true—that the government needs to get on with these things and the political forces need to come together. Fundamentally this country and the authorities in this country need to recognize that they need to be operating in the national interest. The political forces need to recognize this. 

Beyond the Bisri Dam



Impacts of the Greater Beirut Water Supply Project

First published online on June 1

The planned Bisri Dam and reservoir is but one component of the World Bank-funded Greater Beirut Water Supply Project (GBWSP) that claims it will increase short-term supply of potable water to Greater Beirut by 250,000 cubic meters per day (m³/d) with approximately 1.6 million residents expected to benefit, including 460,000 low-income residents. The GBWSP goes beyond Bisri to draw water from two independent watersheds, the Litani River watershed and the Awali River watershed, in so doing multiplying the impact outside of Bisri. While conveying water from one watershed to another (inter-basin water transfer) is common practice, it is normally applied only when the waters are abundant in the source area and a portion can be transferred to the target area where it is less available.

WHY DOES THIS MATTER?

A watershed, also called a drainage basin, refers to the total area of the terrain that channels rainfall and snowmelt to creeks, streams, and rivers, and eventually to outflow points such as reservoirs or the sea. It consists of surface waters as well as groundwater. The natural processes of water capture, water storage, and water release that take place within the watershed are essential to the balance in the hydrological cycle, to the quality of soils, and to the supply of freshwater. Any man-made disruptions upstream, that is to say closer to the source of water, can compromise on the quality, quantity, and availability of water downstream. It can also compromise the ecosystem services that water provides such as nutrient cycling, fish production, sediment flow, and biodiversity.

As per the map on page 41, the World Bank-funded project aims to draw 50 million cubic meter (MCM) of water from Lake Qaraoun in the Litani Watershed south to Lake Markaba, where it meets assumed 14-41 MCM water coming from Ain Zarka Spring. It will then be channelized in an existing 26 km tunnel into the Awali River Watershed at Anane Reservoir, where it is intended to meet an estimated 60-100 MCM water collected at the Bisri Dam Reservoir, originally coming from Awali/Barouk River. The water will then be conveyed in an existing tunnel to the Joun Reservoir. Another tunnel then takes the water to Wardanieh Water Treatment Plant before it is conducted across the Damour River Watershed to Khaldeh then to the Hadath and Hazmieh reservoirs, before it is finally distributed in the Greater Beirut network. From Lake Qaraoun to Beirut, the water would have travelled no less than 50 km.

But what is the pre-existing condition of our Litani and Awali rivers' watersheds? Will there be water sufficient to meet the domestic, agricultural, and industrial demands within the watershed itself, today and in the near future, with surplus to be dragged outside of its natural system for consumptive domestic use elsewhere?

GBWSP AND CLIMATE CHANGE

The Ministry of Environment (MoE) and UNDP's climate change projections for Lebanon predict that by 2040 we will face a 40 percent reduction in annual snow cover. Snow residence time, which refers to the time between snow accumulation and melting, will decrease from 110 days to 45 days.

The Litani River and the Awali River, whose waters are intended to supply Greater Beirut, are in fact both

charged by springs that erupt from the saturated snowcaps of Mount Lebanon (the snow caps are saturated when the snow residence time has allowed enough infiltration of melted snow into the ground). A reduced annual snowcap, reduced precipitation, and increased evaporation will reflect negatively on the availability of water in the Litani River watershed, therefore impacting the water volume assumed to be collected in Qaraoun Lake and similarly in the Bisri Dam Reservoir. In the absence of adaptative actions, the MoE predicts that the cost of climate change impacts in the form of reduction in water supply for agricultural, domestic, and industrial use will be around \$320 million by the year 2040.

The Litani River, the largest river in Lebanon with a watershed that forms 20 percent of the Lebanese territory, is currently expected to serve no

less than 240 urban areas (not counting refugee settlements) and to irrigate the largest contiguous agriculture production surface in the country. The river, however, suffers from high levels of water pollution through direct dumping, excessive algal growth from fertilizer runoff, unregulated urbanization, and over extraction via illegal wells. Adding to that the impacts of climate change projections makes the watershed more vulnerable to erosion and desertification and therefore less capable of meeting the domestic, agricultural, and industrial needs for water upstream and downstream. The Litani River watershed's contribution to the national economy as the largest national producer and exporter of potato and cereals is thus in jeopardy.

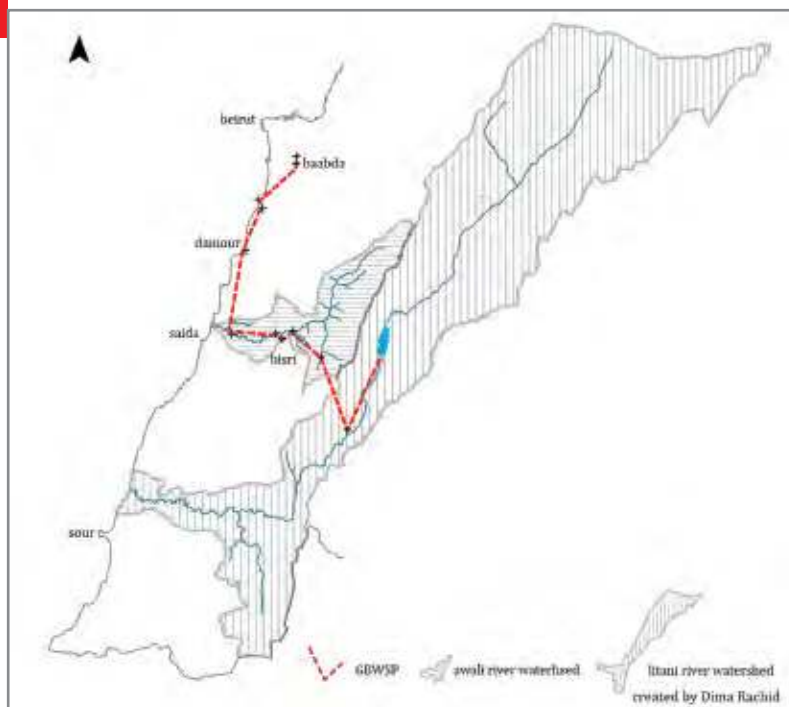
The absence of regulations and national policies toward land planning and resource management threaten the Litani River valley's long-term viability as a major socio-economic engine. Diverting the waters of Litani River through the GBWSP to supply Greater Beirut's domestic water, therefore, not only deprives people

■ There is an urgency for investing in food production today. Therefore providing a sufficient share of water for food and livestock farming should be a priority.

and land downstream Lake Qaraoun of their share of the waters, it will also present yet another short-term and long-term threat to this major food production landscape.

Lebanon is undergoing an unprecedented economic crisis. There is an urgency for investing in local food production today. Therefore providing a sufficient share of water for food and livestock farming across the nation's fertile lands should be the government's priority. This applies to the waters of the Awali and Litani rivers that are both indispensable for agriculture, each in their respective watershed.

DIAGRAM SHOWING THE PLANNED ROUTE OF THE GBWSP, DIVERTING WATER FROM THE LITANI RIVER WATERSHED

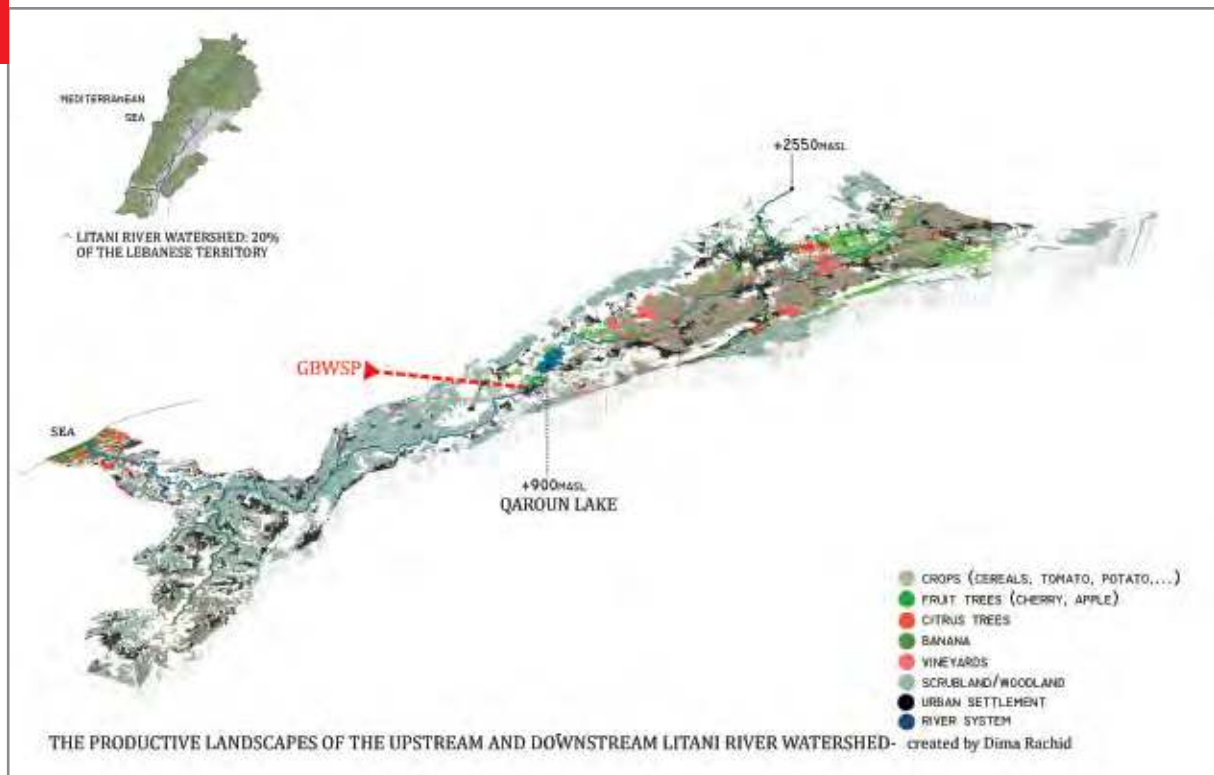


Source: *Dima Rachid*

WATERSHED PLANNING AND NATURE-BASED SOLUTIONS

Today, and in light of contemporary threats like climate change, the world is adopting alternative means of managing, storing, and using water resources, namely through nature-based solutions (NBS). By definition, NBS is a proactive management approach to the rehabilitation of performance of natural systems or the integration of natural systems in constructed ones. While the World Bank itself promotes NBS as a cost-effective and flexible infrastructural approach to water resource management, it is

DIAGRAM SHOWING THE LAND USE AND LAND COVER OF THE LITANI RIVER WATERSHED, WITH STARTING POINT OF GBWSP



Source: *Dima Rachid*

worth questioning why it continues to fund expensive, irreversible, and inefficient concrete-based infrastructure systems (grey infrastructure).

At watershed scale, the ecological rehabilitation and protection of the watershed is a fundamental nature-based approach that helps ensure sustainable supply of potable water. Rethinking our agricultural practices from an ecological perspective improves soil quality, reduces compaction, and enhances recharge of groundwater as natural storage. Integrating agro-forestry restores the fragmented landscape, enhances water circulation, retains rainwater, and helps combat land degradation and desertification. Vegetative cover and constructed wetlands increase biodiversity, filtrate water, and contribute to reducing pollution downstream.


Watershed planning of land and land use distribution provisions a balanced water system in terms of surface flow, ground recharge, and water quality. It

regulates direct human-induced land use changes such as overgrazing, building, deforestation, pesticide application, well extraction, dam erection, among others to ensure sensible water supply capacity.

RESOLVING THE CRISIS REQUIRES POLITICAL WILL

Our water crisis is a national crisis. It is not localized in Greater Beirut area. The Bekaa is equally vulnerable to water shortages and water challenges. The \$600 million Bisri Dam project will not only jeopardize 600 hectares of forests and agricultural land, threaten biodiversity, disrupt livelihoods, and dismantle more than 50 archeological sites within Bisri. By diverting water from its natural flow, the GBWSP compromises on the water supply downstream and on ecological losses that cannot be compensated. Resolving one area's shortage by transferring water from a struggling one is unreasonable. Placing more pressure on an already fragile wa-

tershed and ecosystem is unacceptable. Draining the food production landscape of the country from its pressing water needs is impermissible.

Our water crisis is not that of lack of innovation nor exclusively a management problem. It is also a political one. It takes political will to regulate urban planning upstream to mitigate flooding downstream, to penalize violators of public water quality, and to enforce a wastewater management scheme. It takes political will to commit to implementing climate mitigation measures that urgently respond to water challenges. Continuing with business as usual by implementing short-sighted, expensive, outdated mega-projects will only exhaust Lebanon of its finite waters, meager money, and grappling ecosystem services. 

