


Executive

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WEALTH MANAGEMENT

EDITORIAL

#247-248

To you, our enemy

The massive destruction caused by criminal negligence on behalf of our politicians is impossible to assess. Innocent lives were lost. Property, seaport, livelihoods, schools, hospitals, homes, jobs, businesses, trade, dreams, and aspirations were totally destroyed. The impact of this deadly criminal act will reverberate for years to come.

Beyond razing the wonderful cultural heritage from the Ottoman and the French era around the city's port—the city's lungs—the carcass of the silo reminds us of the lost aspiration we had in 1968 to turn our country into a regional hub of grain trade. Decades of your greed is making us beg for bread instead.

The streets were transformed to resemble the ugliness that you represent. After the Civil War you collectively sabotaged every effort to build this nation, to bring back its glory, and to achieve its potential.

This Beirut looks like you. What you weren't able to destroy during the Civil War, and what had been rebuilt since, you demolished with your incompetence and ignorance.

People's anger over corruption, mismanagement, and incompetence overthrew your corrupt and unfit government back in October and your assassination of Beirut overthrew your government now.

This is the turning point for this country. It has to be, or all hope is lost. No more posturing or pretending or lying and manipulating, we don't believe any of you, nor your idiotic rhetoric or deceiving doctrines. Disregard to human dignity is a crime and you will be held accountable.

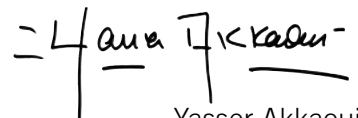
We did not grant you amnesty after the Civil War. You acquitted each other to get busy robbing the people, turning our rich nation into a bankrupt state. You sold our sovereignty, security, and peace for cheap to satisfy the greed of your patrons. You are traitors to this country.

You deserve to be tried like the criminals you are in international courts for the whole world to see, before the children, mothers, fathers, the people in mourning can begin to reconcile their hearts.

We know the truth. You are the traitors.

Justice shall and will be served.

Lebanon will prevail.



Yasser Akkaoui
Editor-in-chief

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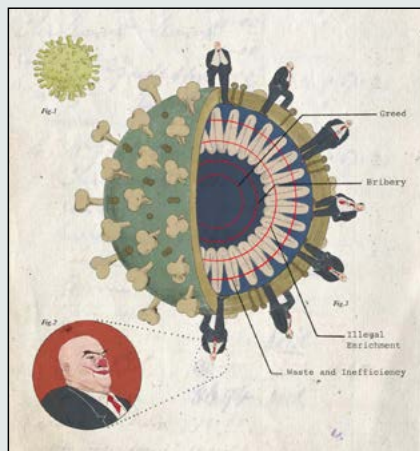
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Editor's note: This issue was prepared prior to the August 4 explosion at Beirut Port and as such the bulk of the stories make no reference to the blast. The editorial, first leader, and introduction to the special report on anti-corruption were penned following the events of August 4 and contain our reflections on the Beirut Port explosion and its aftermath.

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Responsible director Antoine Chidiac
Managing director & editor-in-chief Yasser Akkaoui

Editor-at-large Thomas Schellen
Managing editor Susan Wilson
Hospitality & tourism editor Nabila Rahhal
Photojournalist Greg Demarque
(Additional photos from Getty, AFP, Reuters)
Art direction Tanya Salem
Illustrators Ivan Debs, Sasha Haddad
Contributors Arkan el-Seblani, Ghassan Moukheiber, Celine Merhej,
Assaad Thebian, Carine Tohme, Richard Messick, Sofie A.
Schutte, Riwa Zoghaib, Dr. Lilian A. Ghandour, Alia Ibrahim
Operations manager Lucy Moussa
Web development manager Rabih Ibrahim
Marketing representative Karine Ayoub Mattar
Print & online advertising Michele Hobeika
Public relations manager Maguy Ghorayeb
Subscriptions manager Roula Emanuel
Subscriptions Gladys Najjar
Distribution manager Katia Massoud
Accountant Fadi Bechara

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Sehnaoui Center, 7th floor, Ashrafieh, Beirut
Tel/fax: 01/611-696
editorial@executive.com.lb

Contact us – We need your input.
Please contact us with any suggestions or comments at:
www.executive-magazine.com or
editorial@executive.com.lb

For subscriptions – subscribers@executive.com.lb

LEADERS

*Truthful words are not beautiful.
Beautiful words are not truthful.
Good men do not argue.
Those who argue are not good.
Those who know are not learned.
The learned do not know.*

— LAO TZU

BEIRUT PORT EXPLOSION

FUCK OFF

Three catastrophes and three contradictions

At this pivotal moment of Lebanon's history, it would be counterproductive and even evil to mince words. It is, in the opinion of EXECUTIVE editors, inescapable today to apply the old Chinese sage's paradigm that truthful words are not beautiful. That is why, in our initial discussion for the cover image for this first post-blast issue of EXECUTIVE, we agreed that the magazine would scream FUCK OFF. This message—which has been reassigned as the title message of this leader—is not personal, not targeting any individuals in high or low places. We are not talking to any person or about any human being. We are simply respectfully addressing ourselves to the corrupted system of the old Lebanon's clientelist reality and rentier economy. It is time for conscientious citizens and all who love this country to stand for something that is actually impossible to achieve by conventional reason and rational reckoning: a totally new system and social contract, a totally clean and productive economy, and an uncorrupted future.

We have to come to terms with three catastrophes, each either outright man-made or causally linked to irresponsible human behavior, and each signifying horrible destruction of Lebanese lives and livelihoods. The first is the national economic

and financial meltdown that has unfolded over the past year; the second is the local impact of the coronavirus threat, COVID-19 pandemic, and the historic global recession that surrounds it; the third, and until August 4 unimaginable catastrophe, is the Beirut Port explosion.

COGNITIVE DISSONANCE

As we observe our economic existences being reshaped by these three catastrophes, the mental reality of being Lebanese has been compounded into a state of cognitive dissonance. This means that on collective and individual levels, all denizens of this country are faced with having to reconcile new realities and actions with hugely discrepant concepts of their minds. As evidenced by frantic search for explanations of the blast—including the flotation of conspiracy theories, investigations of questionable cover stories, and debates among intellectuals—there is an existential need for all of us to solve contradictions between today's reality and our long-held, sometimes century-old, cultural beliefs, good and bad living

experiences of three decades and—some accurate, some flawed—accumulated perceptions.

In practical terms, the present need for strategizing for Lebanon's societal future has been shaped as much by the country's descent into sharply reduced productivity and sharply increased poverty as it has been informed by the inability of past and present administrations to implement structural reforms or even achieve decisive progress (or secure common ground) in 17 virtual negotiation sessions with the International Monetary Fund. In this magazine's view, this creates a contradiction between the established wisdom—whereby rescue needs technical expertise and years of professional experience—and an impossibility to rely on the present known exponents of expertise and experience. We thus have to revise the entire system. For designing it and setting up this new system and social contract (including electoral and decentralization systems designs), we have no option but to trust in the young people that will live our future—meaning many



unpolitical or anti-political minds in our universities, communities, and civil society with great ideas but with no or next to no years of experience.

The second practical contradiction regards our micro- and macro-economic futures. For example, in a simple micro perception of the need for economic media and responsible journalism, we at EXECUTIVE are determined to survive and contribute, as faithful media watchdog, our small share to the implementation of Lebanon's economic future—even as we honestly do not always know how. We have invested our energy for over 20 years of covering this economy and its stakeholders to the best of this magazine's and its team's ability. Just to give one example, as one editor was cleaning broken glass and dirt out of his personal archive of EXECUTIVE back issues after the Beirut Port explosion (thankfully, while several editors and team members saw their homes wrecked by the blast, no one in our team suffered any major injury), he came across an issue from July 2015 with two once again frighteningly relevant stories, one on the need to develop a national port management and maritime strategy despite deafening silence by Lebanese administrations with regard to this need, and the other on the dangers of the persistent parity regime on the Lebanese lira under the country's long-standing monetary policies.

Our writers and editors are sad, angry, and extremely tired of trying to accurately describe economic and business realities while we all around us watch others—including some media that are very vocal about their rights—that distort and obfuscate facts and disregard professional ethics. Those of us, who are determined to remain in Beirut as long as whatever divine agency affords us this power, recognize that those members of the editorial team who have over the past

two months determined to depart from Lebanon and who have successfully negotiated new opportunities outside of this country, have richly earned their upward career moves. EXECUTIVE also acknowledges that one cannot blame any Lebanese who will use any available opportunity to look for a sustainable future beyond the confines of the land where the proponents of the old system have already—just over one week after the Beirut Port explosion—started playing their old devious games of grabbing for ever more power and refusal of responsibility.

But the old political joke which circulated in East Germany in the late 1980s—that the last one to leave the country should switch off the lights—does not work in Lebanon.

Other than the state that has to be built here, with immediate urgency, on new foundations, there is no polity and no other state for more than four million Lebanese. EXECUTIVE is convinced that the stresses and mental recuperation needs of the Lebanese economic stakeholders, including us, put this country up for a mission impossible but we at this magazine believe against all understandable flight impulses and motivations to escape that all economic actors remaining in this country (a country where millions are deprived of the chance to seek for better futures anywhere but at home) have no choice but achieve this mission of restoring a viable economy under a real political equation in an equitable societal system by investing their every ounce of enthusiasm, professionalism, and entrepreneurial spirit.

LIFETIME FIGHT

The third practical contradiction with relevance to the urgent need to elevate the Lebanese system to a

higher level is the contradiction that you can't defeat corruption but have to fight it anyway. This is the case whether the diagnosed corruption is from the start really intentional or a fateful systemic product of the Dunning-Kruger effect, whereby incompetent individuals cannot be cognizant of their incompetence (especially in a hierarchy with no or bounded meritocratic structures), in combination with the Peter principle whereby people in conventional hierarchies tend to rise to positions that reflect their achievement of incompetence. In looking at the historic trajectory of documented efforts of clipping corruption, one presumably can go back for over 45 centuries to the Sumerian city state of Lagash.

■ Other than the state that has to be built here, with immediate urgency, there is no other state for four million Lebanese.

Its ruler Urukagina—responsible for a legal code that protected the poor from undue pressures from the rich and powerful—is by present-day reading of his social innovations associated with reforms to fight corruption. There are no narratives of his corruption-fighting successes known to us but we as EXECUTIVE editors are more than 99 percent confident in saying that the fight against corruption will not in the near future be crowned by a total victory (and that the validity of our special report on anti-corruption remains—if anything it has increased urgency).

This fight—which was the central focus of this pdf issue of EXECUTIVE that was prepared during the month of July and that we bring you here as it was ready for publication in the first week of August 2020—is a nec-

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essary fight and one that deserves to be fought with full commitment and unconditional assumption of responsibility. To examine a commitment of fighting corruption in this country, it is not in the least necessary to go back and interpret codes that were hammered in stone over 45 centuries ago. It suffices to look back and ask about the fulfillment of a commitment made just over 45 months ago. Re-reading the inaugural address of President Michel Aoun in a destroyed Beirut apartment (a newspaper copy of his speech was another find from the recovery work after the blast), we were reminded that President Aoun on October 31, 2016 addressed Parliament by acknowledging that he was assuming “the responsibility of the highest position in the state.” Including national unity, and political and security priorities, he dedicated himself to these with view of “safeguarding the country as an oasis of peace, stability, and encounter,” elaborating furthermore that the successive and continual economic crises required a “transformational approach which begins with economic reform.”

In the urgent need of resolving the cognitive dissonances that were caused by the three catastrophes which Lebanon has suffered in the recent past, it must be asked what is needed today to implement the faith of the Lebanese in each other. Moreover, have the professed objectives and needed gains of the Lebanese been achieved as far as their trust in their state as protector and provider of rights? It is a question that every position holder and every responsibly minded resident of this country has to answer for themselves.

While acknowledging the damaging potentials of self-interest and the futility of empty intellectual arguments when actions by good women and good men are Lebanon's highest needs, EXECUTIVE will conclude this contemplation in a second part—by taking a very brief look at four scenarios for conceptual futures.

FOUR SCENARIOS

By any sense of logic it would appear to be an extremely complex undertaking to map the possible trajectories and outcomes of the coronavirus dilemma. This is because this unprecedented global crisis in its first dimension has sparked severe negative outcomes on the levels of

■ It would be extremely complex to map possible outcomes of the pandemic. Mapping the interactions of the three Lebanese catastrophes would constitute an even greater gamble.

physical and mental health. Then, in its second dimension, it resulted in equally severe social and economic disruptions. Seven months after declaration of the pandemic, the perception just of this catastrophe alone is that the more humans learn about it, the less and less of what was assumed previously in the short history of the virus and pandemic can be presumed to be confirmed today.

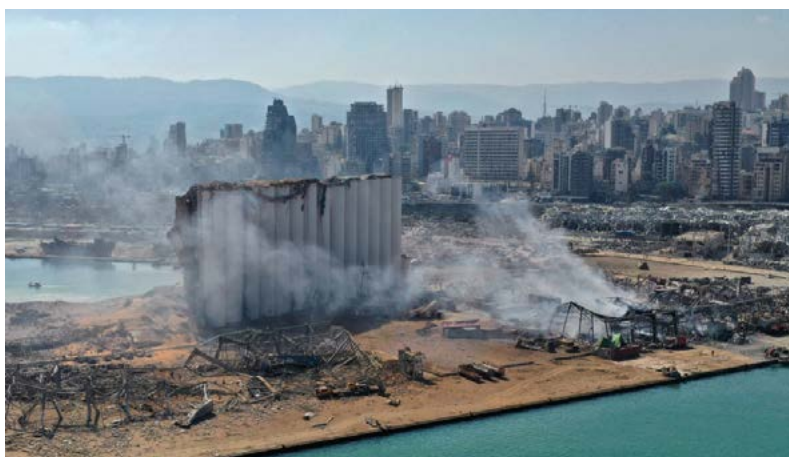
By the same common sense, mapping the interactions of the three Lebanese catastrophes would constitute an even greater gamble. To give a simple example on the situation in Lebanon, the visual impression of people's adherence to mask wearing and social distancing in the first ten

days after the blast is that the sudden emergency and its aftermath of human suffering and new societal concerns has reduced the possible and practical amounts of worry power that citizens can dedicate to the coronavirus' dangers (see story page 40).

Notably, the rates of coronavirus infections have increased and Lebanon has been catapulted from its previous low count of daily new infections into more worrisome territory. However, the number of deaths in this country still is shown in international statistics in the very low range of less than two deaths per 100,000 population, much below the rates of around 50 per 100,000 in the US and Brazil or for the extreme outlier case of tiny San Marino with 124 deaths per 100,000 population. In the 2020 global coronavirus landscape, people are exposed heavily to incomplete and changing information. Given the very contradictory signals and their individual perceptions, some people in Lebanon will in their minds sensibly latch onto the seriousness and danger of the growing exposures to health risks (including COVID-19 risks and corollary risks for non-treatment of other illnesses in the overextended hospitalization system), while others—and especially those with daily economic survival needs—may latch onto contrarian positions. So how worried one must realistically be with regard to the COVID-19 threat in Lebanon is probably going to remain, for quite a long while, mostly a question of personal temper and disposition.

FIRST AND WORST SCENARIO

Correlating the possible impacts and outcomes of the economic crisis, the coronavirus crisis, and the historic Beirut Port explosion by parallel reasoning appears as another impossibility among this year's many impossible Lebanese quests. Nonetheless, in very



broad strokes it is from EXECUTIVE's perspective warranted to look at the economic future in terms of four possible outcomes—a worst-case scenario, an almost-as-bad scenario, a least-worst-case scenario, and a utopian best-case scenario.

With regard to the worst-case scenario, the signals of caution in need of adhering to are, first, the past of this country and, second, the fact that it can always become worse. Only weeks ago, voices might have quite convincingly reasoned that this country could not be falling into deeper troubles than those that it was in by the end of the second quarter of 2020. August 4 has proven all those voices to be painfully wrong. Thus it would be perilous to believe that we are today at the lowest rung of existential misery that is possible.

The worst-case scenario for Lebanon from today's perspective would be a next war, whether internal or external. The factors contributing to war risk for this country are unfortunately several, spanning from fears of historically aggressive non-state actors to the intransigence of belligerent neighbors and the arrogance and pressure mongering of distant powers.

By desperate hope that wishes for a future of peace or at least non-war for this country and its surrounds, it will not come to that worst reality.

However, if the experience of the last internal war in this country is any indicator, a war would be devastating for people and livelihoods overall and widen to the extreme the gap by which Lebanon is already trailing behind peer economies with profiles of highly trained human capital, cultural resources, and tourism potentials. But even more perversely, the war economy would have a few large-scale winners and even more small profiteers who would not pursue peace as long as they benefit from war.