Dima Rachid is a landscape architect and urbanism consultant. She is a founding partner at studioIibani and a part-time lecturer at the American University of Beirut.



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Rising prices



Analysis of inflation using the Consumer Price Index

First published online on May 13

In October 2019, following years of dysfunctional public policies, Lebanon entered the vortex of an unprecedented collapse. This was evidenced by, among other indicators, a further dramatic decline in economic growth rates, exceptional primary deficits and a negative balance of payments, a banking sector in crisis, and the emergence of a parallel foreign exchange (FX) rate in a country that imports most of its consumption needs. The increase in consumption prices is one of the most revealing indicators of these structural dysfunctions, and one of the most influential on the lives of the country's residents—the majority of whose salaries are in the national currency.

Using the Consumer Price Index (CPI) of the Consultation and

Research Institute (CRI) consultancy firm, which has been issuing a monthly CPI for Greater Beirut since 1977, we have predicted the inflation trend over the medium term. (The CPI was the only inflation indicator in Lebanon until the Central Administration of Statistics began issuing their own in 2000; the two indexes record similar trends but are not identical as they weigh various expenditure categories within a typical household budget differently.)

INCREASING INFLATION

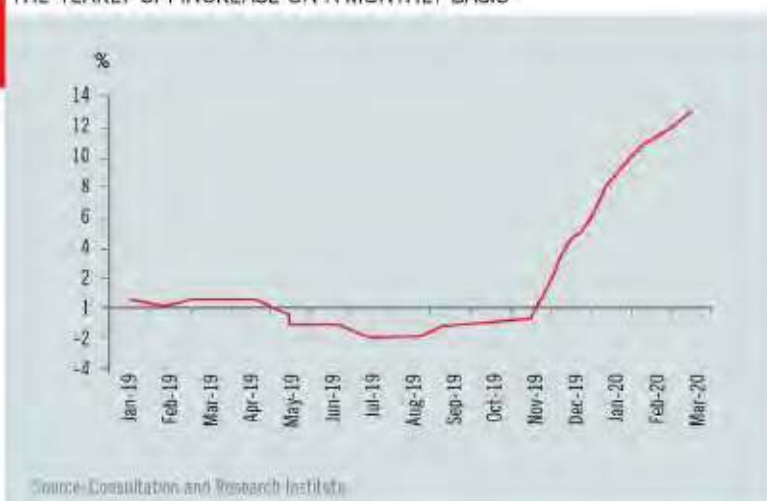
Based on the trends recorded by the CPI over the past few months, several conclusions and warnings over future expectations can be drawn.

Firstly, the emergence of a parallel FX rate in October 2019 resulted

in a price increase across several major items of the Lebanese consumption basket, in particular food items (see infographic page 47). The CPI, however, as it includes around 1,000 products and services, only began to increase in December 2019. The yearly price increase (a comparison of the CPI for each month of 2019 with its equivalent in 2018), remained either flat or negative for the first eleven months of 2019 (due to the stability of the peg until October last year).

Starting in December 2019, the CPI began to increase compared to the year prior, rising by 4.6 percent in December, 8.7 percent in January, 11.4 percent in February, and 13 percent in March (see graph page 45). More alarming was the sharper increases in the price of food items

THE YEARLY CPI INCREASE ON A MONTHLY BASIS



COMPARISON OF THE ANNUAL CPI INCREASE WITH THE LL / USD EXCHANGE RATE (NOV 2019 – MARCH 2020)



on year-on-year comparison, which rose by 3.1 percent in December, 10 percent in January, 16.8 percent in February, and 20 percent in March. In other words, the marked increases in food prices (weighed at 30 percent of expenditures in the CPI), which constitute a high share of the expenditure budget of low-income households (30 percent if not more for the lowest income households), have been the main driver behind the CPI's increasing trend over the past few months.

The relative delay in the impact of the exchange rate on consumption prices following October 2019

■ The marked increases in food prices have been the main driver behind the CPI's increasing trend over the past few months.

(see graph above) could be explained by the following factors: 1) The government's commitment (through Banque du Liban) to subsidize the import of fuel, medication, and wheat, which constitute a major share of the consumption basket (fuel 3.03 percent, health 9.8 per-

cent, and wheat 3.6 percent); 2) the stability of public fees and taxes, and the relative stability of housing prices; 3) the volatility in the price of vegetables; 4) the repercussions of the economic recession reflected in negative growth rates since 2018, which drove a number of importers and wholesalers to prioritize clearing their inventories, at least in the short term, by keeping their prices stable despite the devaluation of the lira on the parallel exchange market.

LESSONS FROM THE PAST

The most important point, however, is the lesson that can be drawn from the historical relationship between the CPI and US dollar exchange rate trends. Based on CRI's database, the yearly CPI curve remained consistently above the exchange rate curve from the mid-1970s until the mid-1990s, when the lira peg was put in place (with a limited exception in 1985-1987). Interestingly, after the inauguration of the peg, the gap between the two curves continued to widen year after year, despite the stable exchange rate (between LL1507 and LL1515 to the dollar). The trend is reflected in the demands of the Union Coordination Committee for a 121 percent wage adjustment to compensate for the accumulated inflation between 1996 and 2012, a period during which the US dollar exchange rate remained completely stable as a result of the peg.

The three graphs on page 46 show the trends of these two indicators during three distinct periods that could not be merged into one graph as a result of the 4,800 times increase in the CPI between 1977 and 2019. The first period, which extends from 1977 to 1985, was characterized by relatively moderate differences between the two indicators, with the exchange rate curve catching up to the CPI curve in 1985.

The second period, between 1985 and 1997, witnessed a closing of the gap between the two curves in 1985-1988, following which the CPI curve took off on its own while the ex-

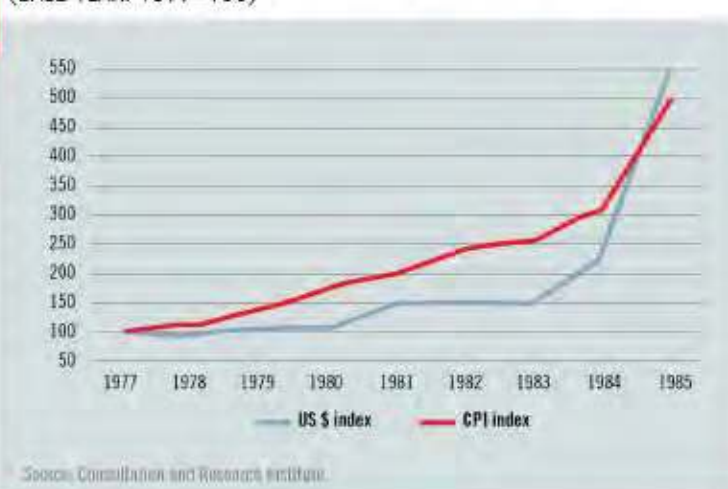
Comment

change rate curve began to decline as of 1993 (this was aided by factors such as the expected increase in prices after the war due to the spring effect, multiple wage adjustments in the early 1990s, and the beginning of a descending trend of US dollar versus Lebanese lira when Rafik Hariri became prime minister in 1992).

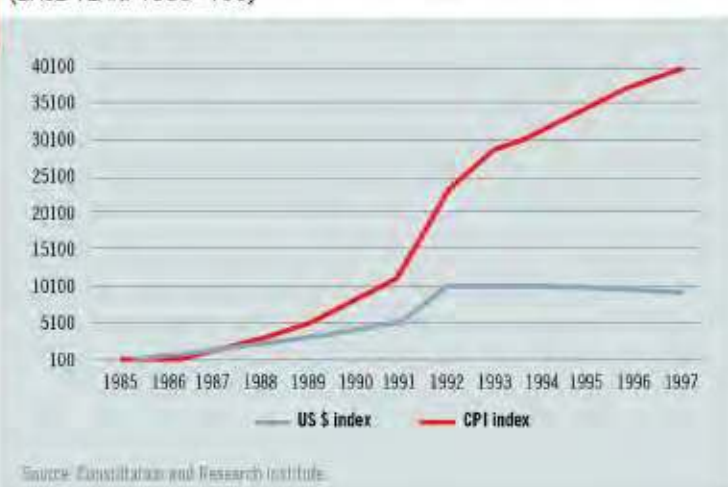
The third period, extending from 1997 to 2019, was characterized by a widening of the gap that began in the second period, as the CPI continued its upward trend despite the quasi-absolute stability of the dollar exchange rate.

These observations clearly show that the increase of the cost of living in Lebanon over the past four decades was not only dictated by the lira/dollar exchange rate (despite the importance of that factor). Rather, it was also, if not mostly fed, by factors that are deeply rooted in the Lebanese economic model. Specifically: 1) the domination of import and internal markets by cartel groups, as a result of the absence of effective anti-trust regulations and an ambiguous commercial representation statute that has strengthened these cartels; 2) the exacerbation of distortions in consumption prices and the exchange rates of non-US dollar foreign currencies, as a consequence of the implicit monetary stabilization policy after 1992 and the explicit stabilization policy after 1997, which encouraged imports and undermined the competitiveness of domestic exports; 3) the transformation of Lebanon into a consumer country (since the onset of the 1990s and accelerating from 2011) that finances its consumption through remittances and domestic and foreign borrowing (according to Lebanon's National Accounts, private and public consumption exceeded the country's total GDP in 2018); and 4) the weakness of consumer protection laws and regulations, especially those related to controlling monopolies and fostering competition, in addition to the low effectiveness of price control authorities and mechanisms that are

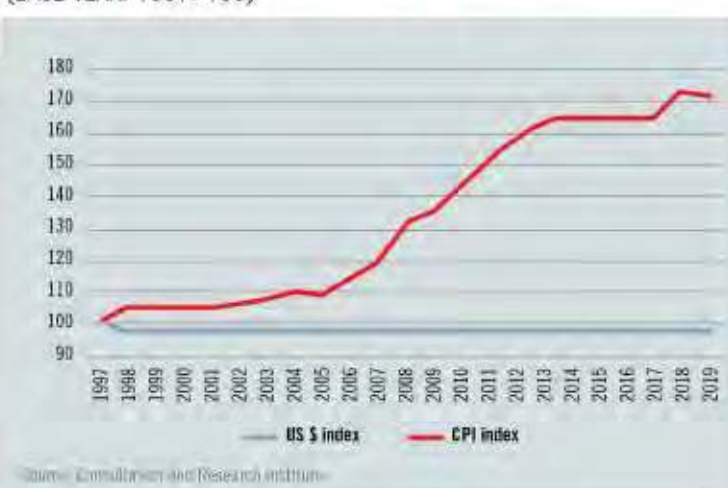
COMPARISON OF THE TWO INDICATORS (1977 – 1985)
(BASE YEAR: 1977=100)



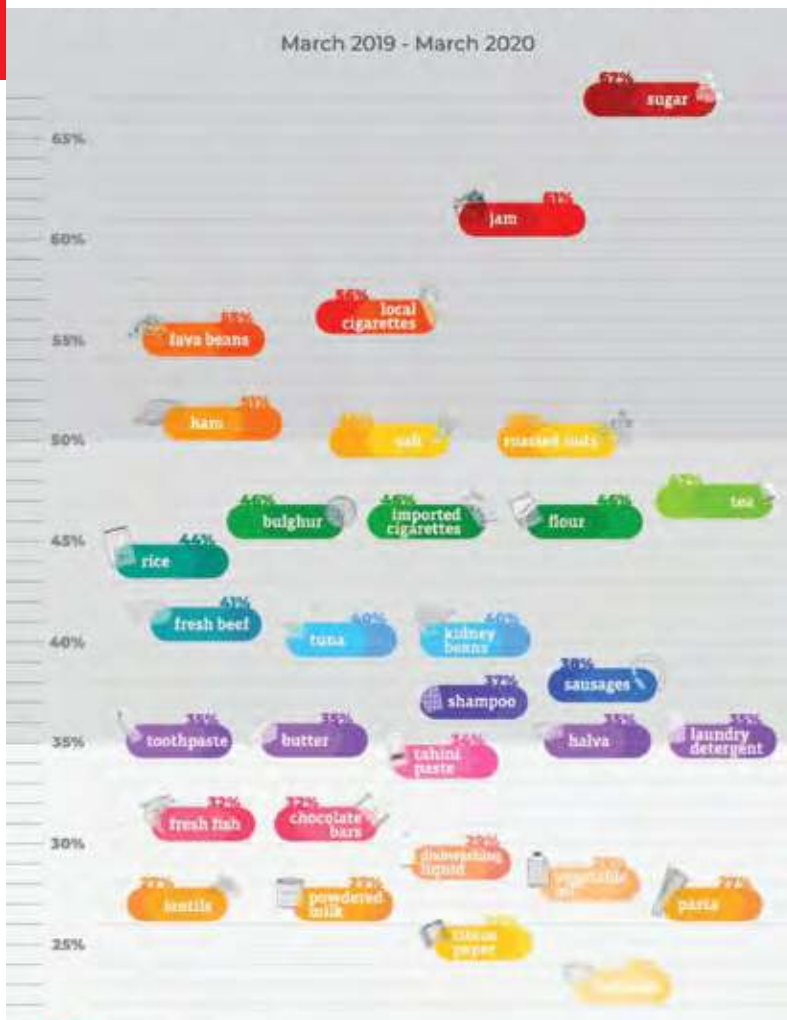
COMPARISON OF THE TWO INDICATORS (1985– 1997)
(BASE YEAR: 1985=100)



COMPARISON OF THE TWO INDICATORS (1997– 2019)
(BASE YEAR: 1997=100)



ANNUAL PRICE INCREASE OF BASIC COMMODITIES



Source: Consultation & Research Institute.

currently solely reliant on margins of profits (as they are now in Ministry of Economy and Trade regulations).