SECOND ALMOST-AS-BAD SCENARIO

An almost-as-bad scenario would be a failed-state of Lebanon that is settling, via some steps of a “most-worsened” country, in what is now

■ It would be perilous to believe that we are today at the lowest rung of existential misery that is possible.

known as the **fragile state index**, into a lasting degree of severest fragility that cannot be distinguished from a *de-facto* failed-state (in the decade to 2020, Lebanon ranked as the world's 40th to 45th most fragile state). In such an extreme state, the old dysfunctional system (the country's most

detrimental sub-ranking has consistently been in the factionalized elites sub-category that measures issues such as fragmented state institutions and gridlock among ruling elites) might linger as the zombie of perpetual doom and prevent any form of social organization.

It seems likely, however, that Lebanon in such an organizational vacuum would still retain some of its financial markings of the past—such as inflows of family remittances from the diaspora as well as some very subdued tourism and other inbound money flows, including a relative increase of funds and human capital related to the international humanitarian economy. More detrimentally, some (falsely) indulgent and geopolitically self-interested benefactor/s might even show generous external support for Lebanon as a failed state in the Eastern Mediterranean. This means a player, with a much larger economy than Lebanon, might even support this country as one supports a vassal territory as an asset that can be deployed in geopolitical and regional power games.

A Lebanese vassal could easily be sacrificed for greater interest or used as pawn in regional power conflicts, for example power conflicts surrounding Iran and the Gulf, or Egypt and North Africa. At the same time, whether by the suffocating effect of its stifling and chronic external debt or by its severely and lastingly curtailed economic productivity and vigor, Lebanon's independent economy, mutual solidarity, and self-determination would be lost and any pretended sense of freedom gone. Dominated by a few satraps, the country would be descending into being a basket case of total inequality, impoverishment of the many, and lasting external dependency.

LEAST-WORST, PERHAPS

The third scenario would be that of dignified poverty and a small degree of freedom. Like the almost-as-bad scenario, this least-worst-case

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model could be by the superficial observer be easily confused with the country's existential *status quo ante* (before the three catastrophes) but its inner characteristics would differ greatly. The scenario might furthermore be evolving somewhat unpredictably, i. e. conceivably with some surprisingly productive synergies of developments realized by virtue of international influences after the three catastrophes.

As per the conditionalities of currently offered international funds inflows on the implementation of reforms and more reforms (iterated since decades but externally enforced after August 2020), this scenario necessarily begins with reforms adopted and implemented by uncorrupted Lebanese—meaning the total-cleanup-now generation of new and untested representatives and aspiring leaders. Handheld by international expert advisors (with their own interests), they would create the constitutional and administrative core of a country whose willing allegiance to foreign interests is cemented for decades.

Corruption would be controlled (even though no more eradicated than the flu). Politics and economy could be streamlined to comply with either the interests of the surveillance capitalist West or the data-controlled state capitalist East. Instead of being constantly disrupted by fragmented and contradictory local interests, Lebanon would be managed under coordinated interests of the geopolitical bloc that it becomes integrated in. The tradeoff, however, would dictate that it would lose its uniqueness of convivial chaos and gain the surety of dependence. This surety will fundamentally have to entail dependence on the geopolitical bloc's dominant values but allow for collateral benefits owing to 21st century global economy elements of interdependence and mutual prosperity. Also on the his-

torical balance sheet, Lebanon will lose all of its fake rentier economic gains of the past three decades and see its overall societal wealth greatly reduced but, going forward, could maintain and even develop a part of its economic and cultural specificity.

THE UTOPIAN HOPE SCENARIO OF PEACE AND PROSPERITY

Based on the assumption of a developmental and innovative capability of Lebanon even in a situation of dignified poverty (a relative poverty that would be dignified socially by rise of solidarity and economically by values of bootstrapping), a utopian scenario is justified in our view. Importantly, this astounding assertion has to be qualified by the notion that such a scenario of peace and prosperity, while absurd by design, would be sheer madness if presented as a comprehensive plan or coherent roadmap. Any utopian scenario is only legitimate as a suggestion of inspirations situated in the sphere linking the absurd to the salvatory, inspirations some of which may trigger realization of micro-realities that can influence the least-worst case scenario referenced above.

Without trying to detail any of them, Lebanon from 2020—yes, today—has an abundant potential to innovate and test economic and social solutions that can help make the future in this country (and hopefully elsewhere) more sustainable and livable. There is need for solutions in external transport, in domestic logistics and in internal public transport; need for solutions in reallocation of real estate (office and residential) for the enhancement of urban productivity; need for solutions in effective digital government and digital infrastructures of the private-sector economy; for industry, education, social security, and poverty alleviation; for channeling of savings into productive

sectors, and for balancing of social capital (overused in *wasta* settings to the detriment of qualified individuals) and human capital.

This reservoir of issues is just to name but the first line of items where every current need and unfulfilled want represents opportunities for multi-level entrepreneurial action, in form of policy improvement, macroeconomic integration, microeconomic innovation, and business creation. To sum it up, these potentials for Lebanese creativity are real and urgent but have two preconditions: a) that economic opportunities can be taken on basis of universal acceptance of several years of dignified poverty lying ahead and that opportunity taking has to be qualified by the expectation and willingness to satisfy the societal need for better sharing of economic and social burdens, and b) that the platform of a new system is implemented.

As to the second precondition for economic restoration, there are no real *tabula rasa* precedents for systemic reinvention but there are rich precedents for both very beneficial and less successful practical transitions into new systems in the late 17th, 18th, and especially the 20th century beginning with the termination of World War II. In Lebanon, the path will in our view have to start with a systemic sweep that cleans out the old system.

But on the human level, a beneficial transition will have improved chances if it is built upon the old guard's assumption of moral responsibility for the Lebanon-internal attitudes and actions that built the conditions under which the three catastrophes have unfolded. Taking unconditional responsibility on the part of all entrenched and temporary leaders would set an example and contribute massively to resolution of the cognitive dissonance now ravaging the country.

For sake of sanity

Toward building a more inclusive and resilient ecosystem

It is a time when Lebanon is constricted in boundaries like perhaps never before. Its physical land boundaries have long been—as once again recently demonstrated—marked by the contradiction of being repressively impermeable and permanently under threats, and at the same time too permeable and uncertain to offer the full protection of a territorial demarcation. Long before the political convulsions of the past 75 years, it was mainly, and sometimes only, the sea boundaries that promised the prospects that came to sustain the country—trade and migration.

But the real case for the existential constrictions on Lebanon today is raised by the country's recently and haphazardly imposed financial and banking boundaries.

They seem to be inescapable necessities but at the same time are choking and distorting the regulated cross-border circulation of goods and services. This is as total a disruption as there can be for a country that has functioned for the last three decades as an importing country (partly by necessity and partly by political economy choice, however misguided and stupid this choice might appear in hindsight).

Even more, the new intangible boundaries mark a severe psychic disruption for a society that has perceived itself for a century as a nation defined by its history of trade, transnational commerce, and enterprise. In summary, the invisible but severe borders of late are critical restraints in two ways: first due to the simple fact that Lebanon is a trading economy, a small country with a high volume and high intensity of external economic relations as assessed relative to the size of its domestic market, and second because they threaten to suffocate the Lebanese

entrepreneurial spirit, which has long been the envy of societies with superior natural but inferior mental resources.

Taking a precursory look at the state and prospects of Lebanese entrepreneurship in the middle of this national *annus horribilis*, EXECUTIVE encountered compelling evidence that this crowd of innovators just as much as everyone else is exposed to the pain of the economic and political system's boundless dysfunctionality. This is to say that a roundtable of tech ecosystem stakeholders at the launch event of the new incarnation of the UK Lebanon Tech Hub (see story page 54) dedicated the first third of its discussion time to “bitching” about all that is beyond bad (even as a three-day convention might be called for to exhaust that topic).

But then, they moved on to discuss what they can do to improve things!

Entrepreneurs pursue opportunities with disregard for boundaries. This means they can move mountains. It is important to note, however, that they face a temptation to do this in contradictory ways: If entrepreneurs, tech or trade or any other sort, succeed impressively in pursuing business opportunities irrespective of the financial resources at their disposal and thus create wealth out of personal energy and very little else, they can become corrupted by their success to think that they can disregard not only business boundaries but also moral, legal, and environmental governance and social conventions. Being aware of this danger means, as several of our interviewees emphasized (see story page 54), that Lebanese entrepreneurship in 2020 more than ever before mandates having a social message and relevance.

Combining the two above observations, it is, in the view of EXECUTIVE editors, rational to see entrepreneur-

ship, and specifically profitable and sustainable, homegrown entrepreneurship, as the proper focus of attention for many stakeholders in the Lebanese economy.

Legislators should remember to create frameworks of incorporation that will facilitate speedier and cheaper

■ Entrepreneurs pursue opportunities with disregard for boundaries. This means they can move mountains.

startup company registrations and especially provide a clear and well-supervised niche for social enterprises that dedicate themselves to the public good.

We call upon investors and financiers to pay attention to the needs of startups and the opportunities that supporting entrepreneurship with their investments can provide in financial and socioeconomic returns. We also urge investors to put their own interests on the backseat when negotiating deals with tech startups.

We request of banking regulators to decisively lower the barriers that in the past have strangled many fintech hopes—because disruptive fintech companies can conceivably help in rebuilding financial trust and renewing the banking sector (probably more than any political commission), thus aiding this country's migration to a digital banking future.

Lastly, we call upon the Lebanon's internal and external observers of good will to view the entire economy as an entrepreneurship project, leave behind habits of complaint, abandon defeatism, and overcome incessant reiterative bitching that only acts as a barrier to the country's already feeble chances. Let us just bet that the spirit of entrepreneurship can create Lebanon's next *annus mirabilis*. ■

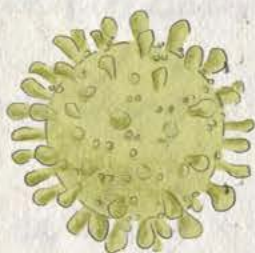


Fig.1

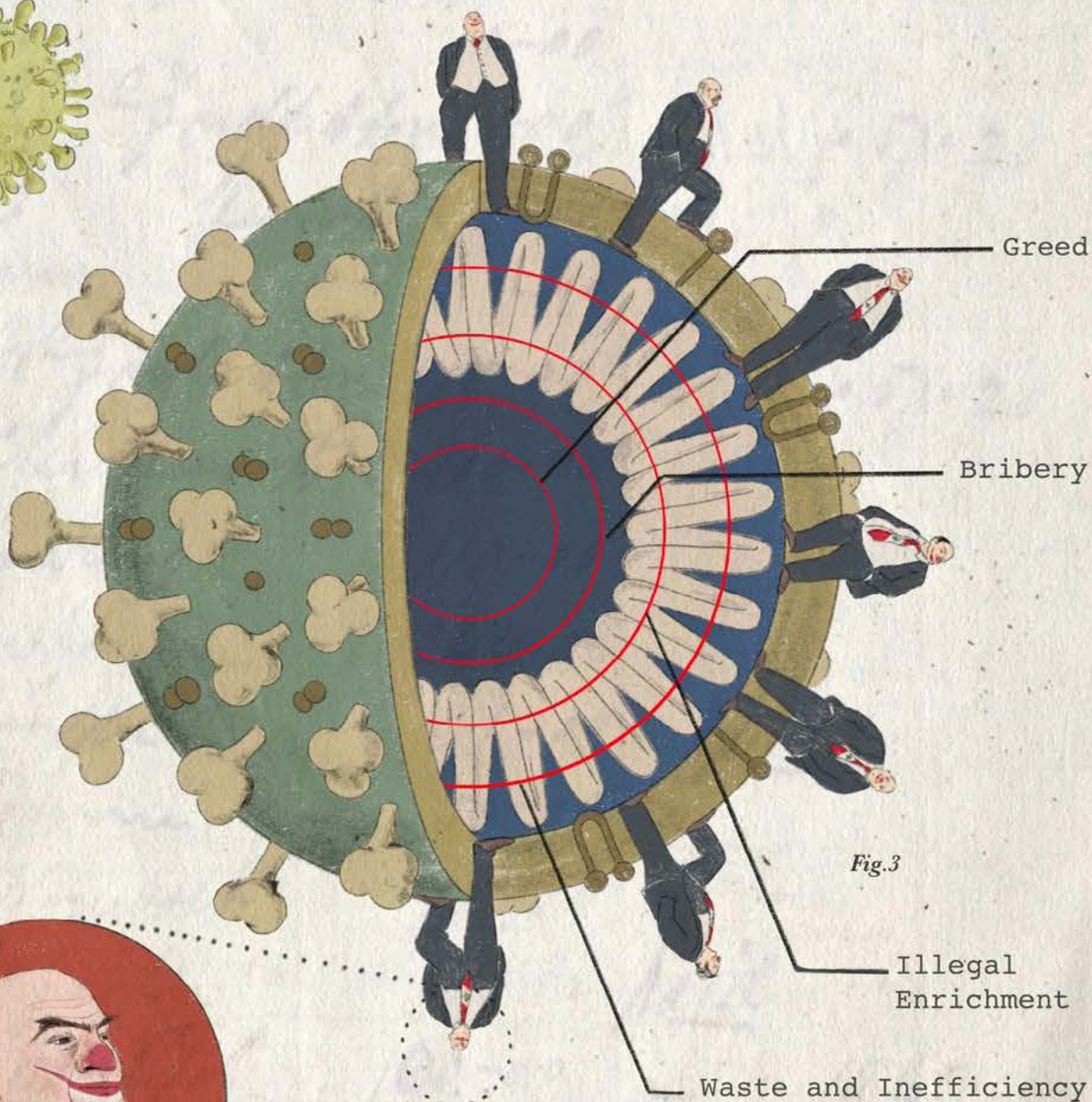


Fig.3



Fig.2

A MOMENT TO REFLECT

Anti-corruption in Lebanon

Throughout June and July, the EXECUTIVE team, in partnership with the United Nations Development Programme (UNDP) and experts both in and outside the country, was working on a special report on anti-corruption in Lebanon.

It was to be the main focus of the magazine; we had a cover commissioned and executed perfectly by illustrator Sasha Haddad, that compared our politicians and the corruption in the country to the true virus that threatened the health of the nation (see page 10).

We were due to publish this special report in our July/August issue at the start of this month, but as we waited for the last stragglers to come through, the unthinkable happened. On August 4, an explosion at the port of Beirut ripped through the city, killing at least 180 people and wounding more than 6,000. More than a hundred thousand were left homeless, as the damage pushed out from the port in the form of a blast wave that shattered homes, hospitals, schools, and businesses in Karantina, Gemmayze, Mar Mikhael, Geitawi, and other areas of the city. It was an explosion of such magnitude that it was felt as far away as Cyprus.

It took only seconds to destroy half the city and shatter the lives of those who lived here and those who care for them. Our own team was spared serious injury, but several of us who live close to the port saw our homes wrecked by the blast wave. In the days that followed, our focus was inward, on our own lives, as we cleared out the glass and the broken doors in a state of shock.

The scale of the trauma, the destruction, even two weeks out, is still hard to comprehend. We can't yet know its true impacts.

But what we do know, is that the words written in these next pages, even though they were penned before this deadly and devastating explosion, retain every bit of their relevancy. Because this wasn't an accident. This was gross criminal negligence.

The corruption that has eaten at the core of life in this country was the same corruption that saw 2,750 tons of ammonium nitrate sit, half in ripped

bags, at the port for six years, as port authorities, the judiciary, and successive governments passed around responsibility and those with a duty of care did nothing to protect us.

Corruption has killed and maimed so many of us, and broken the hearts of those who survived.

Speaking to a Norwegian foreign affairs magazine, Arkan el-Seblani, head of UNDP's regional anti-corruption and integrity team in the Middle East and North Africa, and co-author of the first of the articles in this special report, said that it was not just poor control procedures at the port that resulted in this deadly blast, but that port operations are divided between many and often rival agencies, diluting responsibility between them. The port in this sense can be seen as a microcosm for successive Lebanese governments, and the ultimate example of a statist pattern of criminal negligence where responsibility was shared by all and so taken by none.

As international donors bring in emergency aid, thoughts turn by necessity to long-term reconstruction needs. The risk for corruption to take hold is real. We need accountability on the ground to ensure there is no misuse of funds, and that those responsible for this disaster do not siphon the aid coming in to act as benefactors to their particular groups.

Lebanon is in mourning, for those lost, for those left behind. There can be no more business as usual after this. This is the point where we say in collective voice: no more. No more evading responsibility. No more delaying reform. No more indignities foisted upon the people.

It is our hope that the articles in this special anti-corruption report can help begin necessary conversations, on the anti-corruption movement in Lebanon (see page 12), on access to information (see page 16), on asset recovery (see stories, pages 19, 22, and 26), on specialized anti-corruption courts (see page 24), and on judicial capacities (see Q&A page 28).

Corruption is a virus that Lebanon has suffered from for far too long.



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By Arkan el-Seblani & Ghassan Moukheiber

LEARNING FROM THE PAST FOR A BETTER FUTURE

Lebanon's anti-corruption movement

Editor's note: This piece was slightly modified after the Beirut Port explosion. It was, however, largely written prior to August 4 along with the other contributions to the anti-corruption special report.



There has not been a time in Lebanon when anti-corruption was a nationwide demand and a necessity for the preservation and development of the country as is the case today, especially in the aftermath of the calamitous Beirut Port explosion on August 4. The journey from denial to recognition to action has taken the country more than thirty years, but it is yet to materialize into concrete results that ordinary citizens feel in their daily lives. The milestones achieved so far, as limited as they may be, and lessons learned from previous experiences, offer valuable stepping stones for additional progress, only if stakeholders, including decision-makers, social activists, and international development partners are willing to stay the course and avoid the pitfalls of earlier endeavors.

BREAKING THE VICIOUS CYCLE

Since the conclusion of the Taif Accord in 1989, successive Lebanese governments have not articulated and pursued a comprehensive plan to tackle corruption. Most of them did not even try. This does not come as a surprise, because corruption has become deeply intertwined with the foundations of the political establishment and indispensable for its survival. Adopting meaningful anti-corruption reforms meant nothing less than a total overhaul of the state's *modus operandi* and a direct threat to the vast networks of vested interests created over the years.

For nearly three decades, the country oscillated between outright denial of the problem and simplistic solutions that sought out quick fixes in security-based and judicial actions. Both viewpoints had their arguments. The first purported that tackling corruption head on is too problematic and that the technical modernization of public administration is the more suitable approach, while the second alleged that Lebanon has all the required laws on the books to ensure accountability and simply needs the political will to enforce them through the judiciary and oversight bodies. Needless to say,

both approaches have repeatedly failed, with Lebanon consistently performing poorly on all related international indicators, such as the Global Integrity Report, the Global Competitiveness Index, the Open Budget Index, and governance indicators published by the World Bank.

With many government officials, politicians on all sides, the media, and social activists still making the same mistakes (by adopting the approaches above and ignoring the systemic nature of the problem), the vicious cycles of expectations, failure, and disappointment will continue as politician after politician promises reform and accountability, and fails to deliver. It is increasingly evident that the country needs a different approach that addresses systemic problems with systemic solutions. The new approach will have to be more inclusive and comprehensive; be adapted to the complex national context, including public demands and political sensitivities; and be in line with successful practices from comparative experiences and relevant international standards, such as the UN Convention against Corruption (UNCAC) to which Lebanon became a state party in 2009.

The good news is that this new approach has been in the making for many years thanks to the cumulative efforts of various stakeholders that have continued their work despite frequent changes in government.

LEBANESE LAWS ARE NOT GOOD ENOUGH

A cornerstone of the new anti-corruption approach is to temper the commonly accepted paradigm, which blames the whole problem on the lack of law enforcement alone. In fact, a big part of that problem begins with major gaps in legislation itself. Those gaps create opportunities for corruption and coverups, including in areas such as public procurement, judicial organizations, conflict of interest management, the use of public spaces, and recruitment into civil service.

Even Law 154/1999 law on illicit enrichment, which has often been championed by media campaigns and legal activists as a solution to fight impunity, is a major legislative gaffe. It offers the deceiving appearance of a legal anti-corruption instrument but could hardly hold any senior public official to account with its archaic system for asset declaration and flawed approach to criminalization and prosecution.

Comparing existing Lebanese legislation to UNCAC provisions as well as other related international standards on judicial independence and supreme audit institutions, for example, demonstrates the critical need for thorough legislative

reforms. It also unveils how this need is yet to be met despite repeated promises and declaration of political intents to fight corruption.

Sobered by the realization that Lebanese laws suffer from major gaps that render aspirations to achieve transparency and accountability virtually obsolete, a small group of stakeholders embarked, as early as 2006, on what seemed to be the impossible feat of identifying and bridging those gaps. The group was composed of parliamentarians, organized as “Parliamentarians against Corruption,” civil society experts, specialized judges, and public officials, supported by comparative expertise provided through the United Nations and other international organizations.

To the surprise of many, Parliament passed Law 28/2017 on access to information (see story page 16). This was the first fruit of eleven years of hard work and savvy manoeuvring inside and outside Parliament. Soon after, Law 83/2018 on

whistleblower protection was voted in, followed by Law 175/2020, which established the National Anti-Corruption Institution (NACI). The inter-

■ There is room in Lebanon for impactful reforms to be adopted without international pressure or interference.

esting observation is that these bills were adopted without explicit international pressure, compared to other important legal reforms that were adopted earlier (such as Law 44/2015 on combating money laundering and terrorism). They rather emanated from a nationally owned and driven process that was inclusive of key stakeholders, which shows that there is room in Lebanon for impactful reforms to be adopted without international pressure or interference.

The challenge of bridging the legislative gap, however, is still far from over. Other than the importance of seeing through the full implementation of the adopted laws, it is important to note that many other bills that have been carefully developed over the years are still pending adoption, including the amendment of the infamous illicit enrichment law and the introduction of specialized provisions to facilitate asset recovery (see stories, pages 19, 22, 24, and 26). Also, there are bills that are being revised in Parliament without adequate participation from civil society, such as the one on judicial independence. This is in addition to bills that were adopted, but only after being amended in ways that voided them of their initial value, such as the amendment of the banking secrecy law.

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**GOOD LAWS ARE NOT GOOD ENOUGH**

Another cornerstone of the new anti-corruption approach in Lebanon is to go beyond the purely legalistic approach. Even with good laws on the books, which is not yet the case in Lebanon as discussed above, the effort to ensure proper implementation requires a host of other specific interventions that should be inter-connected, achievable, and measurable.

This is what the National Anti-Corruption Strategy (2020-2025) offers. The document, which was officially adopted by the Council of Ministers on May 12, is cognizant of the importance of re-vamping the legal frameworks. However, it does not stop at that. It offers an integrated framework for action that recognizes the need for processes and initiatives, which also enhance institutional capacities to implement related laws, influence the behavior of individuals, and expand the anti-corruption agenda beyond generalities to the specifics of each sector, including health, customs, energy, and others.

The strategy, which has been well-received by the international development community in Lebanon, was developed through an institutionalized interministerial and interagency process that was set up in 2011, surviving five governments and enabling the participation of more than one hundred public officials, social activists, and independent experts. It targets the achievement of seven outcomes with related details included such as key activities, timeframes, and responsible parties. The outcomes

include completing and activating specialized legislation; enhancing the integrity of public officials; tackling corruption risks in public procurement; strengthening the independence and the capacity of the judiciary as well as those of oversight bodies including the Central Inspection, the Audit Bureau, and others; engaging with society including citizens, civil society organizations, educational institutions, and the media; and preventing corruption at the sector-specific level, from education and healthcare to energy and public services.

The ministerial-level anti-corruption committee, which oversaw the strategy's development, was expanded under the current government to oversee implementation. It is still headed by the prime minister, but now includes 10 ministers instead of four. It will also continue to be supported by the technical anti-corruption committee, headed by the Minister of State for Administrative Reform, and inclusive of senior representatives of key ministries and concerned judicial, regulatory, oversight, and law enforcement bodies.

The United Nations Development Programme (UNDP), as well as other international partners, have committed to support implementation efforts, which were officially kickstarted in June with the establishment of specific task forces responsible for key priorities (e.g. operationalization of the NACI) and the organization of meetings with civil society and the international community to coordinate efforts and explore avenues for collaboration and mutual reinforcement.

WHAT ABOUT POLITICAL WILL?

Central to the success of the new anti-corruption approach, which has evolved over the years and is embodied in the National Anti-Corruption Strategy, is strong and sustained political will. The latter manifests itself in many ways including but not limited to the quality of policies and laws adopted, the resources made available for their implementation, and the willingness of those in power to respect the rule of law.

In 1999, when representatives of the then-budding Lebanese Transparency Association, including one of the authors, wanted to deposit the founding documents with the Ministry of Interior according to the law, they were rejected. The responsible civil servant in the Department of Political Affairs, Parties, and Associations at the time, explained that there is no corruption in Lebanon, so there is no need to set up such an association, and that, in any case, this is not the business of civil society. This attitude, which is telling on its own, may have changed over the years, but not sufficiently. Senior government officials in 2020 still wonder why civil society is requesting and publishing information on public funds—in reference to the work of the Gherbal Initiative and other similar organizations under the access to information law (see story page 16).

Uncertainty about political will continues to loom over anti-corruption efforts in Lebanon, and subsequently impact the chances for the new approach to take root and succeed. So far, many of the milestones outlined above can be said to have been achieved under the radar, with minimal involvement from political players and the public opinion alike; but the way forward will have to be different. It will offer real tests for the new government that will be formed and for political will more broadly, but also for the public will that emerged in the aftermath of the uprising on October 17, 2019.

MOVING FORWARD

In moving forward, it would be important to study factors that have enabled the progress achieved so far, despite political instability and relatively limited national and international support, and distil recommendations that may accelerate the pace of reform and guide future efforts for the remainder of what may be a long journey ahead. Among those, a few stand out:

Invest time and effort in inclusive and specific reforms that tackle the many existing gaps in policies, procedures, and laws.

Identify reform drivers in Parliament, government, the judiciary, and the public administrations, and establish appropriate formal and informal collaborative arrangements with them—alliances with people on the inside are indispensable.

Engage with different stakeholder groups and non-governmental organizations and support them to enhance their technical capacity and build trust among them—a well-informed and tightly-knit demand side is key.

Set up meaningful collaboration with international experts who have practical experience and understand the national context—benefit from those who have done it before.


Anchor the anti-corruption reform discourse in UNCAC, relevant international standards as well as concrete practical experiences from comparable contexts—anti-corruption is no longer an internal matter, it is a global agenda.

Reinforce the broadest possible ownership of every milestone achieved, and anchor it in formal and informal networks at the national and local levels—the more, the stronger.

Capitalize on the platform created by the National Anti-Corruption Strategy and support its implementation and eventual development as needed—put promises to the test.

■ It is very difficult, even impossible, to envision financial and economic recovery in Lebanon without the introduction of deep governance reforms.

It is very difficult, even impossible, to envision financial and economic recovery in Lebanon without

the introduction of deep governance reforms, with anti-corruption being front and center, especially in the aftermath of the Beirut Port explosion. However, the effort against corruption will be ill-advised to fall back into the vicious cycle that has dominated this topic for the last thirty years. The new approach that has evolved, slowly but surely, offers a way out of this cycle and a way forward for Lebanon, and provides stakeholders with many lessons learned to sustain and increase the momentum for anti-corruption reforms that impact the lives of citizens and the future for new generations. 

Arkan el-Seblani is the chief technical advisor and head of UNDP's regional anti-corruption and integrity team in the Middle East and North Africa. Ghassan Moukheiber is a lawyer, a former Member of Parliament in Lebanon (2002-2018), and a human rights and anti-corruption activist.

PUTTING THE PROMISE OF TRANSPARENCY TO THE TEST



Lebanon's struggle for the right to information

In the three and a half years since Parliament passed Law 28/2017 on **access to information (A2I)** some progress has been made but there remain barriers to full implementation. Calls for greater transparency and accountability were a major component of the demands of the Lebanese who took to the streets in October last year, seen as key in the fight against and the prevention of corrupt practices. Improving on the currently opaque structure of the Lebanese state would act as a barrier to corruption and the A2I law, in theory, can be used as a supporting tool if the Lebanese want to hold their officials to account and help foster a more open culture within government institutions—if it is implemented in full and a proposed amendment that would weaken the law is prevented through continued stakeholder pressure.

IMPLEMENTATION BY DECREE?

Although adopting A2I was a milestone by itself, it cannot be called a full success until it is implemented and enforced by all public administrations—and progress on this front has been slow. One of the biggest barriers so far has been the lack of an implementation decree for A2I. Several administrations, championed by the Directorates General of the Presidency of the Lebanese Republic and the Presidency of the Council of Ministers, have insisted that the law is not applicable before the issuance of an implementation decree—a stance they have maintained despite three separate **opinions** issued by the Committee of Legislation and Consultation at the Ministry of Justice that have stated the law was applicable regardless. Very few administrative bodies, when challenged on this

assumption, have relented and provided the information requested of them.

It is also imperative to note that the government and the presidency who have refused to implement A2I, with the excuse that the law requires an implementation decree to come into effect, are those whose job is to issue this decree—a continuation of a civil war era tradition that was intended as a way to facilitate, not limit, laws when Parliament was unable to convene—and who have failed in that duty for three and a half years. The message this sends is clear: Those responsible for issuing the decree have failed to do so while simultaneously insisting the law cannot be enforced without this decree, with the logical conclusion being that the desire to fully implement A2I is low.

MIXED SUCCESS

This reluctance to abide by A2I has not been universal, however. While some administrations still refuse to implement the law when approached, others, such as the Office of Minister of State for Administrative Development (OMSAR) and the Directorate General of the Ministry of Industry, have taken a proactive approach by publishing most of what is required by A2I—laws, regulations, ministerial decisions, annual reports, the administration's yearly expenditures and revenues, and all expenses that exceed LL5 million—on their official websites. There seems to be a notable rift between those public administrations that are abiding by A2I and an old guard who continues to operate without implementing these legal measures, as if the law is being interpreted differently within the same state—that is, if the administration is even aware of the law to begin with.

While monitoring the implementation of the law, our organization, the **Gherbal Initiative**, a non-profit that seeks to act as a bridge between citizens and public institutions, found that several administrations—as well as many Lebanese citizens—were unaware that the law even existed. Our most recent **report** on the commitment of Lebanese administrations to the provisions of A2I, released in September 2019, garnered responses from just 68 out of 133 contacted administrations, and of these, only 33 complied with requests to view their fiscal budgets. This was, however, an improvement on our initial **report**, released in September 2018, a year and a half after the law was first published, for which only 34 of the 133 admissions had responded, only 18 of which had an information officer as

per the law—15 of whom were appointed at our request. Despite this slow initial implementation of the law, there were and are hopeful signals. Those 18 administrations who were responsive all did so within the legal deadline of 15 working days and showed no hesitation moving toward a more transparent environment.

POSITIVE SIGNALS

These initial successes have been made due to the continuous pressure of stakeholders (civil society, lawyers, INGOs, and some public administrations such as OMSAR) over the past three and half years, amplified by the demands for transparency and accountability of Lebanese citizens in the October uprising. More recently, there have been further positive signals regarding anti-corruption measures in Lebanon with implications for A2I.

At the end of April, Parliament adopted an anti-corruption decree (published in the Official Gazette in May as Law 175/2020), which established the long-awaited National Anti-Corruption Institute (NACI). Also in May, the cabinet adopted the first **National Anti-Corruption Strategy**. Working groups will be formed in accordance with this strategy, with the first group specifically dedicated to the implementation of Law

■ The government and the presidency who have refused to implement A2I, with the excuse that it requires an implementation decree, are those whose job it is to issue one.

175 by enforcing the **national action plan** developed by OMSAR in consultation with various civil society organizations working in this field and with the support of the United Nations Development Program (UNDP) and Organization for Economic Co-operation and Development (OECD).

The NACI, which must be established within three months as stipulated by the new anti-corruption law (and at the time of writing was on track to be completed by end July), has implications for A2I as well as Law 83/2018 on whistleblower protection, Law 84/2018 on transparency in oil and gas, and Law 154/2009 against illicit enrichment. Regarding A2I, the NACI is supposed to receive complaints against non-complying entities, raise awareness among the public on the importance of this law, and monitor the law's implementation. In its absence, the latter two roles have been left to civil society groups, while the first was adopted by the

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State Council, which issued a decision in December 2019 taking responsibility as the valid court to look into access to information disputes in the absence of the NACI. This June, there was a ministerial meeting aimed at accelerating the appointment of the six independent NACI members.

KEEPING UP THE PRESSURE

Moving forward, A2I still faces many challenges that will require continued pressure from stakeholders to overcome. A new A2I law amendment has been submitted to the Parliament and is currently being discussed by the Legislative and Administrative Committee, this offers opportunity for improvements but also can be used to undermine the power of the law.

The Lebanese Transparency Association (LTA), which has been among the civil society groups pushing for A2I and its implementation, submitted a legal [review](#) of A2I to lawmakers to positively influence the draft amendment of the law. Among its nine recommendations to improve A2I and ensure it complies with international standards was to amend the law so that administrations would no longer be able to unilaterally reject information requests, which can currently be done through the “misuse of the right” clause in article 1 of the A2I law. Instead, the proposed amendment would require a judgement from the NACI on whether the “misuse” clause is applicable in any given case. Another amendment suggested by the LTA is to change article 5 of the law, which currently prevents access through information requests to documents listed under that article, to instead mandate that if any of the listed documents are requested under A2I then the administration must apply a public interest test to them and release them if it falls in the public interest to do so—any disputes regarding what fell under the public interest would be settled by the NACI.