WARNINGS FOR THE FUTURE

If we were to assume that the trend that has governed the relationship between the exchange rate and CPI curves over the past 40 years would remain unchanged, then we must raise an alarm regarding the potential of this relationship in the future. Based on the historical trends, what we are seeing now in terms of price increases failing to catch up to the

rising exchange rate is only temporary and we should therefore expect the gap between the two curves to gradually begin narrowing. It is even likely that the consumption price increases may exceed exchange rate increases, which would have horrific consequences for the savings, wages, pensions, and purchasing power of the Lebanese people, especially if the needed public interventions do not materialize in view of the economic, fiscal, banking, and currency crises. Specifically, what is needed is macroeconomic adjustment, financial

and monetary reforms, reform of the fiscal system, restructuring of public expenditures, independence of the judiciary, and accountability and the recovery of the stolen funds.

The interventions required to stave off price increases go beyond currency, fiscal, or regulatory measures that only serve to address the symptoms rather than the causes of inflation. The first step consists of regaining the trust of the people in their country, their economy, and their independent judiciary, through the immediate fulfillment of the just demands raised by the popular upris-

■ The first step consists of regaining the trust of the people in their country, their economy, and their independent judiciary.

ing, namely the enforcement of an effective national rescue and recovery plan starting with taking concrete steps toward the recuperation of stolen or wasted public funds, reform of taxation system, a restructuring of public expenditures, and laying the groundwork for the revival of productive sectors, in addition to addressing the root causes behind persistent primary deficits, public debt, currency devaluation, and banking collapse. This plan would focus primarily on investment in infrastructure, fostering productive activities, the creation of decent jobs for graduates and unemployed youth, and the elaboration of a comprehensive social development and protection strategy that addresses the needs of the poor as well as lower and middle-income households in a country that is characterized by staggering income inequalities. ■

Kamal Hamdan is managing director of the Consultation & Research Institute, a Beirut-based consultancy that produces the city's leading consumer price index.

Putting a price tag on education



The impact of Lebanon's economic woes on schools and parents

First published online on June 5

Lebanon's fee paying private schools—which cater to 52.6 percent of the student body in Lebanon or 564,446 students out of 1,073,141 as per the 2018-2019 statistical bulletin compiled by the Center for Educational Research and Development—are in grave danger of falling victim to the ongoing economic crisis plaguing the country. As EXECUTIVE reported back in August 2019, administrations of private schools had been struggling to accommodate the 40 percent increase in each teacher's salary—mandated by Law 46 (2017) for public sector employees and applied by private institutions—in an environment where parents were already struggling financially and could not bear a hefty increase in tuition fees.

Given that this was the case before the salary cuts, layoffs, banking restrictions, and increased price of consumer goods witnessed since the last quarter of 2019 to date, as a result of the economic and now coronavirus crises, the situation for parents today and there-

fore for private schools in Lebanon can only be worse.

PAYING THE BILLS

In the early 20th century, schools in Lebanon's villages were largely free of charge and parents compensated teacher's efforts in educating their children with home grown gifts such as basket of fresh eggs or a pail of *laban* (yoghurt), recounts Father Boutros Azar, secretary general of the General Secretariat of Catholic Schools and coordinator of the Association of Private Educational Institutions in Lebanon. The times are different nowadays, he says, as education in Lebanon is governed by laws that regulate private schools' budgets, teachers' salaries, and tuition payment terms.

Law 515 (1996) is one such law, which dictates that 65 percent of a private school's budget should be spent on salaries and the remaining 35 percent on school development (including maintenance and operating costs). Tuition fees are then calculated based on this budget,

Azar says, by dividing the total amount over the number of students. The tuition fees payment schedule also falls under this law and says that payment needs to be divided across the three calendar quarters in the academic year (from October to June). Because the school's budget must be submitted to the Ministry of Education and Higher Education (MoEHE) by January 31 of every year, the first quarter tuition payment is set by Law 515 at 30 percent of the previous academic year's tuition.

WHEN THE PRICE IS TOO HIGH

No matter how they are calculated, the reality is that many parents have barely been able to afford their children's tuition fees for several years now, as the economic situation in the country gradually declined. "For the past two years, we already had a problem with our financial situation because of low enrollment and because parents couldn't afford the tuition so tuition collection was low," says Murad Jurdak, president of the board of trustees of Marjoyoun National College (MNC) and professor of mathematics education at the American University of Beirut, explaining that the school had benefited, back then, from the high interest rates on its bank deposits that allowed the board to dip into emergency funds to close the deficit.

Azar says many schools have tried to keep tuition fees down by eating into the portion of the budget designated for school development. "I strongly believe that, in the past five years, only 10 percent of the schools were able to actually use the 35 percent for development," he says. "The rest of the schools are reducing that percentage to 30, 25, or even 20 [percent]. Why? So they can maintain tuition fees without too

much of an increase. The school sacrificed development needs to keep tuitions down.” Keeping tuition artificially low through eating into the development funds at schools will have likely had an impact of the quality of the education provided.

Despite the above, the academic year 2019-2020 (due to end June 13 as per the latest ministerial decision) may be the toughest year yet, financially speaking, for parents and schools in recent memory. The academic year started with disruptions in learning and school closures, brought on by the onset of the *thawra* (revolution), and with a tightening noose around parents’ necks as many lost their jobs or saw their salaries cut as the effects of the economic crisis began to accelerate (see EXECUTIVE’s March coverage on unemployment). It also ended with nationwide school closures courtesy of COVID-19 response measures and a shift to distance learning (see article on distance and online learning, page 52).

In this context, settlement of tuition dues further declined, especially in the last trimester when some schools did not have a viable distance learning program. “We did a quick survey of the schools in our network to see what percentage of parents were able to pay the tuition,” Azar says. “By the first quarter, only 36 percent had paid it, 19 percent of parents paid the second quarter [January through March], and corona happened in the third quarter so we don’t expect the outcome to be good. This is not the norm at all.”

The further away schools are from populous cities, the more likely are parents to struggle with tuition payment, says Azar, giving an illustrative example of schools in Zahle having less issues with tuition collection than schools in remote areas of the Bekaa Governorate. In line with Azar, Jurdak says that MNC, located close to the border in south Lebanon, had not been able to collect any tuition fees for the last quarter of the current academic year.

Distance learning for the past three months did save schools some costs

such as electricity and water, according to those interviewed for the article, but not enough to make a big dent in the budget and therefore in the tuition. “Going distance learning would decrease the cost of physical books, transportation, electricity etc, but ultimately the biggest expense of a school are the salaries, which are officially 65 percent of the budget but often go up to 72 percent when you include *caisse* [the retirement fund] and taxes,” says Shukri Husni, chairperson of the board and director general of the Learner’s World International Schools (LWIS), which operates four schools across Lebanon. “You also still have to pay rent for the school premises regardless of the frequency of usage.” In his interview with EXECUTIVE in mid-May, Azar says there would be discussions with the parent committees of the schools in his network to see how much can be deducted from the tuition, based on what was saved during the last trimester of the school year, but that the amount is “very minor.”

A VICIOUS CIRCLE

Since tuition fees are the main source of revenue for schools, parents being unable to afford full tuition payments means schools struggle with securing their teacher salaries.

Jurdak recounts how, at first, MNC had just enough cash reserves to afford only 50 percent of their teachers’ and staffs’ salaries from April until the next academic year in September when hopefully parents would be able to pay tuitions again. But then, through fundraising efforts by the board and a donor, they were able to supplement this with an additional LL200 million. “We are very happy to have been able to secure 80 percent of the salaries of teachers and staff from April until September,” he says. “This is something noteworthy because many

schools we know of are not able to pay the full salaries for their teachers.”

Indeed, similar to many institutions operating under the ongoing economic crisis, Azar says a portion of schools within their network, which employs a total of 22,000 teachers and staff across its 331 schools, can no longer afford to pay full salaries. “From October to mid-February, when the lockdown started and schools closed, 80 percent of our teachers got 100 percent of their salaries and the remaining 20 percent were getting paid from 40 to

■ “By the first quarter, only 36 percent had paid tuition, 19 percent of parents paid the second quarter, and corona happened in the third.”

80 percent of their salary depending on the school (some free private schools in our network in the north did not secure any payment for example and could not pay their salaries),” he says. “Today this has changed, parents are not paying the full tuition, and this is why we said that for March and April, we will pay an average of 50 percent of teachers’ salaries, again depending on the situation in each school.” Azar could not provide EXECUTIVE with figures regarding what percentage of schools could afford full salaries.

Teachers’ salaries are not the only expense that schools have to contend with; school resources (text books, tablets, stationary supplies, etc) and running costs factor within the 35 percent of the budget designated for school development. As Husni explains, almost all of these expenses—save for fuel and electricity, which are subsidized—come from imported supplies that are paid for in dollars at the market exchange rate. This leaves schools wondering how they will secure revenue for these costs in the current economic climate. “I assume the financial situation will

be worsening over the next five years,” he says. “Let us assume that teachers accept that their salaries will stay the same—which is a loss for them in terms of purchasing power—one would assume, in that case, that tuitions would not increase. But school books and supplies such as stationery items and tablets are imported and paid for in dollars. In this case, you have at least half of the 35 percent that has been multiplied by three. The repercussions of this would mean an additional 30 percent on the school fees. Solve this if you can.”

A BIG MESS

With parents unable to afford an increase in tuition fees and teachers’ salaries rapidly becoming too little to deal with the increased cost of living, private schools are stuck between a rock and a hard place. “Increasing salaries will only deepen the problem and decreasing them is impossible given the fact that there is inflation in the country, so the 35 percent of the non-teaching costs will go up,” Husni says. “You cannot eliminate profit from the private schools because you would remove their *raison d’être*. We are going toward a disaster.”

Azar says the economic situation is affecting everyone. Within the Catholic schools’ network, four schools located in remote areas have announced they will close by the end of this academic year, while schools that cater to medium- to high-income communities such as Collège Notre-Dame de Jamhour have also announced they are struggling financially and might not last beyond this June.

Private school closures have implications not only on the teachers left jobless and the students left scrambling for an alternative, but also to the economy of a community, especially in rural areas. “What will happen to the people who are depending on good schools to stay in rural areas?” Azar asks. “Schools bring economic activity to a village, whether it’s the bookshop that sells school supplies or the *furn* (bakery) that children buy their *manakish* from.”

GOING PUBLIC


The financial situation has also led private school students whose parents can no longer afford tuition make the transition to the public school system. Both Azar and Husni separately tell EXECUTIVE that around 100,000, roughly 14 percent, of students from private schools have moved to the public school system in the academic year 2019-2020 and that double this number are expected to do so the next academic year.

Fadi Yarak, director general of the MoEHE, says that no figures have been confirmed yet regarding an influx of new students to public schools and that registration for new students will open at the end of the current academic year in June. Based on the forthcoming numbers, Yarak tells EXECUTIVE that the MoEHE “is developing contingency plans and will be ready to welcome all students to the public school system if they make the shift.” Examples of elements of this plan, according to Yarak, include a hotline to direct parents to the nearest public school in their area and a strategy to distribute teachers according to areas of the country with the highest student demand.

Some of the educators EXECUTIVE spoke with believe the situation calls for a restructuring of the education system in Lebanon. “I don’t believe there is still room for adapting to these circumstances—it is time to wake up and smell the coffee,” Husni says. “Private schools will soon not exceed 10 percent of the total schools [in Lebanon]. In other countries, students go to public schools and only the elite go to private schools but here the quality of the public education is so low that most students prefer private schools.” Husni adds that he questions the ability of public schools to develop well-rounded students equipped with 21st century skills.

Azar says that it is high time for a collaboration between private schools and the MoEHE through what he calls a “student card,” which is currently a

proposal painted in broad strokes where parents would have access to a predetermined funding amount under the MoEHE umbrella. The card, with a yet to be determined funding mechanism, would enable parents to direct a fixed entitlement to pay all or part of their child’s cost of attendance at either a public or private school of their choice. As the basic cost of education—which Azar estimates to be LL3 to 5 million per school year—will be provided via the card regardless of the school type, parents can use this amount toward paying tuition at a private school if they have the means to cover the school’s additional tuition charges out of their pocket. Private schools would still be free to set their own tuition but parents could use the card to supplement education in more expensive private schools, or find a school where the MoEHE covered amount is enough—Azar says that within his network in 175 of 330 schools the LL5 million per student would be sufficient. Yarak confirms that this idea has been proposed by the Association of Private Educational Institutes but says “it is not as simple as flipping on a light switch” and needs the passage of laws and the securing of a budget.

In the grip of these economic and coronavirus crises, it is difficult to make any solid plans for the future of anything, let alone the future of private education in Lebanon, which has been struggling financially for the past several years. Yet, if the situation continues as is without intervention, Lebanon would be in danger of losing one of its main assets and most successful exports: the brains of its well-educated citizens. The country would also be losing whatever chance it has left to rise out of the economic crisis and build a better country for the next generation—without schools that teach students not only 21st century skills but also citizenship and tolerance, what hope is there for Lebanon? 

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The view from afar



Lebanon's experience with distance learning

First published online June 11

As students across the world got ready for their first day back at school last fall, they could not have known that they would be spending almost all of the last trimester at home, communicating virtually with their teachers and deprived of the usually enjoyable social elements of campus life such as recess or after-school activities. Graduates of the class of 2020 who were looking forward to their proms and graduation ceremonies could never have imagined that those would be happening remotely, over a screen.

Much like it did with many aspects of modern life—be it social interactions, work, or even grocery shopping—COVID-19-related lockdown measures have upended the current academic year with 134 country-wide school closures and 1.1 billion learners affected by the pandemic, according to June figures published by UNESCO. At the global peak of the pandemic in early April, there were 194 country-wide

school closures affecting 1.3 billion students or 91.3 percent of total enrolled learners, according to UNESCO's figures.

To ensure at least some continuity of education, and following a period of adjustment, many schools worldwide set up distance learning programs. This was achieved through several channels, from elaborate interactive online classes to broadcasting lessons on national TV stations, depending on what was feasible, in terms of access to technology, for each country.

Lebanon first shut down its schools on February 29, a week after the first case of coronavirus was detected in the country, and made the switch to distance learning on March 17 (see timeline box, page 53). Given the discrepancies both in the income levels of the Lebanese and in the quality of education in the country's schools,

the success of distance learning programs was not uniform. With schools not reopening this academic year, EXECUTIVE has investigated how Lebanese schools approached distance learning and what were the main lessons learned.

THE CASE OF LEBANON

Many schools in Lebanon as of March 2020 were already familiar with distance learning, with students having spent an average of at least fifteen school days at home pre-COVID-19 lockdown due to the closures during the *thawra* (revolution) at the end of last year. The number of school closure days depended on whether the school was located in an area that was affected by the protests, according to Shukri Husni, chairperson of the board and director general of the Learner's World International Schools (LWIS), which operates four schools across Lebanon catering mainly to middle- and high-income families. "We were well-trained, the social unrest period helped in that (laughs), so when corona came we were ready," he says, adding that the LWIS network was in full operation

■ In early April, there were 194 country-wide school closures affecting 1.3 billion students or 91.3 percent of total enrolled learners.

the day after the school campuses closed down.

Father Boutros Azar, secretary general of the General Secretariat of Catholic Schools and coordinator of the Association of Private Educational Institutions in Lebanon,

TIMELINE OF SCHOOL CLOSURES

On February 28, a week following the discovery of the first coronavirus case in Lebanon, the Ministry of Education and Higher Education (MoEHE) announced, through Circular 8, the closures of all educational institutions from February 29 to March 8.

On March 8, Circular 11 postponed the reopening date until March 15 but on that day, the government announced a lockdown and the full closure of all public institutions and businesses. Despite a series of later retracted re-opening dates for schools (as the number of coronavirus cases remained on the rise), school premises in Lebanon essentially remained closed for the remainder of the school year. On June 1, the MoEHE announced that the last day of distance learning for the 2019/2020 academic year would be on June 13; the end of the school year for teachers and admin was set for June 25.

Students who were supposed to sit for official exams, namely *Brevet* and *Baccalaureate* students, were given an automatic *e'fa* or pass. Should students return to school in 2020/2021 academic year, the MoEHE says it is in the process of preparing a plan that would ensure that learning lost in the last trimester of this academic year will be covered.

also tells EXECUTIVE that Catholic schools in Lebanon were “pioneers in distance learning and experienced it early in the academic year because of the *hirak* (movement).” He acknowledges, however, that thawra-related closures were not nationwide (schools situated away from the protests operated as usual) or continuous (like the COVID-19 school closures) and so some schools did not have distance learning programs already in place when coronavirus hit.

STUDYING BY ANY MEANS

Realizing that schools would not continue as usual this year, the Ministry of Education and Higher Education (MoEHE) announced a national distance learning strategy on March 17, two days after national lockdown was announced (but almost two weeks after education institutes had closed). According to the MoEHE’s May 15 report on the findings of its distance learning initiative (seen in advance of its publication by EXECUTIVE), this strategy was guided and supported by “multilateral agencies such as UNESCO, UNDP, WHO, bilateral donor partners, and external partnerships with the global education community.”

The strategy had three recommended pathways or channels for distance learning, as per the report. The first channel was through television broadcasting whereby lessons for students in the *Brevet* and *Baccalaureate* classes were filmed at the MoEHE and the Center for Educational Research and Development (which goes by its French acronym CRDP) and aired on the state television station, Tele Liban, a schedule of which was communicated to the parents by the individual schools.

The second channel was online through interactive e-learning platforms that public school students could access through the CRDP’s dedicated digital learning website—the website features on-demand interactive resources for the Lebanese curriculum that could be browsed by topic as well as an “international libraries” page that features lessons from a variety of international educational technology (edtech) platforms such as Rosetta Stone, a language app, or Britannica Digital Learning.

The third was a low tech option, referred to as “communication via traditional means” in the report, where parents arranged to pick up hard copies of assignments from the school.

LEARNING FROM BEHIND A SCREEN

Of the different channels of remote learning, ones that rely on ed-tech have the potential to be the most interactive and therefore the most effective. International adoption of ed-tech was on the rise—with global investments reaching \$18.66 billion in 2019—even before the onset of COVID-19 created a “significant surge in usage” of online learning tools such as language apps, virtual tutoring, and video conferencing tools, according to the World Economic Forum.

While there are no official or collated figures regarding the number of private schools in Lebanon that provided their students with online learning tools, Azar says the majority of Catholic schools in his network used online education channels through Microsoft Teams, a unified communications platform that allows for group chat, video meetings, file sharing, and storage (he was unable to provide an exact percentage of the schools who followed online programs). “We, the General Secretariat of Catholic Schools, already had a contract with Microsoft for some of the schools in the network,” he says. “I don’t recall what we paid them at the time but it was not a big sum because it was done through us and not the individual schools.” Azar explains that post COVID-19 school closures, Microsoft opened up their Teams platform free of charge for all the schools within their network that wished to benefit from it and provided free training sessions for teachers as well.

Some curriculums followed by private schools in Lebanon, such as the International Baccalaureate (IB) or French Baccalaureate programs, are more conducive to online learning than the Lebanese curriculum, as they are based on research and inquiry learning, both of which are tech reliant, says Husni. Students who attended these schools, typi-

COO OF GEEK EXPRESS ON CODING AND STEM SKILLS IN LEBANON AND THE MENA REGION

COVID-19 related school closures and the switch to distance learning has changed our thinking of education and opened it up to new channels of acquiring the skills needed for a viable future. One of those channels for learning is online where students can interact live with their teachers in a virtual classroom. This mode of learning has in turn further highlighted the importance of technology in our daily lives. EXECUTIVE sat with Rayan Najdi, the COO of Geek Express, an after-school tech education platform that offers both online and in-location courses in coding and other STEM (science, technology, engineering and math) skills, to discuss how COVID-19 has impacted their startup.

What are the most in-demand skills in your menu of offerings?

To be frank, coding is the main element. One, because we basically advocate for its importance very much as we believe it is highly needed. And two because parents, especially nowadays, are starting to understand its importance. COVID-19 came to accelerate this understanding. In fact, during the crisis, as a startup, we grew in market share. We have our financial struggles of course, but in terms of market share we grew by 50 percent.

What do you see as the factors behind this rapid growth?

The element of confinement played an important role.

But also parents, witnessing how their whole lives were disrupted—be it education of their children, their careers, or their health—started to embrace technology and understand how important it is in the future. This weakness we had in the Arab region where we use technology as passive consumers and not active creators was highlighted in the COVID-19 times.

I have to say that it is not the same across all the MENA region and we have some beautiful initiatives around. The UAE are doing fantastically well because they were ready and they were advocating for the use of technology in education.

In Lebanon, this critical move toward technology was scary for parents and they have started to understand the importance of coding and moving toward that.

As a startup which deals with edutech, what is your opinion about the distance learning initiative launched in Lebanon as a response to the COVID-19 lockdown measures?

Unfortunately, in Lebanon, save for few schools and universities, we have not adopted online education yet. We reacted fairly well to the situation. But when you take a lesson from an offline curriculum and you run it over Zoom, with the teacher lecturing the students over camera, we do not consider this online education. Online education has to be through an immersive curriculum with teachers who are trained in presenting content through this channel and the students themselves have to be trained.

To achieve proper tech and online education, we need a change in curriculum. Our curriculums are not relevant to what is happening in the world and where the future lies for one. Second, they are outdated and are unable to move toward online education. If lockdown is resumed in September, we will suffer from the same problems with online education again, unless we have a significant shift in curriculum.

How has COVID-19 and the economic crisis in Lebanon affected you as a company?

COVID-19 came to boost our brand awareness but financially, as a startup, we are looking at hardships from now until the end of the year. But the good thing is that we have a local community of supporters who are with us all the way.

From a business perspective, it has become very hard to run a business in Lebanon because you end up working as a *sarraf* (exchange dealer). Between the *lollar*, dollar, fresh money, and Lebanese lira we have four currencies in circulation nowadays in Lebanon. This is not normal and unfortunately a lot of startups are already closing down.

cally those that belong to medium- and high-income families, smoothly transitioned to distance learning through online tools, he says, giving the example of his four schools having “no problem transitioning to online learning since we are already tech-based schools.”

DIGITALLY DIVIDED

The problem with online learning, however, is that it is a victim of

the digital divide, defined as the gulf between those who have ready access to computers and the internet, and those who do not. The digital divide in relation to coronavirus is a global issue with the World Economic Forum reporting that 3.7 billion people do not have access to the internet and are unable to work or study from home.

Lebanon is no different, and schools in remote areas that cater to low-income families used low-tech

methods of distance learning as opposed to e-platforms. According to statistics from the MoEHE’s regional education offices, based on surveys they conducted in their areas and published in the report, TV broadcasts was the most used channel of distance education among public school students across Lebanon in Baccalaureate classes, with 67 percent of those surveyed saying they used it versus 26 percent who used the

CRDP recommended e-platforms. For other public school grade levels, statistics on the breakdown of channels were not available in the report.

Marjoyoun National College (MNC), located close to the border in south Lebanon, used WhatsApp to communicate with its students and send them their assignments, although it was not a very systematic process, according to Murad Jurdak, president of the board of MNC and professor of mathematics education at the American University of Beirut. “In rural areas, families do not have computers at home and the internet is weak,” he says. “We basically don’t have the necessary infrastructure in our community to have an effective online program. Even if we want to apply it, some students will be at a disadvantage.”

Azar mentions the high cost of internet in Lebanon as a barrier to online education among low-income families. The daily power outages, a common occurrence in Lebanon that can last from three to 12 hours depending on the area, were also detrimental to students with no subscriptions to private generators and who had to attend classes at a certain time. As such, Azar says, those schools in his network that did not have access to online learning either followed the televised lessons or had parents physically pick up students’ assignments.

SPOT THE DIFFERENCE

Online access aside, distance learning was met with several other challenges, one of which was lack of parental involvement in their children’s education. Jurdak believes this due to income discrepancies and social inequality. “This social inequality is a problem by itself,” he says. “Some families have a good education and can help their children benefit from online education, while others cannot do so. This equity is a problem not only for us but for public schools as well.”