Not all proposed changes are positive, however. A major challenge to the effectiveness of A2I is the insistence of several political powers to limit the law by amending it to include a need to establish a clear “capacity and interest” to use it. What is being proposed is that any requests for information could be blocked by administrations unless the person making the information request is able to establish their capacity—meaning those requesting information relating to a specific municipality or village would have to be a resident of, or originally be from, that village, or have work with the administration related to that area—and interest—meaning the data is necessary for their work. This pro-


posed amendment would severely limit those able to use the law to a point that would render the law completely ineffectual.

Outside of the text of the law, other challenges to A2I’s full implementation can be attributed to the lack of online platforms or data collection tools, which public entities are stating as a reason for their inability to give proper responses or disseminate law-enforced public data. Once again, it is civil society groups that are stepping up to address the scarcity of available data. Public-space focused NGO Nahnoo has launched a [municipal portal](#) to ease information sharing, Democracy Re-

■ Access to information is a fundamental right, one that will help shape Lebanese political discourse and hold politicians and other persons in power accountable.

porting International has significantly raised awareness on the importance of A2I for sustainable [local governance](#), Gherbal has built ten [municipal websites](#) in collaboration with UNDP to facilitate public data circula-

tion and has launched an online portal ([Ellira.org](#)) that crunches, visualizes, and eases the search for public figures from the national budget to customs data. Several other projects such as [ShinMimLam](#) and [Open Data Lebanon](#) have also emerged in the last few months to help citizens reach public statistics, numbers, and figures, and put more combined pressure to aid Lebanon administrations’ transformation into digitally ready and transparent bodies.

It has been slow progress from the state’s end, and there are still many obstacles and challenges ahead of the A2I law, but honest progress has been made through concrete steps taken by individuals and organizations. Ultimately, full implementation of the law requires political will among the government, MPs, political parties, and public servants to abide by drafted laws and, most importantly, to implement the decades-long promises of reform and accountability. Civil society has brought the law this far, we will not sit on the sidelines but will continue to monitor and pressure the government to ensure Lebanon will adapt to the new challenges that lie ahead. Access to information is a fundamental right, one that will help shape Lebanese political discourse and hold politicians and other persons in power accountable—it is a necessary step in the fight against corruption. 

Assaad Thebian is the executive director and Celine Merhej is a project manager at the Gherbal Initiative.

THE LEGAL FRAMEWORK



How could asset recovery work for Lebanon?

Each year, developing countries lose between \$20 to \$40 billion due to bribery, misappropriation of funds, and other corrupt practices. These criminal acts drain economic development initiatives, contribute to further impoverishment, and come with other societal costs, such as the negative impact on education and public health services. One way of combating these practices is through recovering assets siphoned from the public sector by public servants—elected, or nominated—and their accomplices. How does this process work, and could it work in the Lebanese context?

An asset recovery process begins by collecting information and tracing the assets of the concerned persons with the first objective of determining whether the value of their assets is compatible with their regular income or not and

then determining where these assets are located. This first phase could be as simple as looking at public records, such as the property register and the commercial registry in Lebanon, or could involve a more in-depth search that would require experts to use forensics to trace the assets, notably when they are hidden in complex structures in the country or abroad.

In addition to the public records in Lebanon, valuable sources of information can be reports and documentaries published by NGOs or journalists, information provided by whistleblowers to the soon to be formed National Anti-Corruption Institution (NACI), oversight public bodies such as the **Central Inspection** and the Audit Bureau, and, most importantly, a serious forensic audit of all public accounts.

It is very important to highlight the importance of international cooperation in collecting information and tracing assets at this initial fact-finding stage. The Ministry of Finance, for instance, is vested with special powers to acquire tax-based information from foreign financial and fiscal entities and administrations by virtue of Law 55/2016 on the exchange of information for tax purposes (though these powers have not been used to date). Also, the Special Commission of Investigation (SIC) at the central bank can directly address all Lebanese and foreign authorities in order to ask for needed information and access details of investigations in other countries, by virtue of Law 44/2015 on combating money laundering and terrorism (it had similar powers under Law 318/2001 but these powers were improved upon). This phase of the asset recovery process must be strictly confidential.

Once the needed information is collected and the assets traced and located, the initial fact-finding phase is followed by the four other phases of asset recovery—securing the assets, the court process, enforcement of judgements, and the return of assets (see box right)—as detailed in the [asset recovery handbook](#) of the World Bank and the United Nations Office on Drugs and Crime's Stolen Asset Recovery Initiative (StAR). Notably, all phases of asset recovery involve international cooperation.

USING TOOLS AT HAND

Lebanon has all the needed legislative tools internally and internationally to seek and secure the return of assets, though some require improvement and all require the political will to implement. Thus far there has been no major case of asset recovery using any of the below cited laws, raising serious questions as to the levels of corruption in Lebanon and the lack of independence of the judiciary.

From the outset, the 1943 Criminal Code outlawed bribery, embezzlement, misappropriation of public funds, trading of influence, and abuse of function. Lebanon also has Law 154/1999 on illicit enrichment, updated once already in 2009. This law has loopholes that made its enforcement impossible (such as a bank warranty of LL25 million as a prerequisite to submit a complaint and the risk of a LL200 million fine and three months to one year imprisonment for the person who filed the complaint if the charges are dropped), and is currently subject to new amendments. Law 44/2015 on combatting money laundering and terrorism can also serve, along with the special powers given

PHASES OF ASSET RECOVERY, AFTER INITIAL INVESTIGATION

- **Securing the assets** by taking all necessary precautionary and preventive measures, such as freezing, seizing, and confiscating assets up until the issuance of a relevant judgment or decision. Such measures can be taken in Lebanon either through the common judiciary proceedings by referral to the competent courts, or by referring to the SIC, which is entitled by Law 44 to lead investigations with regards to suspicious transactions, to lift the bank secrecy from suspicious accounts, and to seize or freeze these accounts. The SIC can also address its foreign correspondents (the SICs or similar bodies in other countries) to take precautionary measures related to assets located abroad.
- **The court process** in Lebanon and/or abroad. The judicial proceedings relating to asset recovery are generally criminal, but they can also be civil. Civil proceedings can lead to the nullity of contracts and the payments of indemnities (contractual obligations).
- The **enforcement** of the judgments and decisions issued according to the procedures of enforcement of each country and the **return of assets** to the country of origin are the last two phases of asset recovery. Generally, the return of assets requires international or bilateral conventions between the country of origin and other countries where the assets are situated.

to the SIC by virtue of the law (detailed above), as a powerful legislative tool for asset recovery.

Moreover, Lebanon has recently adopted a series of laws aiming at increasing transparency and preventing and fighting corruption: Law 55/2016 on the exchange of information for tax purposes (and its implementing decree 1022/2017), Law

60/2016 on tax residence, Law 75/2016 on bearer shares (shares that can be transferred anonymously), Law 28/2017 on access to information, Law 83/2018 on the protection of whistleblowers, Law 106/2018 on defining

■ Lebanon has all the needed legislative tools internally and internationally to seek and secure the return of assets, though some require improvement.

beneficial ownership, Law 175/2020 against corruption in the public sector (which also established the NACI), and the [National Anti-Corruption Strategy](#) approved by the Council of Ministers on May 12, 2020. It is worth noting that in addition to updates to the illicit enrichment law, amendments to the 1956 banking secrecy law is also being discussed in Parliament committees.

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These legislative measures, among others not listed above, have been adopted by Lebanon as part of the execution of the country's obligations toward the international community, since Lebanon is party to the **UN Convention against Corruption** in addition to other international conventions relating to the international cooperation in tax matters, such as the Multilateral Convention on Mutual Assistance in Tax Matters (**MAC**) and the Multilateral Competent Authority Agreement (**MCAA**) on automatic exchange of financial account information.

Given all the above, the legislative tools that already exist within Lebanon and the agreements with other nations, why is asset recovery still challenging in the Lebanese context?

ROADBLOCKS AHEAD

In addition to the challenges inherent to asset recovery, Lebanon has demons of its own. The Lebanese judicial system is known for its lack of independence. This is one of the main obstacles to asset recovery in Lebanon. Lebanon's General Prosecution, judicial police, investigative judges, and criminal judges have a primary role in investigating crimes of corruption and in conviction, confiscation, compensation, and cooperation with their peers abroad. The independence of the judiciary is a necessity to recover the international community's trust in Lebanon and to begin an efficient asset recovery process.

The other main obstacles inherent to the Lebanese environment are the absence of an effective national strategy for asset recovery, the constitutional immunities from prosecution afforded to the President of the Republic, the deputies and the ministers, and most importantly, the lack of will shown thus far by the Lebanese state with regard to **asset recovery**.

Beyond these Lebanon specifics, a common obstacle faced by states seeking to launch the asset recovery process is funding. Asset recovery is a long and complex process that involves cross-border cooperation; therefore, it is very expensive. The funding issue is aggravated amid the current economic crisis in Lebanon, nevertheless, this is an obstacle that can be overcome, through, for example, creating a national fund for asset recovery that would auto-finance the process out of the asset recovered. A draft of an asset recovery bill is currently being discussed in a Parliament sub-committee, foreseeing the creation of such a fund. Others could also participate in funding the process of asset recovery, such as the Lebanese diaspora and the international



community, but only if the process is promising and the government behind it has proven its commitment to the process.

Haiti, Nigeria, Kenya, Ukraine, Brazil, among others, were able to **recover assets** with the support of foreign countries such as Switzerland. Yet, the four main elements that were present every time a recovery was successful were: a change in political regime, the political will translated into a reinforcement of anti-corruption legislation and bodies, the combination of formal and informal international co-operation tools, and finally settlements and plea agreements whereby corrupt officials would repatriate a substantial part

of the stolen funds and would resign, in exchange of partial or a total amnesty.

International conventions along with the legislative efforts of foreign countries such as the United Kingdom, France, and **Switzerland** have made it more feasible to return assets through international cooperation. Yet so far, there has been no serious attempt by any Lebanese government, current or previous, to embark on asset recovery. Regardless of the challenges, asset recovery is a necessary step on the path to a more transparent, more accountable Lebanese state—one that will abide by practices that discourage rather than enable corruption.

■ Lebanon has demons of its own. The Lebanese judicial system is known for its lack of independence. This is one of the main obstacles to asset recovery.

Carine Tohme is the managing partner of Beirut-based Tohme Law Firm and a board member of the Lebanese Association for Taxpayer Rights (ALDIC).

LEARN FROM OTHERS

How Lebanon can recover stolen assets

Recovering assets corrupt officials have stolen while in government service is a critical part of a government's fight against corruption. First of all, it deters corruption. If those who would steal from the public while ostensibly serving it know they have little chance of keeping what they take, they will be less tempted to steal it in the first place. Second, a vigorous, forceful asset recovery effort demonstrates a government's commitment to combating corruption and thus helps bolster citizens' confidence in its officials.

Lebanon is one of 187 nations that have ratified the United Nations Convention Against Corruption. The recovery of stolen assets is a “fundamental principle” of the convention, and states that parties are obliged to offer one another the “widest measure of cooperation” in the search for and confiscation of stolen assets. In 2007, the World Bank and the United Nations Office on Drugs and Crime created the Stolen Asset Recovery Initiative or StAR to help low- and medium-income countries with asset recovery. StAR's “Asset Recovery Watch Database,” the most authoritative source of information on nations' efforts to recoup stolen assets, shows that from 1990 until today Lebanon has not yet initiated a single case to recover assets stolen by a corrupt public official.

STEPS IN THE RIGHT DIRECTION

The current government took an important step to curb corruption with passage of the anti-corruption law that was published in the Official Gazette early May. It should take a second, equally important one: the launch of a determined effort to recover assets officials of previous governments have stolen and hidden abroad.

The way to begin is with the creation of an office within the newly created National Anti-Corruption Institution (NACI) devoted solely to locating and recovering stolen assets. A handful of professionals, no more than say five to begin, could be hired to focus solely on the recovery of stolen assets. The cost would be modest—salaries plus office support—when compared with the potential benefits.

Member states of the European Union (EU) have been required to have a specialized asset recovery office for over a decade. Some of the larger asset returns since these offices were created are shown in the table below. In addition to these, two non-EU countries with asset recovery specialists, Switzerland and the United States, have between them returned in excess of \$3 billion over the past decade plus. The StAR database shows in addition dozens of recoveries in the several hundred thousand dollar to \$1 million range. Even one such recovery would more than pay the costs of operating a Lebanese asset recovery office.

ASSET RETURNS

<i>Returned to</i>	<i>Returned by</i>	<i>Amount (USD millions)</i>
Libya	The Netherlands	143.5
Macao SAR	Hong Kong SAR	56.0
Macau	United Kingdom	44.0
Nigeria	Liechtenstein	233.8
Nigeria	United Kingdom	17.7
Pakistan	United Kingdom	248.0
Uzbekistan	France	10.0
Zambia	United Kingdom	46.0

There are important advantages to centralizing responsibility for asset recovery. It is firstly a way to build expertise on a complex area of law and international finance. Asset recovery requires an in-depth knowledge of the asset recovery procedures in the UN Convention, the international legal principles governing receipt of information from other nations, methods for tracking cross-border financial flows, and forensic accounting techniques. Assigning responsibility for this work to a small, dedicated team of professionals is the surest way to build expertise in these disciplines.

A dedicated asset recovery office also helps develop the personal relationships with counterparts in other nations. The European experience and elsewhere shows that such relationships are crucial. Key to almost every successful return has

been information gleaned through informal channels: telephone calls, emails, and visits with police, prosecutors, or investigating magistrates in other states. Information about stolen assets can be quite sensitive, however, and will only be shared if these sources are sure they can trust it will be handled appropriately. As personnel in a Lebanese asset recovery office meet and interact with asset recovery specialists in other nations, a natural outgrowth should be the trust and confidence that facilitates information sharing.

As relationships between Lebanese authorities and those in countries where assets may be hidden develop, authorities in these asset “holding states” will become more willing to devote time and effort to help recover the assets. A corrupt official who hides money in a foreign jurisdiction inevitably runs afoul of the jurisdiction’s anti-money laundering laws. In the best of circumstances, prosecutors in a holding state will, when alerted by colleagues in an asset recovery office, open a money laundering investigation. Most of the returns by the United Kingdom, the United States, and Switzerland were realized in this way. Working with personnel from the victim state, prosecutors in these countries used the confiscation procedures in their domestic anti-money laundering laws to seize and then return the assets.

MENTORSHIP FROM OUTSIDE

The skills required for a successful asset recovery effort are not taught in school. Creation of a specialized asset recovery unit should be accompanied by a plan for training the lawyers, accountants, financial professionals, and other personnel that will staff it. StAR, the UN Office on Drugs and Crime, and the Basel Institute’s International Centre for Asset Recovery (ICAR) all offer asset recovery training. An important complement to a training program is embedding an experienced asset recovery specialist in the new office, a mentor who can bring his or her expertise and contacts to bear on cases the office is pursuing. ICAR has a mentoring program and the U.S. Justice Department has also provided mentors.

The training provided by StAR, the UN Office of Drugs and Crime, and ICAR is usually delivered on-site, but in these days of the pandemic the courses have moved online. They are usually offered at no cost to the recipient country. At most, if participants must travel to another country the sponsoring government may be asked to pay their

expenses. The mentoring programs run by ICAR and the U.S. Department of Justice are funded by their governments. The European Union, the U.S. Agency for International Development, and other bi- and multilateral donors also support asset recovery training and mentoring programs.


Between the hands-on assistance prosecutors in holding states can provide to locate and confiscate assets stolen from Lebanon and the training

opportunities donor organizations provide, Lebanon need not spend scarce resources on the many law and accounting firms and private detective agencies that can be expected to “pitch” their services. These firms do indeed have a great deal of experience recovering assets siphoned from corporations

■ Key to almost every successful return has been information gleaned through informal channels: telephone calls, emails, and visits with police and prosecutors.

by fraud, but they are expensive. Moreover, once a holding state’s authorities open a case, they have powers no private firm has to obtain information.

Some private firms have offered to help countries recover assets on a no or low-cost basis by agreeing to work for a percentage of any amount recovered. A return of tens if not hundreds of millions of dollars means the firm will realize an enormous sum, far exceeding a reasonable fee for its work even accounting for the risk it takes that it will receive nothing if no assets are recovered. A **Swiss law firm** was paid \$24 million, 4 percent of the \$600 million Nigeria recovered from Switzerland, for little work, and a **Nigerian firm** with no international experience will receive 5 percent for any recovery on another case. The amount paid to the Swiss firm and the potential amount the Nigerian firm could receive have raised questions in Nigeria about the size of the fees and fuelled citizens’ suspicions that the process itself has been corrupted.

The Lebanese government should create an asset recovery office and launch an asset recovery process without delay. With a strong commitment from it and assistance from the international community, there is no reason why assets stolen from the Lebanese people cannot be found and returned. 

*Richard Messick is a senior contributor to the **Global Anticorruption Blog** and a consultant on asset recovery to the UN panel preparing recommendations to be submitted to the UN General Assembly at its April 2021 Special Session on Corruption.*

THE SOLUTION TO WHAT PROBLEM?



Does Lebanon need a special anti-corruption court?

In June, Parliament's Anti-Corruption Subcommittee began discussing the establishment of a special court on financial crimes. Its proposed jurisdiction ranges from counterfeit and forgery of money and documents to bribery and abuse of power by public officials on active and former duty. Such a scope of offenses would fall under what we at the **U4 Anti-Corruption Resource Centre**, a knowledge hub on corruption and anti-corruption policies worldwide, have called a “specialized anti-corruption court.”

Over the last two decades, the number of countries that chose to have a special judicial body, division, or set of judges with a substantial or exclusive focus on corruption-related cases

has grown. In a 2015 **mapping exercise**, U4 found around 20 existing anti-corruption courts and we know of at least five more that have been set up since. More countries, such as Armenia and now Lebanon are debating their establishment.

Different degrees of institutional separation and specialization come with different costs and benefits. Anti-corruption courts are latecomers to a trend toward more judicial specialization, following special juvenile and family courts, or commercial courts, among others. A World Bank **paper** on developing specialized court services found that, as a rule of thumb, a greater degree of institutional separation will be more appropriate when the caseload is higher, when the need for

efficiency is greater, and when the need for specialized expertise is more acute.

In our research on anti-corruption courts, U4 found that the most common argument made for special anti-corruption courts is indeed the need for efficient resolution of corruption cases. Reformers want to signal to domestic and international audiences that their country is serious about anti-corruption efforts. In [Indonesia](#) and [Ukraine](#), concerns about the integrity of the regular courts were the main reason for setting up special courts with distinct features to insulate them from malpractices and undue influence. In these two countries, anti-corruption court judges are selected from not only within the judiciary but also from among qualified non-career judges, such as law professors and other legal practitioners (accountants have been appointed in Indonesia, for example). In Ukraine, the selection process even includes a panel of international experts with the aim to render the selection process more independent. In [Slovakia](#), concerns about the integrity of the judiciary led to the initial security screening of the candidates for the special court by the National Security Agency. This was later revoked, then extended to all judges by the Constitutional Court. This is an example of how special courts can pilot and lead on new standards for the whole judiciary.

Setting up a special system comes with costs and a new court may compete for resources needed for more general court reforms. Even the appointment of just a handful of specialized judges can constitute a substantial brain drain from the general court system if the pool of judges in a country is not large to begin with. Due to the limited baseline data available in the jurisdictions that have set up anti-corruption courts, it is impossible to make a scientifically sound assessment regarding any improved effectiveness and efficiency of the new courts. This is also because their performance cannot be seen in isolation as it depends on the quality of the evidence and charges brought forward by the investigating and prosecuting bodies.

When discussing whether to establish a specialized anti-corruption court, it is therefore critical to first carefully evaluate what problem specialization is meant to overcome. Is it something that can only be addressed through specialization, or are reforms to the general court system, law enforcement agencies, or the crimi-

nal procedure code, or a combination of these, a better alternative?

Such thorough analysis should precede decisions on the institutional design of a specialized court. The models U4 studied range from individual judges with special certification to hear corruption cases, to special branches or divisions and separate, stand-alone units within the judicial hierarchy. There is no one correct approach or clear best practices that can be copied and pasted from one country to another, but there are some common, fundamental questions that reformers should keep in mind when elaborating the design of a specialised court (as detailed on U4's [website](#)):


- Where to place the anti-corruption court in the judicial hierarchy, i.e. whether specialization should extend to the appeals level.
- How large the court should be—the number of judges.
- The substantive scope of the anti-corruption court's jurisdiction.
- The relationship between the specialized anti-corruption court and the specialized anti-corruption prosecutor—such as the country's anti-corruption agency, if one exists.

Reformers also need to consider whether to make any special provision for the selection,

removal, or working conditions of the anti-corruption court judges, and adopt substantially different procedures for the anti-corruption courts compared to similar criminal cases in regular courts. Special procedures may be necessary if inadequate procedures in the general

■ The most common argument made for special anti-corruption courts is indeed the need for efficient resolution of corruption cases.

court system are part of the reason for specialization, and if those procedures cannot or should not be changed generally.

All this needs to be well-thought through, because the high-profile defendants in large-scale corruption cases are typically [well-resourced](#) and their legal defense team will likely use their full legal arsenal and seek out any loopholes and legislative and regulatory lapses. 

Sofie A. Schuette is a senior program adviser at the U4 Anti-Corruption Resource Centre at the Chr. Michelsen Institute in Bergen, Norway.

KICKSTART THE PROCESS

Lebanon could utilize unexplained wealth orders to recover stolen assets

Asset recovery requires global cooperation.

According to the Stolen Asset Recovery (StAR) Initiative [database](#), in 2018 the approximate amount of stolen funds that have been frozen, confiscated, or returned to affected countries since 1980 equals \$8.2 billion, involving over 50 requesting and over 40 requested jurisdictions. These numbers, however, pale in comparison to the estimates of annual asset theft—given the nature of the activity, stolen assets are calculated based on estimates of laundered money—that range from [\\$800 billion to \\$3.4 trillion](#).

Asset recovery has been in the Lebanese discourse as part of the greater calls for accountability and transparency since the October 2019 uprisings. This July, Alain Bifani, the former director-general of the Ministry of Finance (who resigned his position and his place as part of Lebanon's negotiations with the International Monetary Fund in June in protest of the handling of the country's economic crisis) alleged in an [interview](#) with *The Financial Times* that \$5.5 to 6 billion had been transferred out of Lebanon at a time when banks were imposing informal capital controls on the majority of depositors—limiting dollar cash withdrawals to as little as \$100 per week. Though there are no official estimates on the country level, Charbel Nahas, a former labor minister and head of the political party Citizens in a State has [estimated](#) that as much as \$22 billion has been moved out of Lebanon in the past ten years.

In January this year, a petition from a group of Lebanese MPs requesting mutual legal assistance from Switzerland regarding assets moved out of Lebanon to Switzerland after the October 2019 revolt was [rejected](#) by the Swiss Federal Department of Foreign Affairs (FDFA), which stated that the cooperation conditions between the two countries had not been fulfilled. The Swiss Federal Office of Justice needed further information on the alleged origin of the unlawfully obtained assets and the placement of these assets in Switzerland. This experience suggests that investigations must be conducted on the Lebanese national level before reach-

ing out to other countries for legal assistance. But the current Lebanese legal system does not meet some technical requirements, and there is a lack of genuine will to effectively prosecute public officials accused of looting public assets. To date, there has not been a single case prosecuted before courts on matters related to corruption. Local media also [cited](#) an anonymous source close to the International Monetary Fund who alleged that the Lebanese “political-financial system” had used “all means possible” to thwart asset recovery efforts.

A POSSIBLE GAME CHANGER?

There is one small technical step however, if adopted and effectively implemented (through Law 154/1999 on illicit enrichment, currently under review at Parliament) that could act as a short-cut and game changer in the lengthy and costly course of the investigations and prosecutions of the illegally-gained assets on the national level.

Unexplained Wealth Orders (UWO) are a practical investigative power that have been available to UK law enforcement since February 2018. The UWO revolutionized efforts in fighting corruption, as it allows the prosecutor, law enforcement agency, or any other relevant entity responsible for prosecuting corruption cases, to file these orders if there is reasonable grounds to suspect that the income of the accused is insufficient to enable them to obtain their owned asset(s), whether in cash or in properties. Reasonable grounds for suspicion is enough in this case to qualify reversing the burden of proof on the defendant, who needs to provide all the necessary evidence proving that the assets were not illicitly obtained. A presumption of illegality rises in case the accused fails to reply to the UWO and, consequently, the property is subject to recovery by civil forfeiture. The value of the property that is subject to an order needs to be greater than £50,000 (approx \$65,800) according to the act. (It should be underlined that while the presumption of guilt is developed only after failure of the recipient of the order to respond to

the UNO, like all legal and investigative tools, UWO's must be carefully guarded against abuse).

In a country like Lebanon, where accessing information, data, and public records on Politically Exposed Persons (PEPs), their families, and individuals involved in serious crime can be highly challenging and complex, UWOs could be the solution to foil money laundering schemes. It is a powerful tool to accessing evidence in juridical cases of large-scale illicit enrichment gained through corrupt acts. The UWO can be issued in two essential circumstances: 1) a suspicion on the part of the investigative authorities carrying out financial audits that a person (PEPs included) is involved in criminal corrupt activity, and 2) if the assets acquired by that person are disproportionate to their income.


Countries, victims of large-scale political corruption, money laundering, and economic crimes, usually refrain from initiating asset recovery requests due to the great costs spent during criminal proceedings. Studies found that the cost of tracing only \$10 million to \$100 million of illicit wealth ranges between \$250,000 and \$2.5 million. The discovery phase requires the hiring of auditors, lawyers, and experts, and so UWOs can ease the financial burden of this process by switching the burden of proof on the defendant.

The competitive edge of the UWO is that reasonable grounds for suspicion outweighs concrete and persuasive proof, which allows courts to file an interim freezing order preventing the owner from selling or transferring their properties. It facilitates the process of investigations and obliges the accused to provide the necessary evidence refuting the alleged offence.

Investigation complexities are encountered in large-scale political corruption cases and therefore,

■ Countries, victims of large scale political corruption, money laundering, and economic crimes, usually refrain from initiating asset recovery requests due to costs.

a careful consideration should be given to the alleviating toolkits for the countless challenges experienced throughout the process. The UWO can be a crucial entry point for the Lebanese

justice system to expedite investigations related to corruption cases, which would help overcome the cost challenges of securing evidence. 

Riwa Zoghaib is a governance and anti-corruption expert, currently employed as a project coordinator/researcher at the Lebanese Transparency Association (LTA). The views cited in this piece are her own and do not necessarily reflect those of the LTA.

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JUDICIARY MUST MAKE ITS OWN MOVES



Q&A with legal expert Paul Morcos on judicial capacity and accountability

They are somewhat remote issues from the perspective of daily survival in the summer of 2020. But the questions of financial accountability and judicial processing of the complex aspects of the corrupted system and adequate prosecution of corruption are pregnant with implications for Lebanon's systemic networks of fiefdoms, sublime tribal rulers, and previously extra-judicial interest mongers. Moreover, the judicial issues relating

to corruption are innumerable. Seeing the different types of corruption questions that have been raised—from the need to prosecute politically shielded tax evasion to illegal enrichment of officials, and private sector graft and bribery, to the urgent need of changing the cultures of petty corruption of minor administrative officials, falsification of property contract values, and citizen's complicity in corruption by way of dodging financial and civic obligations—EXECUTIVE wondered who will handle the judicial complexities and help cleaning up all the untold nuances of the nation-encompassing Lebanese corruption mural. Asking these questions, EXECUTIVE sat at the virtual table with legal expert Paul Morcos of law firm Justitia.

E *How ready is Lebanon from the side of the judiciary and legal professions to deal with corruption?*

Lebanon has now a strategy for anti-corruption. This strategy has been completed and great efforts have been made to this end by Minister [for Environment and Administrative Development] Damianos Kattar. As for legislation, I think we have also improved, since we have voted at least two specific laws with regard [to corruption]. One was [adopted] in 2018 with regard to whistleblowing [Law 83] and the second was passed this year in [late April and published in the Official Gazette in] May, [Law 175/2020 on anti-corruption, which also established] the National Anti-Corruption Institution. Before these two laws, we had the law [28/2017] on access to information already in place. As to the fourth law with relevance for the prosecution of corruption, which is the Law [154/2009, an update on the original Law 154/1999] on illicit enrichment: This law has been reviewed and is almost ready for issuance, in its new[est] version. We need a few weeks to get it done completely.

But the main problem is not about legislation nor about strategies. We have an inflation in laws and strategies. Those laws have, of course, been elaborated on and improved. This is natural. This is normal. But the problem is that we don't have a central decision by state actors—those who really run the country—to sacrifice their supporters.

When it comes to fighting corruption you have to take severe and serious measures to, for example, get rid of certain employees and functionaries within the state and public administration. You also must take steps to enable the judiciary to arrest corrupted persons, and to enable the specific commissions for anti-corruption and anti-money-laundering and terrorist financing to investigate illicit funds and transfers that are made abroad. This kind of decision and this kind of sacrifice has not been initiated yet. We are now watching steps [taken] in terms of legislation improvement and of focus groups, as per the anti-corruption strategy—this is good work, but not in face of anti-corruption. Sacrificing and lifting protection on supporters and political clients is what matters now—and I am not talking about protection by law. The protection by law that enabled instances of corruption has been lifted at least partially, through the law on establishment of the anti-corruption commission that has been issued in May. But practically, the protection for political clients, for corrupted people, are still the same.

E *It seemed that implementation of the earlier laws that you mentioned, whistleblower protection and access to information, has not been very smooth or rapid. For media, activists, and civil society, getting access to information was a hit-and-miss game for quite some time, depending on which ministry or administrative unit you asked. From this experience, how long could it take to see the May 2020 law fully implemented and operational?*

Theoretically you need three months from the publication of the law to establish the commission. There are six persons to be nominated and the nominations are now in process. There are different

bodies who have to nominate their representatives. This process is ongoing and should be done within those three months. But I am afraid that even if you nominate such persons, if you do not have the political will and if you don't have the people and the media pressing for this, you will not see the results that you are aiming for.

E *In terms of the capacity of the judiciary, the implementation of anti-corruption usually needs a lot of specialized judicial skills for supervising and dealing with forensic investigations to prove that someone has stolen public funds or taken bribes or illicitly enriched themselves while in public office. How ready is Lebanon in terms of the number of judges and the judiciary system and prosecution to deal with such cases?*

There is the lack of the law to grant the judiciary its independence. This is not right. The judiciary in this situation should act by itself because the legislative power, the Parliament, which is comprised

■ “The legislative power, the Parliament, which is comprised of mostly political figures, will never enable the judiciary to work.”

of mostly political figures, will never enable the judiciary to work. It will never grant the judiciary what it needs. It will never issue the perfect law. Thus the judiciary should act [by] itself, like it did in Italy through Mani Pulite (a judicial investigation of political corruption struc-

tures in Italy in the 1990s). Additionally, [the judiciary] have to generate their own good practices. For instance, similar to what the members of the high council for magistracy have done in terms of lifting banking secrecy, other judges should also do—this

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is one example. Another example is that members of the Higher [Judicial] Council (HJC) should sign a code of conduct and ethics. By adopting such a code they, for instance, have to undertake not to run for any other political, administrative, or even judicial position [while serving on the HJC]. This is needed because some of them used to take this [council function] as a vehicle to jump either over to membership of the Constitutional Council or to the Ministry of Justice, to become a minister of justice. I mean altogether that [the members of the judiciary] can take internal measures in order not to wait for the Parliament to grant them independence.

E *But do you agree that affirmation of judicial independence by a new law will be a major turning point for the ability to prosecute corruption cases in Lebanon?*

Why? Why do you think so? I say that it is a good factor to have a good law but you don't have to have a good law [on judiciary independence] to have a good judiciary. You can take other measures. I mentioned two of them but I [will] give you another example. We are now waiting for the circulations of judiciary figures. These are not nominations but rather circulations (the movement of judges between roles) within the judiciary.

E *Lebanon's judiciary system is not reputed to be lightning fast. If we were to see a high-profile case about bribery or corruption, how long would such a case take to wind its way through the judicial system?*

The judicial system is not fast anywhere, not just in Lebanon. But in Lebanon it is even less fast than in other places. This should of course be accelerated but the judiciary does not have to wait for any third party to grant it autonomy. This will not happen easily and the only solution is the judiciary—I don't think the solution might be the army or any other means. The judiciary is the solution in this country. They have to act and not wait. They have enough texts of law, [and] they suffer enough, like other citizens. I think each and every judge should act. I believe that there are many good judges—only a few are bad judges.

E *One of the principles of having a good judiciary is that everybody has to have the right to a fair trial. Are there many good, specialized defense lawyers in this country who know how to deal with graft and bribery cases, auditing and institutional tax evasion cases, and very complex financial crimes?*

Yes. There are many competent lawyers in this field. Also, if someone cannot afford [legal repre-

sentation] then the bar will nominate the lawyer. Even the court can help with this process.

E *Do you feel confident that one year from now there will be in Lebanon a much better functioning judicial process for dealing with cases of corruption and illicit enrichment of public officials?*

Yes.