Indeed, the MoEHE’s report mentioned that a “lack of educational

qualifications or technical expertise constituted a major obstacle to work on the online platform which prompted many schools to work across WhatsApp groups where the participation rates among students was much higher.”

Parents across the Arab region have struggled with their children’s online education, according to initial findings of an opt-in survey conducted by UNESCO. According to Mona Betour el-Zoghbi, a consultant working with the Education Programme at UNESCO Beirut Office, “almost 55 percent of respondents think that online education is more stressful for the parents than for the students or the teachers, and more than 33 percent report feeling overwhelmed and tired” (see UNESCO article, page 58).

Azar believes that stress and uncertainty of the pandemic lockdown played their part in distracting families from learning, with low-income families being more likely to be worried about the ongoing economic crisis in Lebanon as well. “The pressure that families are facing in the lockdown is not easy and also disrupts education,” he says. “Children too are suffering; they cannot go out and play or have a normal life, they spend their day on the screen.” Azar adds that when and if children return to school next fall, there will have to be a period of time in which teachers will need to pay extra attention to the emotional and social wellbeing of students in their post-lockdown adjustment.

Husni says schools that cater to low- and low- to middle-income level families, which he believes constitutes the vast majority, tend to favor traditional methods of learning and have not integrated technology into their programs. “There is no culture of online education [in these schools], nor do they have the ability or resources to provide it,” he says, giving the ex-

ample of a school he visited in Akkar, north Lebanon, which provided its elementary level students with only one YouTube video a week as its online learning offering.

LESSONS LEARNED

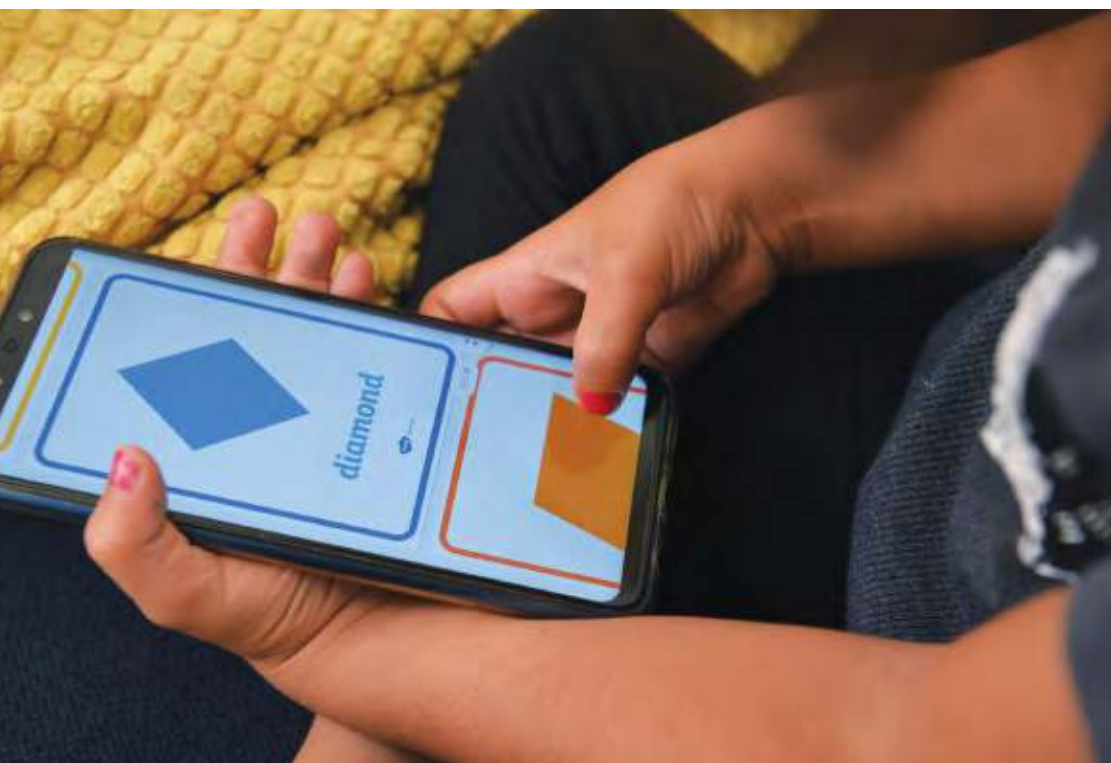
As the school year draws to a close, it is the perfect time for stakeholders in education to look back and assess Lebanon’s experience with distance learning. This is especially important if a second wave of cases is detected in the fall, and schools need to resort to distance learning once again, or if we will have cyclical waves

■ “We basically don’t have the necessary infrastructure in our community to have an effective online program.”

of closures and reopenings over the next few years.

Azar says further training is required for all involved in online education. “For online to have succeeded better, it would have been better to have more training before usage and here I don’t mean only training for teachers or admin but also for the parents to be able to help their child,” he says. “Even students should have been mentally prepared that they will be pursuing their education online. But things were forced upon us suddenly.”

Husni says there are few online resources for Arabic education, which hindered students’ progress in this subject matter during the trimester they spent behind a screen. “It is hard to find online resources for Arabic,” he says. “We’ve developed our own distance learning program based on videotapes and are in the process of sending a full sample of it to the ministry of education in hopes of them adopting it (for free). We believe that Arabic is very important for us since it is our native



■ “It is clear that, if distance learning is to continue, work will need to be done to support monitoring, evaluation and quality assurance of materials.”

language, it is a very marketable skill for every Lebanese student and it is a beautiful language.”

Assessment measures regarding whether key learning objectives were met through distance learning were lacking in many schools and weak in the schools they were found in, according to the MoEHE report, which cites this as a reason why many students did not take distance learning seriously and so did not consistently participate in online classes. Even in schools where there was testing for acquired skills, parents anecdotally reported that they were helping their children out to ensure a higher grade for them. As such, MoEHE’s report says that “it is clear that, if distance learning is to continue, work will need to be done to support monitoring, evaluation and quality assurance of materials.” The report also mentions that teacher training and support of families and teachers in “adjusting to new channels of education” are priorities to tackle should distance learning continue.

THE COMEBACK

It is still unclear as of mid-June whether students in Lebanon will return to school in the fall. In late April, UNESCO, UNICEF, the World Food Programme, and the World Bank jointly released a Framework for reopening schools with guidelines for schools to follow when deciding whether or not to reopen their premises. The framework also includes detailed points to consider for the schools that do reopen, including everything from health and safety issues, such as having enough handwashing stations, to implications of the lockdown on students’ wellbeing and equipping teachers to deal with students’ mental health upon their return.

Based on this framework, the MoEHE’s report puts forward several factors to consider when thinking of reopening schools and says it will follow the World Health Organization and UNESCO’s recommendations in deciding how to proceed.

Points included in the report are whether it would be prudent to thin out classroom capacity by dividing classes into smaller groups that would come to school on alternate days, how to identify an infection before the child comes to school, how to maintain safety at school, and what measures to have in place should an infection be identified in a school. All of these are valid questions with no answers at this point.

Although stakeholders in education are surely also in need of a break from a tough year—probably spent learning new online communication skills and adapting their teaching amid difficult professional and personal circumstances—there is still much work that needs to be done. Now is the time to work on preparing the 2020/2021 academic year, be it from a distance or physically in school premises, and to make sure to learn from the challenges and experiences of this academic year moving forward. ■

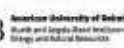
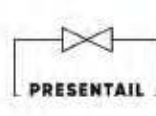
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By Mona Betour el-Zoghbi

Perspectives, priorities, and possibilities for education amid pandemics



UNESCO survey exploring remote learning experiences during COVID-19 lockdowns

First published online on May 21

According to the initial results from a May survey being administered by the UNESCO Regional Bureau for Education in the Arab States (UNESCO Beirut Office), more than half of the parents of schoolchildren in the Arab region consider current online studying (whether using an online platform, mobile application, etc.) to be “inefficient” when compared to the traditional approach (face-to-face in a classroom). In addition, more than 80 percent of the parents are concerned that home-schooling is not providing the necessary education for their children.

The survey, which targets parents of schoolchildren currently residing in all countries across the Arab region, was launched this May by the UNESCO Beirut Office, as part of its multi-

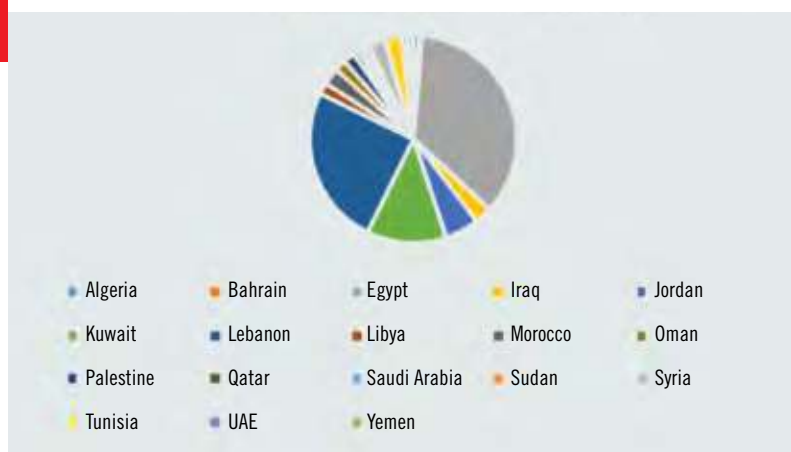
pronged response to the COVID-19 pandemic and its impacts on the educational system. This response includes the formation of an Arab Regional Task-Force for COVID-19 Educational Response to support member states in deploying equitable distance learning solutions and to build more resilient, innovative, and open education systems. It also encompasses the formulation of a regional communications strategy to raise awareness on relevant topics amongst various target audiences such as teachers, students, and policy-makers through producing brochures, videos, and social media messages, as well as circulars and policy papers on topics such as higher education in the Arab states and technical and vocational education and training.

ASSESSING FUTURE NEEDS

The main aim of the survey is to explore the needs, challenges, and priorities of parents and children during the current COVID-19 pandemic, and to identify the most important lessons and takeaways from this experience to help guide future educational planning and design in the region. The opt-in survey, which is running throughout May, has been widely disseminated online (on our website, and via email and social media) in both English and Arabic versions, through the multiple networks and partners of the UNESCO Regional Bureau for Education in the Arab States. Over 750 responses to the survey have been garnered from more than 18 Arab countries at time of writing (see chart, page 59); with almost half of these responses from Lebanon, Syria, Egypt, Jordan, and Kuwait combined, and the other half dispersed across the remaining Arab countries. While this was an exploratory survey, the response rate thus far suggests that this online, opt-in survey format has provided a much-needed platform for parents to voice their concerns and share their experiences during these critical times of transformative change in the region and the world.

The data generated by May 20 provides important insight into what parents and students are thinking about remote learning and how they assess their experience with it. (These are initial findings; a deeper data analysis will not be possible until all responses have been gathered.) One of the main recurring issues that was raised amongst parents who reported that their children are utilizing online learning platforms

GENERAL OVERVIEW OF RESPONSE RATE PER ARAB COUNTRY (ESTIMATE AS OF 20 MAY, 2020)



Source: UNESCO Beirut Office

was the difficulty of securing good internet access at home. The data indicated that such difficulty was faced both in terms of availability of infrastructure and connection, as well as the sufficiency of the limited quota for such extensive daily usage. Many respondents called for the provision of free or facilitated internet access to households during these times of remote learning. Some also raised the need for the government to provide free access to a homeschooling curriculum and supplementary material and tools that can offer guidance and assistance to both students and their parents, especially for poor households or for public schools that might not have internet access or the digital tools (such as Edmodo, Zoom, Socrative, or Google Classrooms) necessary for adequate online learning.

Other challenges facing families with regard to remote learning and home study range from the technical to the practical. Over 60 percent of responding parents thus far report that their children have too many distractions at home and so have difficulty keeping a regular study schedule. In terms of the user friendliness of remote learning, just 30 percent of

parents report that their children are capable of using an online platform, by, for example, coordinating timings and classes, and maintaining concentration. Many respondents emphasize the need to benefit from technology for more timely and efficient feedback to students so they can better evaluate and regulate their learning. Others also call to simplify lessons and reduce online classes so that students are not overwhelmed. Lack of access to good educational online resources in the Arabic language was raised by 15 percent of respondents.

The main dilemma facing parents seems to be that of balancing work and homeschooling. Almost 55 percent of respondents think that online education is more stressful for the parents than for the students or the teachers, and more than 33 percent report feeling overwhelmed and tired. The implications of these initial survey responses suggest not only a need for greater technical and digital support for households participating in online learning, but also, and equally important, the provision of psycho-social support and guidance to both chil-

dren and their parents for enhanced well-being. Some respondents even recommend that, in parallel to the regular academic classes online, supplementary courses and orientation should be provided for students as well as for parents on how to study online and best utilize technological applications and search for resources online, for a more efficient and useful learning experience.

With regards to the parents' perspectives regarding online teaching in particular, around 45 percent indicate that teachers need to be better trained and equipped to administer and lead online classes. Special focus is placed on the need for these lessons to be more interactive, to ensure student understanding and concentration through innovative prompts and methods, and to generate better instructional design for a more friendly and facilitated learning process. Overall, the survey responses so far seem to emphasize the importance of promoting teacher training for online classes, student training for remote and autonomous learning, and parental support for overall health and well-being of the family household.

FEAR OF THE RETURN

In projecting the eventual transition back to school, over half of the parents report being "very worried" about the impact of coronavirus on their kids. They indicate the need

■ Almost 55 percent of respondents think that online education is more stressful for parents than for students or teachers.

for ensuring proper awareness for children on how to deal with other students and people in public (such as proximity and hygiene), as well as psycho-social support and physical activity after a prolonged period

of confinement. In terms of educational content, many parents see a need for schools to administer additional classes to make-up for lost time and to incorporate blended learning through a combination of online and face-to-face learning methods.

As for the main policy measures that survey respondents would like governments to take, more than half of the respondents so far agree on facilitating or even canceling official examinations, whereas many others call for prioritizing learning objectives and reducing the curriculum requirements for moving to the next grade. The provision of financial support to families who lost their income was also amongst the top answers, along with providing practical guidelines for parents and students to support distance learning. In addition, many of the survey respondents voice concern with regard to vulnerable students, including poor households as well as the refugees and displaced. They call on their governments to develop educational resources for autonomous learning for children who are unable to access online platforms, and to promote a more inclusive educational response with special focus on households and children living in rural and remote areas.


Finally, the survey also highlights the need for Arab countries to maxi-

mize the benefit from technological innovations and digital tools for improving the online learning experience for students and learners in general. Many respondents call for the development of a comprehensive online platform that contains all necessary services such as online classes, new assessment and assignment tools such as the smart-board or the point-based system, and free educational resources and guidebooks. Others point to the need to develop good software, applications, and online platforms for hands-on/practical lessons, such as science classes, laboratory classes, or technical and vocational education and training, and for incorporating artistic and physical education activities into online learning in a more methodical way.

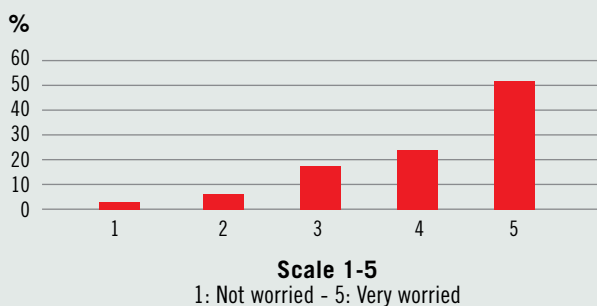
LEAVE NO ONE BEHIND

Ultimately, the challenge for the Arab region remains developing sustainable solutions to educational provision that is also equitable and inclusive, and which leaves no one behind. In line with the insights generated through this survey, UNESCO remains committed to supporting governments for distance learning as well as for access to science, knowledge, and culture-sharing for the Arab re-

gion. The key targeted reprogramming efforts entail a priority focus on supporting countries and learning institutions in school reopenings, with main pillars of health and safety, quality of education, inclusivity, and overall well-being. In addition, increased emphasis is being placed on building the capacities of educators and teachers for remote learning, especially using online resources, as well as for developing tools for crisis-sensitive planning and curricula. A more long-term outlook poses questions on rethinking education amid the implications of COVID-19 for the education sector policy reforms in the Arab region, and developing a long-term strategy for strengthening e-learning in the region, including needs assessment of distinct countries and their capabilities in implementing e-learning.

The UNESCO response is also set within a wider UN system framework to comprehensively address the needs and responses in both the short and long term. At the global level, one of UNESCO's most immediate responses to the COVID-19 crisis was the launch of a Global Education Coalition with three flagship programs on gender, teachers, and connectivity. In addition, UNESCO provided policy and technical support to member states, established communities of practice in direct coordination with ministries of education, and organized global and regional webinars on different topics. Overall, UNESCO's core areas of action have focused on main pillars, which entail rebuilding educational systems, promoting environmental sustainability, recognizing cultures in economic recovery, securing access to reliable information for all, and preventing discrimination to achieve social cohesion whilst reaching out to vulnerable countries and populations. 

TO WHAT EXTENT ARE YOU WORRIED ABOUT THE IMPACT OF CORONAVIRUS WHEN YOUR CHILDREN RETURN BACK TO SCHOOL?



Source: UNESCO Beirut Office

Mona Betour el-Zoghbi is a consultant working with the Education Programme at UNESCO Beirut Office.

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By Dr. Lilian Ghandour

The new normal



Testing for COVID-19 in Lebanon

First published online on May 22

This pandemic has been described as the defining global health crisis of our time. The novel coronavirus or SARS-CoV-2 is the cause of a deadly respiratory disease called COVID-19, currently affecting all continents, except Antarctica. Worldwide, at the time of writing, the virus has infected more than 5 million individuals and resulted in more than 300,000 deaths. From early in the pandemic, scientists raced to develop a vaccine, and many countries rushed to implement public health non-pharmaceutical interventions (such as local and national lockdowns, closure of academic institutions, and wide-scale social and physical distancing) to slow the spread of the virus. Since mid-March, the Director General of the World Health Organization (WHO) Dr. Tedros Adhanom Ghebreyesus has been stressing the importance of testing, testing, and more testing. Since lockdowns cannot go on forever (for social, economic, and mental

health reasons), scaling up testing, isolation, and contact tracing to sustain the flattened curve in Lebanon (slowed transmission of the virus to ensure hospitals are not overrun) must be an integral component of a larger holistic national exit strategy.

Still, testing is not one size fits all. There are different types of tests, as well as different ways of testing. Testing policies, which vary across countries and over time within countries, also define the function and outcome of the testing procedure. In the initial phases of the epidemic in Lebanon, for example, the focus was on testing symptomatic individuals and key groups (elderly, individuals with severe symptoms or returning from an infected country, or those who have possibly encountered a confirmed case). The goal of that “targeted testing” has been the identification and isolation of cases and their contacts to suppress transmission. Early in April, the Lebanese government expanded

its testing capacity, and fifteen additional testing sites were added to Rafik Hariri University Hospital (RHUH), the primary and only governmental center offering free testing services since the beginning of the epidemic. On April 5, Lebanon began the first phase of repatriation of Lebanese nationals stranded abroad, and naturally, the number of tests began to increase (with daily fluctuations in test numbers). Official reports are published daily documenting separately the results for residents versus returning expatriates to monitor the number of “imported cases” *vis-à-vis* “local cases,” the latter being more of an indicator of local transmission (though the burden on the local health care capacity is bound to be affected by the number of all infected cases, regardless of source). On April 20, the Ministry of Public Health began population screening or what they called “random testing” (though it is not so random, see below) in different areas of Lebanon. The open public testing was a step toward identifying asymptomatic cases (those who are shedding the virus without showing symptoms). With the gradual easing of lockdown measures since April 27 and the continued repatriation of expatriates, it should not be surprising if the numbers of new confirmed cases begins to rise again (especially if suspected cases are not quarantined, and people are not practicing social distancing). With the lifting of restrictions, the role of mass testing becomes even more critical for the containment and suppression of the virus spread. With that in mind, what do we need to know about testing?

CURRENT MASS TESTING IS NOT SO MASSIVE

As of May 22, Lebanon has carried out approximately 60,000 polymerase chain reaction (PCR) tests in an estimated population of 6 million, so about 10,000 tests per 1 million. While the country's testing capacity has been significantly improving and the ratio of total number of tests conducted thus far per million inhabitants is close to the world average (10,500 per million), it is still far from the ratios calculated for other countries such as the neighboring United Arab Emirates, which has a 15-fold greater ratio (150,000 tests per a million, among the highest globally). The number of daily tests conducted in Lebanon is variable, generally lower on weekends, and averaging in the 10 days up to May 22 around 1,400 tests per day (though there is no official target, local experts have suggested the need for 2,500 to 3,000 tests per day in Lebanon).

CURRENT RANDOM TESTING IS NOT SO RANDOM

Population screening can be done on a "self-selected" or a "random" group of people. When a group of individuals chooses to be tested, regardless of their symptoms or contacts, they will constitute a self-selected sample or a biased sample of the population from which they come (they came forward for personal reasons). The majority of that same population will remain untested, and within that group, some self-suspecting cases may not come forward for various purposes including access (most centers are in urban areas), cost (the test is free in RHUH only, and costs LL150,000-200,000 in other centers), stigma (fear of being labeled), or simply a lack of perceived need (asymptomatic case). This is what random testing aims to resolve. The standard dictionary definition of selecting subjects at random would be "without definite aim, direction,

rule, or method." This is far from the epidemiological definition of random sampling, which is very much methodical. In random sampling, a pool of people are identified (could be residents of a particular area), and each resident has a known, non-zero probability of being selected. When a random sample is tested for COVID-19, the percentage positive can then be extrapolated to represent the percentage of people affected in that community (with a certain standard error). This is not the case with the percentage derived from self-selected samples that represent only the tip of the iceberg. When testing capacity is limited, targeted testing is more justified to identify cases, trace contacts, and suppress spread. Without random testing, however, epidemiologists and public health officials in Lebanon can only hypothesize or predict (via mathematical modeling) but never truly know the true virus infection rate (nor the true case fatal-

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ity rate) in the country. Random testing may be conducted nationwide, but amidst limited resources, they can begin to take place in selected areas or clusters, or targeted groups that may be considered most vulnerable such as the elderly or people with chronic conditions, or those groups whose conditions are less known to authorities, such as people living in rural areas or refugee camps.

DIFFERENT TESTS TELL A DIFFERENT STORY

The American Center for Disease Control (CDC) currently lists two types of tests for COVID-19: a diagnostic viral test and an antibody test. The most common diagnostic test is the molecular (RT-PCR) test (typically based on a nose or throat swab) that identifies active infections (people who are infected at the time of the test). Identifying and isolating active COVID-19 cases and tracing their contacts is necessary for providing treatment for those infected, and reducing the transmission of the virus from those infected to others. Still, the RT-PCR can neither tell us if the person was infected in the past (and recovered) nor guarantees immunity in the future. The RT-PCR test is typically highly accurate but concerns of false negatives have been reported for various reasons (for example, swab was not taken or stored adequately). Serological tests (or an antibody test on drawn blood) identify persons who were infected in the past and recovered (and ideally developed an immune response). Serological tests can provide insight on the evolution of the epidemic and whether the threshold for herd immunity has been reached. Serological testing in Lebanon is not yet recognized. The U.S. Food and Drug Administration (FDA) describes other newer diagnostic tests with their sets of benefits and limitations (e.g., rapid, point-of-care diagnostic antigen tests; at-home collection tests). Besides differences in their utility, existing tests also vary in their availability, cost, how the sample is taken, and the

time needed to get the results back, and these aspects continue to evolve as test developers work to streamline the testing process.

IT ONLY COUNTS IF YOU COUNT IT

Bottom line, if you do not count it, it will not count. Epidemiological surveillance of COVID-19 allows us to understand the local dynamics of the virus, evaluate the containment of the spread, and make predictions. Surveillance data also informs local policies and interventions and allows stakeholders to re-evaluate their decisions continuously. As of May 22, Lebanon has recorded 1086 confirmed COVID-19 cases and 26 deaths, and the epidemic curve had been flattened until the surge in cases starting early May. Of course, conclusions are as valid as the numbers—and ours have largely been based on findings of known cases via targeted testing. Assuming a much higher number of undetected mild or asymptomatic cases in the community (which is likely the case for Lebanon), massive testing and epidemiological surveillance are integral to monitoring the actual spread of the virus in the community and to preventing transmission from asymptomatic persons to vulnerable individuals.

TESTING MAY BE THE BACKBONE BUT IS USELESS ALONE

Testing is part of a holistic strategy to identify cases, trace their contacts, and isolate for precaution. Testing alone is futile and contact tracing without an effective plan to quarantine positive cases/isolate suspected cases is similarly useless. At the time of writing, 53 percent of the cases in Lebanon are due to contact with a confirmed case; moreover, 3 percent have an unidentified exposure. Mass testing strategies for COVID-19 have been described as central to lifting confine-

ment restrictions, necessitating that significant logistics and capacity constraints are contextually addressed.