E *When it comes to the issues between banks and their depositors, and possible judicial confrontations, how is the situation there? Is the situation on the legal front going to improve or worsen?*

We are now working on the capital control law and this law should soon be enacted. Having a capital control law is amongst the prerequisites for [a deal with] the International Monetary Fund. It will help in unifying the [exchange] rate of the dollars. It should be done soon. Meanwhile, there are lawsuits against the banks—because their practices are illegal. Transfers should be free, [in the sense that] they should be executed freely. So there are illegal banking practices in place. But these are for a good reason, because if [banks] transfer all the money [as they are requested by depositors], they

will no longer have any funds and reserves at their correspondents. Also, the central bank is refraining from giving them any of their reserves—there is a retention against giving them such funds.

I think that lawsuits

■ “The judicial system is not fast anywhere, not just in Lebanon. But in Lebanon it is even less fast than in other places.”

which were submitted before the capital control law is issued, will be settled. Afterwards, there will be exemptions for those having necessities to transfer small amounts for education [and] health issues, for example.

E *What, from your perspective as a legal expert, is the best thing that Lebanon can do in this situation?*

There should be a political move to take serious measures—serious measures have not been taken yet. We have been playing for time. I don't know why. And I do not believe that there is a good reason behind this. Even if this buying of time were for reason of a political gamble, this is not good for the country. What is happening is buying of time, plus working on new legislation and building some strategies. Drafting some plans. We have enough legislation and strategies. We need measures. We need what we call “quick wins.”



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We could have built a second Singapore

Q&A with economist Freddie Baz

In discussing Lebanon's economic survival, some local opinion makers and economists have been making nothing but dire predictions since the fourth quarter of 2019. EXECUTIVE wanted to take the perspective of Freddie Baz, a Lebanese economist, banker, and citizen who has for over two decades been a regular interlocutor of this magazine on banking and economics. The interview has been substantially edited for brevity.

E Although you are not thrown around by the Lebanese storm as some of the people, one could regard you as an observer in the eye of this storm. Knowing that you are someone who has been an economist and strategist in banking for more than half of your life, and knowing that you are a direct witness to the destitution of the people living around you, how does it feel for this economist to sit in the eye of the storm and see all this happening?

It is obviously very, very sad. It is very sad when you look at the lost opportunities in this country. When I was looking at figures and numbers in preparation of our meeting today I found out that since the late Prime Minister [Rafik] Hariri assumed office for the first time in 1992 until the end of December 2019, Lebanon has got \$280 billion of cumulative inflows. We could have built a second Singapore, and probably would have needed less [than that amount] to build a second Singapore. We have spent all of this on consumption and imports.

E But does this mean all of us collectively, or is there truth to allegations that there was this or that political figure who imported luxury cars or some economic

decision-makers who were solely responsible for all what the country spent on consumption and imports?

If we go into breaking down responsibilities, there are obviously different levels of responsibilities. Being a banker, you are much more responsible than if you are an entrepreneur. Being an entrepreneur, you are much more responsible than a freelancer for the business that you are running. But being a central banker, you are also much more responsible than a banker. Being a minister of finance, you assume different types of responsibilities than a central bank governor. Being prime minister, being speaker, being president...

One can go into details and examine how the responsibilities should be broken down but if you look in parallel at how much [money] all those successive governments in Lebanon have had since 1992, how much they have spent, we are talking about \$250 billion. For what? When I say I am a top-down analyst for Lebanon, it is because for me the main problem of Lebanon is to have never succeeded in building a nation-state. Unless we succeed in building a nation-state, whatever we do, and even if we were to get again \$400 or 500 billion [in inflows], and even if the government spends hundreds of billions, we will not reach anywhere.

E What has the role of the monetary authorities been in the context of this absent nation-state?

The monetary authorities by law have a lot of independence and they were supposed to define independent monetary policies. What I mean



by independent monetary policies are policies that serve the economic targets of the government. But none of the previous governments have ever had any economic policy or set any economic targets. Have you ever heard about a GDP growth target? Have you ever heard about a headline inflation rate target? Nothing. But instead of volunteering to highlight this to the government, instead of building independent monetary authorities that are serving the purposes of currency stability and [preserving] the purchasing power of people, monetary policies have been accommodating to serve completely distorted financial policies.

E You referred to the financial engineering of 2016 as a turning point of the Lebanese narrative. Have there been one or many turning points that one can point to, for example such difficult and controversial decision points as the initiation and continuation of central bank stimulus packages in much of the past decade?

Every single year, the IMF used to tell [the governor of the central bank, Riad Salameh], "You have to stop this

and get rid of it.” But it was serving the purposes of failing politicians. There are definitely many question marks, Thomas, but in my opinion, the biggest error of the monetary authorities—talking about them as an institutional body, not as one person—is that they are responsible, as per the Code of Money and Credit, for two main targets: the currency stability and the financial standing of the banking industry. The focus has almost exclusively been on the first target, and it happened that overdoing it [on the first] was at the detriment of the second target.

And in terms of talking about governance—because what we are now talking about is the lack of good governance—the issue is that by law, the Banking Control Commission (BCC) is independent from the central bank. They are only administratively linked, so they are on the payroll of the central bank and are occupying offices within the building of the central bank. They have, however, a great if not total independence in executing their job. And at this level too, many things have been accommodated. If one wants to expand on where the responsibilities of bankers start and end—this is linked to the responsibility of the watchdogs supervising them and setting rules and regulations.

When I say watchdog, you have the central bank and the BCC, but you have also the auditors. To be fair, in every single year in the audit reports, which are public, there was mention that banks are in breach of, I believe, article 156 of the Code of Money and Credit, which imposes a good match of assets and liabilities in terms of duration. Those reports go to the BCC—which never did get back with imposing sanctions or penalties or short delays. Why? Because the reason for this mismatch was to accommodate financial policy by the state, to acquire [treasury bills] and eurobonds, which have much longer maturities than the average life of deposits.

Over the past few years, we witnessed a stream of fake news and economic conspiracy tales but there was very poor interest in really understanding the Lebanese economy and the banking situation. As of today, there is much academic interest and media interest. At the same time it seems that one cannot be entirely sure about the quality of simplistic and repetitive but uncorroborated media reporting or even the quality of some populist academic analyses. Is it not also adding to the problem and perception of the crisis as it presents itself today that there is a large number of pseudo-economists in the country and that one cannot feel assured on the quality of populist analyses and even some long-distance academic opinions on the very complicated Lebanese situation with its many financial and economic intricacies?

There are some people who appear nearly every day on television, sit on panels and challenge people who are much more knowledgeable. Also on social media you have a lot of people who have become very popular, people who have no track records. They have excellent writing skills and excellent talking skills. They write funny articles that one enjoys to read and they know how to present themselves on TV as super knowledgeable financial analysts and economists but when you look at their track record, you see that they have been asked to resign from previous jobs because they were totally inefficient. They were responsible for small jobs in small institutions—and today they are icons.

When I asked you if there was overvaluation of the lira in 2018, based on some assessments by currency strategists at some international banks, you said it is not much overvalued. This was something where I thought that we were differing in opinions.

You know, at that time the IMF was saying that there could be overvaluation of 13 to 14 percent but the IMF did not say at that time that the lira could reach [a rate of] 10,000 or 15,000 to the dollar. A real effective exchange rate is very difficult to estimate. The IMF are the only technical experts who do this but every year they put it with a lot of reservations—and they don't give you a figure, they give you a range. This is just to tell you how much of a critical exercise this is. I did my thesis at the Sorbonne with Raymond Barre. He used to tell us money is about perception, it is not fundamentals. Currency is perception, not fundamentals.

To answer the question about what I told you two years ago, if you came to see me at a point in time when Lebanon was getting \$16 bil-

■ “A real effective exchange rate is very difficult to estimate ... Raymond Barre used to tell us money is about perception, it is not fundamentals. Currency is perception, not fundamentals.”

lion of yearly inflows, I definitely would say this is a major support to the real exchange rate. This would have determined my opinion regarding overvaluation. But then you will tell me: “You are not assessing the value based on the fundamentals, you are assessing it on the basis of inflows.” Things are different when you have a real economy or when you depend on the diaspora. [However], we would have agreed that [the lira] is not overvalued by a large amount. It all depends on the question: Are the grounds [that we were standing on with the lira peg] solid? No. But

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still those inflows were supporting the real value of the currency.

E *The assessment of the overvaluation in 2019 and 2020 was indeed a totally different ballgame. But what created the conditions that led to the total meltdown of confidence? With my humble capacities I got stuck looking at it under the framework of Hyman Minsky's Financial Instability Hypothesis.*

Let me say something to make things more precise. Banks have placed a lot of money with the central bank but without being overly curious to see how this money was being spent. But knowing that the part of this money [which was committed to] financing the state is limited, there is a confusion. It is not that banks were placing customer deposits in hard currency at the central bank knowing that of every dollar we were placing at the central bank, 60 or 70 cents would go to financing the government. What was the amount of eurobonds held at the central bank? \$7 billion. The central bank was buying TBs in local currency while the issue today is about a financing hole in hard currency, a hole that was not necessarily used to finance the state.

E *What created the hole then?*

In my opinion, under the Minsky definition, the central bank was paying 6 to 7 percent on average on USD deposits, so if you have \$80 or 70 billion, or two years ago, \$60 billion, that makes \$5 billion of yearly interest [payments]. There also was other spending. I have done some calculations on the turnover of financial engineerings. If you look at four items from end-December 2015 until end-December 2019, [namely] increase in bank deposits in USD, the reduction in bank loans in USD, because this is a new liquidity that has been generated, the reduction in banks' liquidity with their correspondents abroad—the real BIS [Bank for International Settlements] liquidity as

they call it—and at the reduction of banks' eurobonds portfolio, it gives you an idea about the real liquidity generated by banks that has been used in the financial engineerings. You have four assets that have decreased and been replaced with one asset, which is deposits at the central bank—we are talking about \$36 billion cumulative in the period from Dec 2015 to Dec 2019. When you look at the [net foreign assets], NFA at the central bank in Dec 2019 grew by \$300 million with respect to Dec 2015—I am talking about the period of financial engineering. There was a turnover of \$36 [billion], which should have propped up the NFA. But obviously everything that the public and private sectors have received and paid as dollars is embedded in the [BOP, balance of payments]. We have an adjusted BOP deficit that has conceptually consumed \$14 billion dollars of the NFAs of the central bank. There have been \$4 or 5 billion in cash withdrawals, people hoarding at home. Banks took this money from the central bank, so deposits have decreased. [Adding] 14 and 4 is 18, [accounting for] \$18 [billion] out of \$36 billion. Where are those [\$18 billion]? The answer for me is that most probably a big part of the financial engineering did not translate into new cash generated as much as it was rolling over [and paying out interest on] existing deposits that were maturing. But unfortunately at a high cost.

E *Are we then in an episode of hyperinflation?*

Yes, of course. We are in hyperinflation because the price structure is today benchmarked on the parallel market rate—which is, in my opinion, wrong. The minister of economy should have taken steps [to regulate]

how people are billing today, invoicing today. In our case, hyperinflation is imported, it is not locally induced.

E *What is the definition of hyperinflation? I was under the impression that it is 50 percent inflation per month.*

The 50 percent per month, which leads obviously to high three-digit increases on yearly basis. This is the definition.

E *So where do you see inflation go by the end of 2020 or in 2021? Can one have a rational expectation?*

For me, that is as if you are asking to give my views on the ex-

■ “The minister of economy should have taken steps to regulate how people are billing today, invoicing today. In our case, hyperinflation is imported, it is not locally induced.”

change rate. When you convert your new prices denominated in local currency at the parallel market exchange rate, then they are almost the same, or some prices in USD have decreased.

But there is a very important point [about dollars created in Lebanon], which very few people understand. In 1992, at the start of reconstruction when Hariri came and brought new prospects, we had \$4,370 million dollars of resident deposits—\$4.4 billion. By April 2020, we have \$88.9 billion. People believe that the process has been auto-nourished by interest—but this is wrong. If you take the average yearly interest rate on USD, the \$4.4 billion of 1992 deposits would have become \$10.3 billion today, at the real average weighted rate of 4.5 percent over the period.

What contributed to the increase in resident USD deposits—if a country allows this, and Lebanon allows—are the cumulative surpluses of the BOP. Over this period, we have \$20.5 billion of contributions from BOP [money brought into Lebanon and deposited into local bank accounts]. When I calculate 88.9 minus 10.3, which is the accrued interest, minus 20.5 which is the real contribution of the foreign sector, what remains is \$53.6 billion. Those have always been Lebanese dollars since inception. It is not that these used to be real dollars and are lollars today. The people talking about lollars do not understand the principle of credit multiplier in USD. Loans create deposits. Not deposits make loans.

It was one of the errors of the governor that he promoted dollarization and always tried to consolidate it and push it even farther. When you tolerate lending in USD, then you provide banks with the power to create Libano dollars, as we labeled it in the early '90s. When you tolerate the credit multiplier of lending in USD you create deposits in USD that are produced in Lebanon. Those \$54 billion have from their inception been produced here in Lebanon. Let's say you come to me, the banker, and ask for a million dollars to build a factory. This million is broken down in three parts—\$300,000 to buy the land, \$300,000 for constructing the plant, and [\$400,000 as] money to obtain raw materials etc. When you buy the land, the owner gets a check and deposits it. This loan that I have created has generated a lot of waves of Libano dollars. When you see loans in USD, they used to be \$2.1 billion [in the early '90s] but reached \$24.9 billion of domestic loans in foreign currency in April 2020, out of \$39 billion total loans, resident and non-resident in all currencies. So [advancing] from \$2 [billion] to \$25 [billion], the [loans] increased by \$23 [billion], times the credit multiplier, which is 2.4, this is

what has generated those \$54 billion Libano dollars. So you are not 100 percent eligible to transform this into real dollars either by transferring it abroad or transferring it locally into cash.

The system works as long as you have enough of a monetary base in USD. This monetary base is the liquidity that central banks maintain abroad, meaning real liquidity that some call BIS liquidity [in reference to the Bank for International Settlements, the Basel-based organization of the world's central banks]. What happened in Lebanon was that hoarders of Libano dollars were allowed to transform them into real dollars. As long as you have 20 or 25 percent of your resident US dollar deposits [in form of] real BIS liquidity, you can manage. But when the ratio goes to 12 or 10 then you have an issue. It is true that you still have 8 or 10 percent, but what if there is a lack of confidence and all the owners of Libano dollars want to convert to real dollars? That is why in an interview in October 2019 I urged the central bank to immediately stop domestic clearing [meaning to withdraw from facilitation of dollar-denominated transactions among Lebanese financial institutions] in USD. It was still a good time before the total fall of confidence, and it would have provided much more flexibility.

E What is your view on capital controls? Are they coming in at any moment and how can they help us?

I used to criticize the government for handling the situation as if the remaining stock of real reserves, the strategic reserves for fuel, medicines, wheat is [all there is]. [This means] acting as if we need to optimize the use [of these reserves] and have no prospects for any replenishments. This is the worst situation, because if you start thinking like this, you forget

about any means or way to replenish and adjust. I hate this. But today, with respect to the reality of them doing nothing and, as matter of fact, having seen that the recent visits of presidential envoys to the Gulf did not bear any fruit ... [this door for seeking replenishment appears to be shut].

I was trying to analyze monetary flows over the last five months because the central bank has just published the May figures. Just to give

■ “When you tolerate lending in USD, then you provide banks with the power to create Libano dollars, as we labeled it in the early '90s.”

one meaningful example, total deposits decreased by \$12.7 billion in five months [Jan to May 2020]. This is slightly higher than the full year 2019, which saw [decrease of] \$11.3 billion. But when you look at the breakdown [of the 2020 decrease], \$9.4 billion is coming from resident and \$3.4 [billion] from non-resident deposits. In parallel, total loans decreased by \$6.8 billion. Loans [generate] deposits but redemption of loans decreases deposits. Obviously, when you pay back the loan and it is not renewed, this is destruction of currency. Looking further at resident and non-resident figures, \$3.4 billion of the deposit decrease [occurred] in the non-resident part, in a context of only \$300 million of loan decrease. This money most probably left the country. You obviously have to put up a barrier. As long as you are not considering your available resources, you have to put an end to any leakage with capital controls today. We are talking in terms of months of survival.

It is critical [to have capital controls] but in my opinion it is not

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enough because what I said also last year in November, was that Lebanon needs to put quotas on imports. You do not only place capital controls on money outflows. You have also to put quotas on imports. In the first five months of this year, imports decreased by 46 percent when compared to the similar period of last year. But we still had \$4.3 billion of imports. It seems that fuel, medicine, and wheat represent 50 percent of this amount. This means there are many things that are still being imported but that are not essentials. I got some mails yesterday from wine shops that told me that they got new arrivals of French wine. Or let me take the example of the blue cheese that you like. It is a luxury. When you put a quota on imports, those imports will not be allowed at this time. In my opinion, we need to manage our external financing needs wisely by limiting them to the minimum, [which] also means quotas on imports, especially [luxuries].