As we learn how to co-exist with COVID-19 in this new normal, we must have in parallel a plan to avoid new peaks and keep infection rates suppressed to avoid overburdening our healthcare system. This is until a vaccine or effective treatment is found. Mass testing (at least targeted, at best both targeted and random) needs to continue, and significantly improve in number and distribution to build a better and transparent information system about the presence, distribution and transmission of COVID-19 in the country and its various communities. On May 22, Lebanon recorded 62 cases (59 locals and 3 expatriates), the highest number recorded in locals since the start of the epidemic (with a 3 percent infection rate considering 2,100 tests were conducted). With the

■ As we learn to co-exist with COVID-19 in this new normal, we must have in parallel a plan to avoid new peaks.

current easing of lockdown measures, resuming of economic activities, repatriation of expatriates, and potential re-opening of land borders and Beirut International Airport, Lebanon is in need of a national strategy and perhaps additional local measures that consider the country's particularities (limited resources and the prevailing economic crisis). This strategy must be evidence-informed, contextualized, and reflect a concerted, coordinated effort between government officials from various ministries, local epidemiologists working on COVID-19, and other stakeholders. Otherwise, we risk going back to square one. ■

Dr. Lilian A. Ghandour is an associate professor of epidemiology at the Faculty of Health Sciences at the American University of Beirut. She is also a member of the executive committee of the Lebanese Epidemiological Association.



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Company Bulletin

■ **Step Conference**, the leading technology festival for emerging markets, has launched Step Anywhere to take place on August 24, 25, and 26. In its first edition, Step Anywhere 2020 is expecting to attract over 3,000 international attendees, 200 showcasing startups, and influential tech leaders and speakers discussing the latest topics and trends across key industries.

■ Like every year, the **LAU Medical Center-Rizk Hospital** celebrated International Nurses Day. This year, however, the occasion takes on a whole new meaning when front line workers are showing exceptional performance and rigorousness in the fight against COVID-19. As such, the LAU Medical Center-Rizk Hospital decided to mark the special celebration, on May 11, to show appreciation and gratefulness for the hard work the nursing team.

■ With its hygiene-boosting products, **LG** offers you solutions that will allow you to breathe high-quality air, giving you and your family peace of mind through cleaner clothes, toys, and air. Notably, LG's air purifiers protect you from dust particles, germs, and other potential risks that present a health threat for you and your loved ones.

■ The new **Nissan Maxima** has been named the "Middle East Car of the Year" in the Large Sedan segment category

at the Middle East Car of the Year (MECOTY) Awards 2020, the biggest and most coveted automotive industry award for the region.

■ **Arab Bank Group** reported net income after tax for the first quarter of 2020 of \$147.6 million as compared to \$231.8 million for the prior period, recording a decrease of 36 percent. Nemeh Sabbagh, CEO, commented that the group's net operating income dropped by only 2 percent, but the bank opted to build more provisions during the first quarter of 2020 as a precautionary measure against the financial implications of COVID-19, and this resulted in the decrease in the reported net income after tax.

■ **Roads for Life**, a post-accident care nonprofit, organized an informative training session on COVID-19 for members of General Security. Eleven members of General Security, including inspectors specialized in awareness and health, as well as individuals and officers who are responsible of conducting investigations, took part in this session, which was held at the **Institute of Finance Basil Fuleihan**, in collaboration with **AUBMC** and in partnership with **BLC Bank**.

■ On May 18, **Samsung Electronics Co., Ltd.** announced the new Galaxy Tab S6 Lite, a stylish and affordable tablet designed for both work and play.

■ On May 12, Ibrahim Muhanna, founder of **i.e. Muhanna & co.** (Actuaries & Consultants), received the International Association of Consulting Actuaries "IACA" Max Lander Lifetime Achievement Award, the most prestigious award given to a consulting actuary globally.

■ Within the framework of its communication and information sector mandate, and UNESCO ICT-CFT framework for teachers using Open Education Resources, **UNESCO Beirut Office** has kicked off its support to **Center for Educational Research and Development**. This support comes through a series of train the trainers online workshops that UNESCO Beirut launched on May 18, aimed at training teachers to cope with the changes, in particular, how to move from traditional teaching to online teaching.

■ Striving to help alleviate burdens that have a high impact on the community by peacefully resolving disputes through specialized communication and negotiation techniques, **Banque BEMO** is reviving its "Mediation Initiative."

■ On May 20, under the patronage of Prime Minister Hassan Diab, represented by Imad Hoballah, minister of industry, **UNIDO**, in partnership with the **Ministry of Industry**, launched safety guidelines developed for the industrial sector entitled "Recommendations and Preven-

tive Measures in Response to COVID-19," at the Grand Serail.

■ As one of the tracks of the **Ministry of Education and Higher Education's** strategy to respond to the COVID-19 crisis focuses on developing online learning as an alternative to school closure, **UNESCO Beirut** and global non-profit **Education Cannot Wait**, with generous support from the **French government**, furnished the ministry with online learning material and digital resources to be used by teachers and students in Lebanon.

■ **Philips Foundation**, which aims to provide access to quality healthcare for disadvantaged communities, together with **Philips Middle East** announced it will provide medical equipment to the **Lebanese Red Cross** toward the prevention, monitoring, and treatment of conditions caused by COVID-19. The donated equipment is an answer to the critical need to address healthcare challenges in the most affected regions in Lebanon.

■ Over the last decade, **Philip Morris International** (PMI) has invested heavily in research and development of smoke-free products that do not rely on combustion and that may be considered as better, but not risk-free, alternatives to cigarettes for smokers who do not intend to stop smoking.

■ Comprehensive efforts for the development and advocacy for economic reforms in the MENA region are being driven by a first-of-its-kind cooperation between **Executive Magazine** and the Regional Office Middle East

and North Africa of **Friedrich Naumann Foundation for Freedom** (FNF MENA). On May 21, Executive Magazine and FNF MENA agreed to launch their cooperation by signing an MoU on the Mediterranean Economic Roadmap project.

■ On May 31, **Hyundai Motor Company** and **Sony Pictures Entertainment** announced they have entered into a unique and unprecedented multi-picture promotional partnership that will feature the automaker's new models and technologies in upcoming Sony Pictures productions. Under the deal Hyundai Motor will also offer substantial marketing support and the companies will collaborate on a wide range of ancillary content creation.

■ **Chateau Ksara**, partnering with fellow Bekaa Valley producer, **Domaine des Tourelles**, overcame the global lockdown by creating a virtual four-hour wine press trip to Lebanon for the UK media, inviting an A-list of wine writers, including three Masters of Wine, to the Bekaa Valley where they explored the region's famous terroir and visited the historic winery.

■ On the occasion of World Environment Day, the **UN** in Lebanon collaborated with **TBWARAAD** advertising agency to launch a communication campaign entitled #MakeltRight. It is a wake-up call for mankind to address the earth's environmental challenges, to be the cure to nature's suffering and to act responsibly, together in solidarity, in order to #MakeltRight.

■ After a production suspension period caused by the COVID-19 pandemic, **Mercedes-Benz** car plants have successfully restarted production step by step. From June onward, all Mercedes-Benz AG plants worldwide will be restarted.

■ In response to the COVID-19 health crisis, and as part of its community involvement initiatives, **McDonald's Lebanon** paid tribute to the commitment, courage, and hard work of the **Rafik Hariri University Hospital's** medical team who carried the brunt of the fight against the novel coronavirus in Lebanon. On Thursday May 28, an honoring ceremony was held at the hospital, during which frontline healthcare staff were awarded the McDonald's Golden Card, entitling them to free McDonald's and McCafé meals and products for a year.

■ **Cannes Lions** is presenting LIONS Live, a curated digital experience for everyone, everywhere, who believes in creative possibility from June 22-26. LIONS Live will bring the global creative community together to address the future of creativity.

■ **Burger King Lebanon** was one of the organizations that reacted swiftly to the coronavirus outbreak. Their corporate social responsibility (CSR) act focused on healthcare workers, whereby they contributed hundreds of free meals for the medical care professionals who are fighting the disease at **Hôpital du Sacré-Cœur** and the emergency medical teams of the **Lebanese Red Cross** throughout the month of April 2020.



BUSINESS ESSENTIALS

Events

CONFERENCES

	ORGANIZERS	CONTACT	WEBSITE
LEBANON			
3 Jun	THE FUTURE OF HR I Have Learned Academy	+961 3 614 493; info@ihavelearned.me	www.ihavelearned.me
4 Jun	HEALTH TECH AND HEALTHCARE: WHAT THE FUTURE LOOKS LIKE MIT Enterprise Forum	+961 1 662 706; info@mitefarab.org	www.mitefarab.org
4 Jun	THINK, ACT AND DO UNDER PRESSURE New Horizons Learning Centers	+961 1 989 808; info@newhorizons.com.lb	www.newhorizons.com.lb
5 Jun	RIISING WITH EMOTIONAL RESILIENCE TO NAVIGATE CHANGE New Horizons Learning Centers	+961 1 989 808; info@newhorizons.com.lb	www.newhorizons.com.lb
9 Jun	LEADERSHIP AND DEVELOPMENT: BUILDING COLLABORATIVE TRUST ACROSS YOUR ORGANIZATION New Horizons Learning Centers	+961 1 989 808; info@newhorizons.com.lb	www.newhorizons.com.lb
10 Jun	HOW STARTUP BUILDERS SAFEGUARD THE ECOSYSTEM FROM THE NEXT GLOBAL PANDEMIC MIT Enterprise Forum	+961 1 662 706; info@mitefarab.org	www.mitefarab.org
11 Jun	INCREASE YOUR SALES DESPITE DIFFICULT TIMES I Have Learned Academy	+961 3 614 493; info@ihavelearned.me	www.ihavelearned.me
15-19 Jun	THE 16TH INTERNATIONAL CONFERENCE ON WIRELESS COMMUNICATIONS & MOBILE COMPUTING Lebanese American University	+961 1 786 456; info@iwcmc.org	www.iwcmc.org/2020
16 Jun	HSE EXCELLENCE VIRTUAL FORUM Fleming	+421 2 5727 2100; info@fleming.events	www.fleming.events
17 Jun	ADAPTING YOUR STARTUP TO A POST-COVID-19 WORLD: IT'S NOT BUSINESS AS USUAL MIT Enterprise Forum	+961 1 662706; info@mitefarab.org	www.mitefarab.org
22 Jun	AGILE LEADERSHIP AND MINDSET FOR TOUGH TIMES I Have Learned Academy	+961 3 614 493; info@ihavelearned.me	www.ihavelearned.me
24 Jun	DECISION MAKING IN UNCERTAIN TIMES I Have Learned Academy	+961 3 614 493; info@ihavelearned.me	www.ihavelearned.me
29 Jun	IS THE COVID-19 A BLACK SWAN, OR THE NEW NORMAL? MIT Enterprise Forum	+961 1 662 706; info@mitefarab.org	www.mitefarab.org
29 Jun	MODERN TIME MANAGEMENT SKILLS I Have Learned Academy	+961 3 614 493; info@ihavelearned.me	www.ihavelearned.me
1 Jul	LEADING FOR GROWTH IN DIFFICULT TIMES I Have Learned Academy	+961 3 614 493; info@ihavelearned.me	www.ihavelearned.me
1 Jul	THE COMPLETE DIGITAL MARKETING AND ONLINE ADVERTISING COURSE I Have Learned Academy	+961 3 614 493; info@ihavelearned.me	www.ihavelearned.me
DUBAI-UAE			
10 Jun	MOVE VIRTUAL ASIA 2020 Terrapinn	+971 4 440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
22-23 Jun	VIRTUAL ATD MIDDLE EAST CONFERENCE Informa Middle East	+971 4 407 2500; info-mea@informa.com	www.informa-mea.com
23-26 Jun	EDUTECH VIRTUAL ASIA Terrapinn	+971 4 440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
25-Jun	RAIL VIRTUAL 2020 Terrapinn	+971 4 440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
6-9 Jul	SEAMLESS VIRTUAL 2020 Terrapinn	+971 4 440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
8-9 Sep	SEAMLESS MIDDLE EAST 2020 Terrapinn	+971 4 440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
15-16 Sep	SPARK Terrapinn	+971 4 440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
15-17 Sep	GCC MUNICIPALITIES CLEAN AND HEALTHY CITIES CONFERENCE Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
15-17 Sep	DATAMATIX ECOMMERCE SUMMIT Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
22-23 Sep	VIRTUAL - RE-IMAGINING HEALTHCARE INSURANCE IN 2020 AND BEYOND Informa Middle East	+971 4 407 2500; info-mea@informa.com	www.informa-mea.com
27 Sep	WORLD MARITIME DAY SUMMIT Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
28-29 Sep	VIRTUAL - STRATEGY EXECUTION AND INNOVATION FORUM Informa Middle East	+971 4 407 2500; info-mea@informa.com	www.informa-mea.com
5 Oct	WORLD TEACHERS DAY SUMMIT Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
8 Oct	WORLD POST DAY SUMMIT Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com