E So you say we need capital controls and import controls?

Of course. During the transitory period.

E For how long in your opinion?

In my opinion, you have to implement capital controls for five years minimum. If you want my deep belief, no prospects before ten years. There are 115 billion of Libano dollars today in the banking sector. If you take the central bank net reserves and add the liquidity of banks with their correspondents abroad which is still available, and deduct all correspondent banks' deposits still existing in Lebanon, you get \$14.4 billion at end of May versus \$115 billion of total liabilities in USD in total banks. If you remove the capital control after one year, what would happen?

E What is your view on the divergent financial assessments between the

government's plan and the plan of the parliamentary committee?

The issue for me is not the loss assessment controversy of LL240 trillion versus LL120 trillion, as long as whatever assessment you take represents a multiple of financial system equities. We are technically bankrupt. But to be fair, the assessment of the government and their advisors is much closer to reality. But the major discrepancy and issue for me comes from the spirit of both plans. The government drafted its plan with a resolution spirit. The commission answered with a plan that has a recovery spirit. These are legal terms, and there is a major difference between resolution and recovery. Every bank by law needs to provide the Banking Control Commission every year with a recovery and resolution plan. Recovery plan is when you are facing a major challenge but still have the means, although costly, to adjust. Resolution is when there is no recovery possible and you have to sell a subsidiary, add immediate capital, or are forced to merge. The government drafted a plan with a resolution strategy whereby the other [plan] says that with time, things can be managed. As an external observer who is also an insider, because I know not only the banks but also the economy very well, nobody of both parties has convinced me about their idea. Because nobody in his plan—when saying these are the losses and this we should move to clean up the financials and restructure—addressed what will happen one day after [this process has been done]. If we do the write-off of shares and the bail-in through depositors, we will get debt to GDP to a sustainable level and the central bank balance sheet will become clean, and the Lebanese banks will become a good bank. I reduced my assets and

my liabilities, and all my liabilities have been converted and frozen into assets, meaning higher quality but frozen. So I don't have liquidity.

To use the banking system again, in order to make the economy take off, for me there is something material which is missing: We need to get new liquidity in order to pay back depositors and launch new waves of productive loans in order to have this economy lift off. Nothing of this has been mentioned.

E What do you think of other plans, such as the plan of the Association of Banks in Lebanon, that seem to be competing with the government plan and the plan by parliamentary commission?

I believe that the parliament and the government have discussed closely

■ “You have to implement capital controls for five years minimum. If you want my deep belief, no prospects before 10 years.”

with the central bank and the ABL. The spirit of the document of the parliamentary commission reflects the ABL and the BDL [perspectives]. I position myself toward something different.

The bottom line [of two earlier reports by IMF and World Bank is that] in order to create 60 or 70,000 jobs a year, and catch up with the upper range of middle-income countries, Lebanon needs between \$15 and 20 billion of yearly investments over ten years. [We need the] nation state, and we need as soon as possible to agree on two very strategic MoUs—one I will call defense strategy between the state and Hezbollah, because this reality cannot help Lebanon attract any foreign investment, which today is at the heart of the problem. We have to solve this duality and I am talking political

economics, not politics. We need to favor an environment capable of helping Lebanon attract investments.

The second MoU I will call a new social contract, but between real output partners. Not a social contract from a political standpoint. We need to assemble together economic associations [and] labor unions, under the sponsorship of the state, and as the observer civil society, which can help adjust policies because of their power in order to define a new social contract whereby each party has to agree upon the level of sacrifice that they need to make—I won't recommend reducing real salaries but people will need to work more for the same salary. Likewise, entrepreneurs need to accommodate much lower [internal rates of return] on their investments in order to help the machine to take off.

E *This sounds like things that are doable if you have the right spirit.*

You need good people, you need a good government, you need a nation state with [all its functioning institutions]—you need citizenship and governance. We also need to have very strong planning and thoroughly assess our competitive and comparative advantages. God provided us with many advantages in terms of geography, geology, and human resources. We need to build on those comparative advantages. There is a lot of talk now that we need to promote export industries, yes, definitely, but in my opinion the priority is much more on the level of import substitution—we need to promote import substitutes.

E *What do you think on the subject of bank restructuring? Will it happen, can it happen? Is there a formula?*

With respect to the materiality of the problem, there is going to be

a huge restructuring which would require fresh money. [Restructurings] require fresh money and under the current conditions I don't see any possible appetite or interest from whatever investors to come and inject money. First of all, I believe that

■ *“We need to consolidate but under today's Lebanon political conditions and embargo at all levels, consolidation will add losses without necessarily generating savings.”*

everyone who is responsible, should pay. It is very difficult for me to say this because I have been a member of management and it is a responsibility from anything I did. But I have been consequent with myself [and my principles] when I resigned because I had divergent views with my colleagues on how to go forward.

When I decided myself to quit at the bank, there were no prospects of the additional problems [that happened later in 2019]. When I made my decision, it was only based on what I have seen as normal development with respect to all those accumulations requiring adjustments in strategy and asset utilization, without the sufficient leverage to make things happen. So I have decided to withdraw although at the time when I decided [this meant] big sacrifices of position, authority, and also money.

But we are talking about governance and now are focusing on banks, we need to restore, as quickly as possible, very strict governance of banks. This is a necessity.

E *This includes the central bank, its governor, and all the boards of banks and the managements?*

I don't personalize and I believe in the sacrosanct principle of innocence

until proven guilty but in my opinion it is clear that there are super-negative vibes toward the governor [coming] from politicians. This has expanded to civil society. The governor has become a target. The governor's main added-value in the collective sub-conscience was that he was guaranteeing the stability of the currency. As long as the currency is collapsing today and there are those negative vibes, why we are still [not acting for change]? Probably a change to a new style, new approach, new name, this is part of the countenance to restore.

E *How about the protection and preservation of jobs in the banking industry? Are we looking at a significant contraction?*

There is progress toward negotiated layoffs, which is the opposite of what is happening elsewhere, and [happening] so far to acceptable levels. There are plans for 200 or 300 employee [layoffs] at big banks. We are talking about a banking sector with 26,000 employees. I won't be surprised to see a 10 to 15 percent reduction.

E *Do you see a rebuilding of the banking industry with regional offices and subsidiaries abroad, or perhaps by bringing in foreign banks? Why would foreign banks be interested in coming into Lebanon?*

Which foreign banks? They all left Lebanon. In my opinion we need to consolidate but under today's Lebanon political conditions and embargo at all levels, consolidation will add losses without necessarily generating savings. We need to have fresh capital in order for consolidation to make sense. What is needed is to generate real savings. As long as staff represents 60 percent of expenses, real savings come from staff, as there are overlaps of highly paid c-levels, of branches, and duplications of subsidiaries. But there also are large impairments and I am not sure that financial synergies coming from mergers would by themselves be enough to

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offset the impairments. What is needed is to restore the ability to get new, fresh money in order to be able to launch new waves of good loans.

E What do you think of the project of a banking restructuring commission at the central bank?

I don't know about the people [that have been appointed]. I don't know how much experience they have in this field. I have worked on a lot of [acquisitions and consolidations] and know that this requires a lot of skills and knowledge.

E Will the forensic audit of the central bank provide a turning point?

The connotation is not good. They are focusing on the central bank as if this is where the problem is and where you smell 'onion and garlic.' The successive governments as I told you, from 1992 until last year, spent \$250 billion in aggregate. Two different knowledgeable ministers [in the previous government], representing two different political parties, Ghassan Hasbani and Ali Haj Hassan, said several times that the magnitude of waste and corruption in Lebanon represents 11 percent of GDP (Hasbani) and represent \$6 billion (Hassan)—which corresponds to 11 percent of GDP (at the time). If we take the cumulative formal GDP of Lebanon from 1992 until today, this is \$820 billion, 11 percent [of that] is [over] \$80 billion, \$84, 85 billion.

We [furthermore] did a lot of analyses on the revenue gap in the budget, the main component of which is tax evasion. A lot of Lebanese are good tax payers but there are many inefficiencies that relate to the fiscal administration. This is another 9 percent of GDP. So what is the aggregate foregone income, which relates to corruption, waste, and uncollected taxes and revenues? \$160 billion.

Now I will start with my forensic audit at the level of the public administration of Lebanon, because

the \$250 billion that have been spent over 28 years, to see how much each ministry has spent and how it was spent in order to see how we can recuperate part of this. We also have to do the forensic audit of the Ministry of Finance: Why there are \$80 billion of uncollected revenues over 28 years? Include the central bank, because nobody can argue against the growing opacity in central bank accounts over at least the last ten years. I can understand that the government is asking a new company to do a new audit of the central bank but it would have been much more eloquent and rational for the government to ask for a comprehensive audit of all public administrations, ministries, and funds that report to the prime minister. To start with just a forensic audit just of the central bank is pretty bad.

E Every proposal for the rescue of the economy included some form of public asset management fund or defeasance fund. How can one in the current period of economic crisis and global recession reliably evaluate assets for such a fund, especially assets of supposedly revenue generating state-owned enterprises?

Numbers need to be adjusted with respect to recent developments but it is not a very difficult exercise. Normally valuation for a company like Middle East [Airlines] is based on EBITDA [Earnings before Interest, Taxes, Depreciation, and Amortization] and reconfirmed by net asset value. But the issue for me is the principle itself. I don't understand populists who are saying that the assets are the people's assets. You cannot say that the public assets belong to the Lebanese population and cannot be

touched, [but argue] as if the national public debt of Lebanon is not a burden of all people and impose on others, which are the big depositors, to pay our debt—this is ridiculous.

E What is the quality of our assets?

I personally believe that the net equity position is negative, even if I

■ “Whatever else we are talking about, Lebanon needs immediately about \$20 billion to \$25 billion of fresh liquidity. If we don't get this, nothing works. No consolidation of banks, no debt restructuring.”

include the net present value of oil and gas at the initial level of reserves that has been [announced]. As per my calculation, at £93 billion of debt today and minimum \$5 billion of arrears, which are not included in the debt, the net position is negative. Assets do not allow to cover [this debt] but if allocating a part of assets can help safeguard depositors' interest in banks, I will do it. The central bank is holding public debt that it is not supposed to and the [discussion is] to write off the government debt and for the government instead to give assets to the central bank. Those assets will allow covering the gap between bank deposits and remaining resources and we can start talking about how we can pay over time, in order not to affect depositors. Banks can then negotiate with depositors. You need to be innovative. But whatever else we are talking about, Lebanon needs immediately about \$20 billion to \$25 billion of fresh liquidity. If we don't get this, nothing works. No consolidation of banks, no debt restructuring, no central bank balance sheet cleaning. ■

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By Dr. Lilian A. Ghandour

Time for heightened sense and sensibility

The surge of COVID-19 cases in Lebanon

First published online on August 7

As of August 2, Lebanon has registered 4,885 cases (almost 80 percent of which are local) since the first case of COVID-19 was identified in Lebanon on February 21. At the time of writing, 3028 cases are considered “active”—of whom 110 are hospitalized, and while the majority (70 percent) are mild cases, still one in three hospitalized persons currently require intensive care treatment. The predominant majority of the active cases (96 percent) are in home isolation—not requiring hospital care. While that is unequivocally positive news, it is not entirely risk-free as the proportion committed to home isolation is far from 100 percent in some areas of Lebanon. According to the daily **report** published by the Disaster Risk Management (DRM) unit, self-reported compliance has been at 50 percent or less in areas such as the Bekaa, Akkar, and Baalbek, and suboptimal in Beirut (80 percent), the North (70 percent) and Mount Lebanon (60 percent). While reasons for non-compliance may vary and have not been investigated, repercussions of non-compliance are quite clear: the risk of transmission from an infected case to several healthy and possibly immunocompromised individuals.

IMPROVED TESTING, BUT ALSO GREATER CASES

In the past few weeks, we have witnessed a surge in the number of positive cases detected on a daily basis. One may be tempted to attribute these higher daily numbers to the parallel significant rise in the number of daily tests conducted (the total PCR tests conducted as of August 2 is 308,735; 6,799 tests in March compared to about

50,000 in May and June each, to a total of 164,775 tests during the month of July alone. Indeed, the increased number of confirmed cases daily is a result of the higher number of daily PCR tests conducted. Nonetheless, the published data also points to a doubling in the positivity rate (number of cases/number of tests x 100), which was hovering around 1 percent in June versus about 2 percent in July (reaching 4.2 percent on July 12). Since July 1 marks the first day of reopening the airport at about 10-15 percent capacity (bearing in mind that four phases of repatriation had already occurred between April 5 and June 11), many may also be tempted to attribute the increased number of tests to incoming expats/tourists. Digging into the published numbers, however, the higher percentage of tests has been conducted among the locals and not at the airport (on August 1 for example, 6,666 PCR tests were conducted for locals in the preceding 24 hours versus 2,072 at the airport). Moreover, during the month of July the average positivity rate was 1.6 percent among locals (compared to 1.13 percent in June), in contrast to 0.86 percent among those tested at the airport.

While the majority of the hospitalized cases are mild (and 48 percent of all registered cases are asymptomatic), it is important to consider three additional statistics besides the positivity rate (which has doubled from June to July) when evaluating the current local COVID-19 situation. First, the number of cases requiring admission to an intensive care unit (ICU), which has quadrupled in a month from eight on July 1 to 34 on August 2. The second indicator is the number of deaths per

month, which increased from seven in June to 25 in July, bringing the total number of coronavirus deaths to 59 at end-July (noting that the case-fatality rate is at 1.3 percent versus 3.8 percent globally). The third indicator is the percentage of cases that remain untraceable (an indicator of community transmission), and currently about **25 percent** of registered cases remain “under investigation/of unidentified source.”

DANGERS OF LOCKDOWN FATIGUE

It is worth recalling that Lebanon by mid-March was in full **lockdown** with only about 100 confirmed positive cases. This aggressive containment early on was key to flattening the curve and building healthcare capacity to respond to COVID-19 cases. The high number of COVID-19 cases confirmed on a daily basis these past few weeks threatens to overwhelm Lebanon’s healthcare system. On July 30, after a series of record daily highs, Dr. Firas Abiad, director of the Rafic Hariri University Hospital **warned**: “Whether it is wearing face masks, social distancing, the financial situation, the blackouts, the drums of war, the sweltering heat, or the wretched lockdown, everyone is extremely drained and wants a break. #Covid19 is not listening.” Both public and private hospitals are threatened despite significant improvements since the start of the epidemic in terms of daily PCR tests, distribution of testing centers, available beds, ICUs, and ventilators. This is mainly because Lebanon is simultaneously battling an **economic catastrophe**, which is resulting in significant power cuts in

hospitals, laying off nurses and other hospital personnel, and translating to critical shortages in personal protective equipment (PPE), medicines, and other essential medical supplies.

Early in the epidemic, the Lebanese government initiated a “**whole government response**” and has since implemented several decisions, albeit some controversial such as the most recent partial lockdown that started July 30—which some **health officials** disagreed with, warning that only an enforced two-week full-lockdown could create any significant progress. The partial lockdown was also questioned by many precaution-taking citizens. Many wondered about the public health value of closing restaurants and holding instead banquets in home gardens, or closing of sports clubs and holding big birthday parties at home, or even necessitating PCR tests from arriving airline passengers if positive cases do not adequately home quarantine. Lockdowns have been perceived by the socially responsible as a punishment for the risky behaviors committed by the social butterflies who continued clubbing, partying, and not taking any precautions. What some local residents and incoming passengers fail to realize is that containing the second wave of COVID-19 in Lebanon requires shared responsibility—and the collective effort of multiple stakeholders—including them.

YOUNG, BUT NOT INVINCIBLE

At the end of July, the World Health Organization (WHO) **warned** that young people could be driving the surge in COVID-19 cases in some countries, as illustrated by a higher proportion of new cases among the younger demographic. In Lebanon, there are no clear demographic trends across time but the current demographic distribution of the cases shows that about 25 percent are in the 20-29 age group, and an additional 20 percent of the cases are in the 30-39 age group. This is in contrast to the profile of critical cases and deaths,

which are predominantly among the 50+ year olds. Therefore, while young people are likely to experience a mild case of coronavirus and fully recover, they still pose a great risk to others in their community—by transmitting the virus to vulnerable groups including immunocompromised individuals (such as a sibling with asthma) and older adults with risk factors (such as parents who smoke or have a comorbid heart condition or cancer). One should be careful not to blame the younger population—for one cannot determine the directionality of transmission (who infected whom) by looking at the age distribution of cases. Still, global researchers have **shown** that younger people do tend to react to the end of lockdown by socializing more, perhaps partially attributed to them misinterpreting the repeated messages they have been hearing about young people being less at risk. As such, there has been a recent shift in messaging and we have been hearing more and more that COVID-19 can affect any age group, and that young people are “**not invincible**.” It has always been the case, but with lesser precaution taking in the young and an increased risk of transmission to others, the thinking and messaging framework has shifted. The young must not only be warned but rather also be engaged in the process of re-flattening the curve as active agents of change. In the **words** of WHO Director-General Dr. Tedros Adhanom Ghebreyesu: “The pandemic does not mean life has to stop,” it just means we have to find ways to adapt to the “new normal”—including safer ways of socializing.