	ORGANIZERS	CONTACT	WEBSITE
14-15 Oct	MIDDLE EAST EVENT SHOW Informa Middle East	+971 4 407 2500; info-mea@informa.com	www.informa-mea.com
15 Oct	WORLD FOOD DAY SUMMIT Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
20 Oct	WORLD STATISTICS DAY SUMMIT Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
2-3 Nov	EDEX MENA Informa Middle East	+971 4 407 2500; info-mea@informa.com	www.informa-mea.com
15-17 Nov	CITYSCAPE Informa Middle East	+971 4 407 2500; info@cityscapeglobal	www.cityscapeglobal.com
16-18 Nov	HR SUMMIT AND EXPO Informa Middle East	+971 4 407 2500; info-mea@informa.com	www.informa-mea.com
21 Nov	WORLD STATISTICS DAY SUMMIT Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
25 Nov	GCC GOVERNMENT AND BUSINESS ORGANIZATIONS GOLDEN JUBILEE CONFERENCE Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
30 Nov	NATIONAL BRANDING CONFERENCE Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
7 Dec	INTERNATIONAL CIVIL AVIATION DAY SUMMIT Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
9 Dec	INTERNATIONAL ANTI-CORRUPTION DAY SUMMIT Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
ABU DHABI-UAE			
31 Aug - 1 Sep	ABU DHABI GLOBAL FORUM FOR INNOVATION IN AGRICULTURE One CMG	+971 5 0666 8175; m.terkawi@onecmg.com	www.innovationsinagriculture.com
1 Oct	HIMAYA Al Iktissad Wal Aamal	+971 4 294 1441; forums@iktissad.com	www.iktissadevents.com
9-12 Nov	ABU DHABI INTERNATIONAL PETROLEUM EXHIBITION AND CONFERENCE dmg Events	+971 4 438 0355; info@dmgevents.com	www.dmgevents.com
SAUDI ARABIA			
7 Sep	EDUCATION INVEST SAUDI Informa Middle East	+971 4 407 2500; info-mea@informa.com	www.informa-mea.com
14-15 Sep	HR SUMMIT AND EXPO Informa Middle East	+971 4 407 2500; info-mea@informa.com	www.informa-mea.com
20-22 Sep	SAUDI WATER FORUM Exicon	+966 1 1460 2332; info@exicon-specialist.com	www.exicon-specialist.com
1-2 Dec	ATD SAUDI ARABIA CONFERENCE Informa Middle East	+971 4 407 2500; info-mea@informa.com	www.informa-mea.com
BAHRAIN			
14-17 Sep	MIDDLE EAST GEOSCIENCE CONFERENCE AND EXPO Informa Markets	+971 4 407 2500; info-mea@informa.com	www.informamarkets.com

BUSINESS ESSENTIALS

Events

EXHIBITIONS

	ORGANIZERS	CONTACT	WEBSITE
LEBANON			
22-24 Oct	WHISKY LIVE Hospitality Services	+961 1 480 081; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb
5-7 Nov	SALON DU CHOCOLAT BEIRUT Hospitality Services	+961 1 480 081; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb
5-7 Nov	BEIRUT COOKING FESTIVAL Hospitality Services	+961 1 480 081; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb
DUBAI			
7-9 Sep	MIDDLE EAST COATINGS SHOW 2020 dmg Events	+971 4 438 0355; info@dmgevents.com	www.dmgevents.com
14-16 Sep	WORKSPACE dmg Events	+971 4 438 0355; info@dmgevents.com	www.dmgevents.com
14-16 Sep	THE HOTEL SHOW DUBAI dmg Events	+971 4 438 0355; info@dmgevents.com	www.dmgevents.com
14-16 Sep	FM EXPO dmg Events	+971 4 438 0355; info@dmgevents.com	www.dmgevents.com
19-21 Oct	AUTOMECHANIKA DUBAI Messe Frankfurt Middle East GmbH	+971 4 389 4500; mectw@uae.messefrankfurt.com	www.ae.messefrankfurt.com
26-28 Oct	AIRPORT SHOW Reed Exhibitions	+971 442082712134; EnquiryREC@reedexpo.co.uk	www.reedexpo.com
10-12 Nov	MIDDLE EAST CLEANING TECHNOLOGY WEEK Messe Frankfurt Middle East GmbH	+971 4 389 4500; mectw@uae.messefrankfurt.com	www.ae.messefrankfurt.com
16-18 Nov	HR SUMMIT AND EXPO Informa Middle East	+971 4 407 2500; info-mea@informa.com	www.informa-mea.com
16-18 Nov	SITL MIDDLE EAST Reed Exhibitions	+971 442082712134; EnquiryREC@reedexpo.co.uk	www.reedexpo.com
23-26 Nov	URBAN DESIGN AND LANDSCAPE EXPO dmg Events	+971 4 438 0355; info@dmgevents.com	www.dmgevents.com
ABU DHABI			
25-29 Oct	JEWELLERY AND WATCH SHOW ABU DHABI Reed Exhibitions	+971 442082712134; EnquiryREC@reedexpo.co.uk	www.reedexpo.com
9-12 Nov	ABU DHABI INTERNATIONAL PETROLEUM EXHIBITION AND CONFERENCE dmg Events	+971 4 438 0355; info@dmgevents.com	www.dmgevents.com
BAHRAIN			
14-17 Sep	MIDDLE EAST GEOSCIENCE CONFERENCE AND EXPO Informa Markets	+971 4 407 2500; info-mea@informa.com	www.informamarkets.com
EGYPT			
5-7 Sep	PAPER MIDDLE EAST Nile Trade Fairs	+202 2 670 5239; info@nilefairs.com	www.nilefairs.com
13-16 Sep	SAHARA Informa Markets	+971 4 407 2500; info-mea@informa.com	www.informamarkets.com
22-24 Sep	THE BIG 5 CONSTRUCT EGYPT dmg Events	+971 4 438 0355; info@dmgevents.com	www.dmgevents.com
26-28 Sep	EDUCATION EGYPT 2020 dmg Events	+971 4 438 0355; info@dmgevents.com	www.dmgevents.com
22-24 Oct	NEXTMOVE Informa Markets	+971 4 407 2500; info-mea@informa.com	www.informamarkets.com
12-15 Nov	HANDLING EXPO International Fairs Group	+202 2 526 4499; info@ifg-eg.com	www.ifg-eg.com
16-18 Dec	FOOD AFRICA IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
16-18 Dec	PACPROCESS MEA IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com

ORGANIZERS

CONTACT

WEBSITE

SAUDI ARABIA			
14-15 Sep	SAUDI EVENT SHOW Informa Middle East	+971 4 407 2500; info-mea@informa.com	www.informa-mea.com
14-15 Sep	HR SUMMIT AND EXPO Informa Middle East	+971 4 407 2500; info-mea@informa.com	www.informa-mea.com
20-22 Sep	GLOBAL HEALTH EXHIBITION Informa Markets	+971 4 407 2500; info-mea@informa.com	www.informamarkets.com
5-8 Oct	SAUDI ELENEX Riyadh Exhibitions Company	+966 1 454 1448; info@recexpo.com	www.recexpo.com
18-20 Nov	DECOFAIR RIYADH Reed Exhibitions	+971 442082712134; EnquiryREC@reedexpo.co.uk	www.reedexpo.com
24-26 Nov	SAUDI HORECA Hospitality Services	+961 1 480 081; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb
KUWAIT			
8-10 Oct	SALON DU CHOCOLAT KUWAIT Hospitality Services	+961 1 480 081; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb
JORDAN			
6-8 Oct	HORECA Hospitality Services	+961 1 480 081; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb
QATAR			
28 Sep - 1 Oct	PROJECT QATAR IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
13-15 Oct	THE BIG 5 CONSTRUCT QATAR dmg Events	+971 4 438 0355; info@dmgevents.com	www.dmgevents.com
13-15 Oct	CITYSCAPE Informa Markets	+971 4 407 2500; info-mea@informa.com	www.informamarkets.com
10-12 Nov	HOSPITALITY QATAR IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
OMAN			
7-9 Dec	PROJECT OMAN IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
14-16 Dec	OMAN AGRO FOOD IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
IRAQ			
21-24 Sep	PROJECT IRAQ IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com

LAST WORD

By Aya Majzoub

Alternative organization

RAMCO strike a key moment for labor rights in Lebanon

First published online on June 4

In early April, about 400 foreign employees of RAMCO, a Lebanese construction, facility, and waste management company, went on strike to demand payment in US dollars and better working conditions. The strike, believed to be the first of its kind among foreign laborers in Lebanon, could set an example for other groups of workers demanding social and economic rights.

Although RAMCO's foreign workers have contracts in US dollars, workers say that since November, the company had been paying them in Lebanese lira at the now-defunct official exchange rate of 1,500 Lebanese lira to the dollar. Since October 2019, the lira has lost more than 60 percent of its value on the parallel exchange market, meaning that their families back home are now unable to afford basic necessities. Walid Bou Saad, RAMCO's director, confirmed to Human Rights Watch (HRW) that the company was paying workers in Lebanese lira, saying that this was because the company itself was receiving its payments from the Lebanese government in the local currency.

The workers eat and sleep on company premises and say RAMCO retains their passports and other identification documents; HRW confirmed the latter with Bou Saad. The workers also say that they are denied the minimum wage and days off. Bou Saad tells HRW the workers are receiving one day off per week as the labor law stipulates, and that their average salary is \$400 per month—the legal minimum wage in Lebanon is LL675,000 (\$450 at the official exchange rate).

The workers called the strike on April 2. When RAMCO employees blocked roads outside company prem-

ises on May 12 and prevented the garbage trucks from leaving, riot police were called in. Videos circulating on social media show the riot police launching tear gas and beating the workers. A small number of workers appear to have destroyed company property. A week later, on May 20, the Bangladeshi embassy in Beirut announced that RAMCO had negotiated a temporary deal with the workers for an increase in their salaries, details of which remain unclear.


Although Lebanese labor law does not specifically exclude foreigners, the protections it affords workers have not been consistently applied for migrants. Like Lebanese workers, foreign workers are entitled to the minimum wage, one day off per week, and two weeks of paid holiday per year, yet many employers do not abide by these standards. Migrant workers subject to the *kafala* (sponsorship) system are particularly vulnerable to abuse as their visas are tied to their employers, meaning they cannot leave or change jobs without their employer's consent—putting them at risk of exploitation. HRW routinely documents reports of abuses against migrant workers, including non-payment of wages, forced confinement, refusal to provide time off, and verbal and physical abuse.

The labor law also discriminates against foreign workers with regard to union membership. While article 92 of the labor code allows some foreign workers to join unions and associations, they are denied the right to elect or be elected as union representatives. Lebanon has arrested and deported migrants who engaged in organizing around migrant worker rights. Such practices violate international human rights law, which requires all countries

to respect the rights of everyone in their territory to freedom of association, without discrimination.

The RAMCO workers' strike was unprecedented. Lea Bou Khater, a labor movement specialist, says that, "in Lebanon's history, there has never been a strike like this among foreign workers, both in terms of the number of workers involved and the length of the collective action," arguing that it could be significant for the entire private sector. She tells HRW that a variety of factors, including restrictive labor market features, Lebanon's legal framework, and the internal organization and structure of the General Confederation of Lebanese Workers help explain why less than 6 percent of Lebanon's labor force are represented by this umbrella union and why such strikes are rare in Lebanon.

Lebanon's October Revolution was largely driven by the struggle for social and economic rights. If the most marginalized workers can organize around their shared interests, then other groups can too. Workers and professionals have already started to create alternative syndicates and unions—with their own by-laws and organizational structures—to consolidate the gains of the revolution and to bypass existing ineffective unions that have been widely co-opted by political elites.

This cross-sectarian, interest-based mobilization may be the best method to dismantle a corrupt, sectarian-based 'spoils system' and achieve social justice. This should begin with ensuring that the most marginalized workers are empowered, including by abolishing the abusive *kafala* system. 

Aya Majzoub is the Lebanon researcher at Human Rights Watch.


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NEW INTERIOR



RESTAURANT BAR	CENTRALE
Mar Maroun st. Saifi	

RESERVATIONS: 03 915 925 / 01 57 58 58

A man in a black tuxedo and a woman in a red dress are in a room with a large chandelier and a violin on the floor. The man is standing and looking at the camera, while the woman is sitting on a white chair, looking down. The room has large windows with sheer curtains and a polished wooden floor.

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