While individuals, across all age groups, play a crucial role in lowering the risk of transmission within their communities, they are only one of many stakeholders responsible for

the mitigation of a “second wave.” Inter-ministerial coordination is key, and so are collaborations across various entities in Lebanon (community, healthcare facilities, municipalities, and non-governmental organizations [NGOs]) as they all have major responsibilities and must work collaboratively to implement advanced

■ The number of cases requiring admission to an intensive care unit quadrupled in a month from eight on July 1 to 34 on August 2.

structural measures. The government must balance Lebanon’s economic and public health needs and ensure the implementation of evidence-based measures and strategies as outlined in a newly published **policy brief** by the Knowledge to Policy (K2P) Center. The report stresses on the need for a comprehensive and cross-sectoral strategy, and outlines evidence-based measures at various levels to support the control of a second wave of COVID-19 in Lebanon.

Civic action and responsibility is necessary though not sufficient. Today, there is an unprecedented need for residents of Lebanon to join in the efforts aimed at containing COVID-19 locally—and that is by acting with heightened sense and sensibility. This does not preclude one from going to work to make a living in these incredibly stressed financial times, or sustaining small and close family and friends gatherings for mental health wellbeing. It simply necessitates that we all act responsibly and abide by international and **national guidelines**, otherwise, as Dr. Abaid **warns**, “if we falter, it will be a very steep fall.” ■

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.

Navigating rough waters

Lebanon's beach club operators discuss summer 2020

On May 31, when beach clubs and resorts were given the green light to open for the season, following the government mandated COVID-19 lockdown measures, operators of such properties were faced with a dreary grey seascape.

Not only did they need to learn and invest in new sanitization protocols in an attempt to severely reduce the risk of exposure of their staff and clients to the pandemic, they also had to deal with the implications of the ongoing economic and COVID-19 related crises in Lebanon.

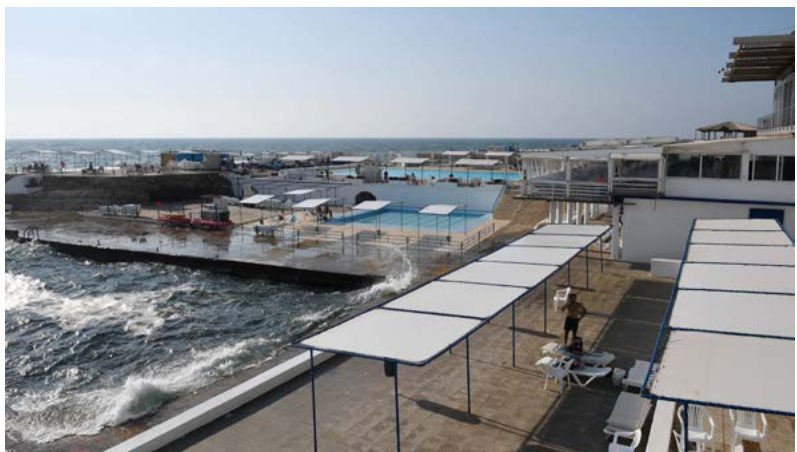
On the demand side, these implications included less people willing to spend on leisure, because of their collapsing purchasing power, and some avoiding crowded places, even if outdoors, for fear of being exposed to the coronavirus.

On the operational side, the increase in the foreign exchange rate has meant an increase in almost all the costs beach clubs and resorts incur, including diesel for generators and chemicals for pool hygiene.

With this in mind, EXECUTIVE met with some of Lebanon's beach club and resort operators to understand how the current situation is impacting them and the ways in which they are adapting.



Between June 2019 and June of this year, the CPI has jumped by 87 percent—had admission fees followed suit they would have been as high as LL84,000.







PAYING THE PRICE OF A SWIM

While there are several public free beaches along the Lebanese coast, such as the ones in Sour in the south or Anfeh in the north (see EXECUTIVE's 2018 [coverage](#) on public beaches), the majority of the shoreline is taken up by private beach clubs (private properties where customers have to pay a fee to access the pool area and services) or resorts (a similar concept to a beach club but with a hotel on the premises), both of which charge entrance fees.

Those fees have been gradually increasing over the years. Back in 2015, EXECUTIVE [reported](#) that the average entry fee for a beach club in Lebanon was LL40,000 on a weekend day. In summer 2019, according to the beach club operators EXECUTIVE spoke to this year, average weekend day rates were LL45,000.

This summer, three of the six beach club and resort operators EXECUTIVE spoke to, Sporting Beach Club in Beirut, and Lazy B and Pangea Beach Resort in Jiyeh, say they have increased their entry fees by

LL5,000 (meaning LL50,000 during weekend days), an 11 percent increase from 2019 and a 25 percent increase when compared with 2015. Comparing these price increases to the Central Administration of Statistics' [Consumer Price Index](#) (CPI) in the same period underlines the difficulty businesses have in matching admissions to rising costs without becoming unaffordable for potential clientele. Between 2015 and 2019 the CPI had only increased by 14 percent (from 97.22 at the start of the summer season in June 2015 to 110.69 in June 2019) in line with the price increases at beach clubs and resorts, but between June 2019 and June of this year, the CPI has jumped up by 87 percent (up to 206.83)—had admission fees followed suit they would have been as high as LL84,000.

Operators EXECUTIVE spoke with say they will not be increasing their entry fees any further this summer, for fear of discouraging customers from visiting. "We are not going to play around with these prices at all this season," says Waleed Abu Nassar, partner at Sporting Beach Club. "Because at the end of the day, the client that is coming to the beach can only afford to allocate this much money for a beach outing and he or she needs to allocate the rest of their money for their other expenses, especially if they have kids or families." Following the same line of reasoning as Abu Nassar, some resort managers opted to not increase their entrance fees at all this season. "We did not increase our entrance fees because we know that the demand this season will not be as high as previous years and we wanted to encourage customers to keep on coming," says Slavy Ghazal, director of sales and marketing at Coral Beach Hotel and Resort in Beirut. "Let others increase their prices if they want to and we will attract more business that way (laughs)."

SWEETENING THE DEAL

Considering the current dismal economic situation and the competition among beach clubs and resorts, operators have implemented different strategies to attract clients to their waters.

Resorts EXECUTIVE spoke with that had existing membership plans that allowed customers to buy entry passes valid for the season and save some money, either did not increase the package price this season or lowered it in hopes of developing loyalty among their clients. “Our four-month seasonal membership was for \$500 [last year] but we made it for LL500,000 this season,” says Lazy B’s owner George Boustany. “We did this to encourage people to keep visiting the beach and to create some sort of loyalty scheme. With this kind of offer, we should have had hundreds knocking at our doors but the reality is not the case. It’s a very tough year.”

Hussein Charafeddine, owner and operator of Pangea Beach Resort in Jiyeh, says he offers 50 percent discounts on entrance fees to the resort through GoSawa, a platform that features discounts on various local experiences. He says 2,500 people have purchased the GoSawa deal so far in the season (mid-July) noting that they have until the end of September to redeem it. Charafeddine says this is so far “much less” than the number of people who bought the same deal last season, although no exact figures can be shared until the season ends.

Some resorts followed the strategy of keeping their entrance rates the same as the previous season but increasing the price of services within the property, such as the price of massages or access to VIP areas. “We went into market survey to compare places that are a bit similar to us in terms of service and we saw that they did some changes in the price of the menus but kept the entrance fee as is,” says Walid Yammine, general manager of Eddésands Hotel and Wellness Resort in Byblos. “Keeping it as it is means they



want people to enter the place and then, whatever they spend in there will be good. You would have attracted them to your place with the price.” Eddésands has kept its weekend entrance fee at LL50,000 but is promoting its VIP area, at an additional LL100,000 per person, and its cabanas (cabins with private hot tubs that customers can rent for the day), which run for LL850,000 on a weekend for ten people—eight of whom can access the resort without paying an entry fee.

■ “With this kind of offer, we should have had hundreds knocking at our doors but the reality is not the case. It’s a very tough year.”

A LONELY SHORE

Despite all these efforts, the number of guests frequenting beach clubs and resorts is roughly half of what it was last year, according to all the beach club and resort operators interviewed for this article. “This year, on a busy

Beach clubs & resorts



■ “You cannot build tourism while you are closing roads almost every day, but you cannot but close the roads if people are hungry and are not getting their salaries.”

weekend day, we get 300 to 350 people at most. Whereas last season we had up to almost 800 customers at times with an average of 700 on a weekend day,” says Pangea’s Charafeddine.

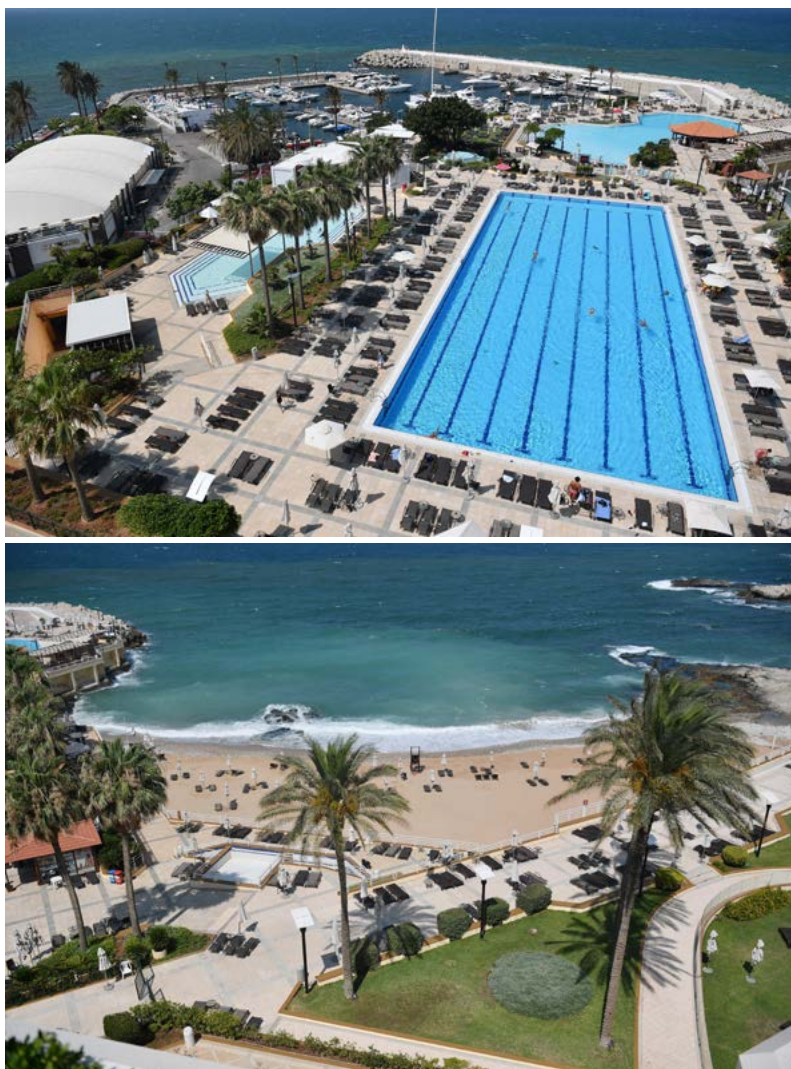
In June, the airport was still closed—its reopening on July 1, according to Boustany, led to an increase in the number of visitors to beach clubs and resorts but still not comparable to summer 2019.

This drop can be primarily explained by the economic situation. “The economic situation played a big role in the dwindling numbers,” says Sporting’s Abu Nassar. “Those who are coming to the beach club, and who do not have businesses outside of Lebanon are, in my opinion, living in denial.”

There are also other reasons for the decrease in the number of beach clubs’ customers. To begin with, road closures and protests on weekends—both in the north and south of Beirut—made a comeback once lockdown measures were eased, starting early June and were still frequent at the time of interviews in early July.

Such occurrences make people think twice before venturing on the road to beach clubs relatively far from their homes. “We remain heavily affected by road closures since our opening on the first of June,” says Michel Abchee, CEO of Damour Beach Resort sal, which owns and operates *Lost at Sea* and Damour Beach Club, in an interview early July. “You cannot build tourism while you are closing the roads almost every day, but you cannot but close the roads if people are hungry and are not getting their salaries.”

Road closures aside, traffic congestion on the highway connecting Beirut to the north—especially in the Nahr el-Kalb to Adma stretch—is a long-standing complaint made by beach club and resort operators in the area and one that has shown no signs of abating. “Another [challenging] factor is the traffic back and forth to Beirut: On Saturdays, because people are not worried about traffic going



back to Beirut, they stay until 8 p.m. and have dinner at our restaurant. But on Sunday, you will notice that people start leaving the place at 5:30 p.m. or before to avoid traffic,” says Yammine, who explains that Eddésands’ clientele are mainly from Beirut.

THE VALUE OF A HOTEL

Although customer numbers were low overall, resorts fared slightly better than beach clubs because of the presence of a hotel on the premises.

Since most Lebanese are unable to travel this year (because of COVID-19 related travel restrictions and limits on their local credit cards), those who can

afford it are opting for staycations instead. “When you are Lebanese and are in Beirut—and can afford it—and you are starting to really psychologically collapse because of the lockdown and you used to be in the south of France or Italy or elsewhere every year around this time, for you to have Eddésands, it is paradise. We have guests who are staying weeks and months and we are fully booked at full price,” says Roger Eddé, owner of Eddésands, which has 20 rooms in total, between the boutique hotel adjacent to the beach club and the three suites on the beach club itself.

In line with Eddé, Ghazal says 60 percent of the guests in the 98

rooms of Coral Beach are long stayers—mainly Lebanese expats who came home for the summer and benefit from the strength of their dollars. He says that the reopening of the airport has increased occupancy of the hotel by 15 percent. “We have expats coming in and booking for one month, instead of opening up their homes or renting an apartment in the mountains they take advantage of the exchange rate to book rooms here,” Ghazal says, explaining that at LL220,000 per night and with the current exchange rate, room prices have become significantly less than last year. (At Lebanon’s official exchange rate, the room would be \$147/night, at the current bank rate it is more than halved to \$57/night—at the time of writing, if exchanging dollars on the black market, the room could go for roughly \$28).

CORONA AND THE BEACH

COVID-19 related restrictions and measures have also played a role in decreasing footfall to beach clubs this season. One measure that would have had a negative impact on business had things been operating normally this year is the 50 percent capacity restriction on beach clubs. However, the way things are going this season, operators tell EXECUTIVE they are not reaching that figure anyway. “Once the corona-scare hit Lebanon, most of our clients moved out of Beirut,” Abu Nassar says. “Now they are either in the mountains, Batroun, the south, their hometowns ... They simply got away from the city to avoid being in clusters where they could get infected. So the 50 percent came naturally and we were not affected in that sense.”

Yammine says that there has not been a major pickup in the beach club-side of their business (as opposed to the hotel and villas), despite the reopening of the airport (speaking a week after the reopening in a follow-up interview with EXECUTIVE), blaming the

Beach clubs & resorts

rise in numbers of those infected with coronavirus for that. "We thought at first that business would pick up one distance learning and exams ended for the academic year and once the airport reopened," he says. "But we later realized that, although they know we are following all safety precautions to the dot, people simply prefer not to be too close to others these days."

PAYING THE BILLS

Whatever the reasons behind this overall drop in customer numbers, it translates into a decrease in revenues at

the worst possible time for beach club and resort operators, when the lira's unofficial depreciation has increased their operational costs substantially.

Several operators mentioned maintenance as their biggest cost, explaining that it is fast becoming unaffordable especially as spare parts are calculated in cash dollars. "We have eight large generators, 300 rooms, 1000 cabanas, a marina, and so on," says Chadi Gedeon, general manager of Mövenpick Hotel Beirut. "So a lot of maintenance is needed and all suppliers are asking for cash dollars. The

more the lira devalues, the more of a challenge this is becoming."

Abu Nassar says the cost of pre-season maintenance and upkeep for Sporting ranges from between \$150,000 to \$400,000, depending on the severity of damages incurred in the winter (repairs after storm Yuhan in 2015 cost \$400,000). "This year the damages were not that major so we were able to sustain them out of pocket, hoping that this upcoming winter will not cost us tremendous damages," he says, adding that their strategy nowadays is to put aside some money for repairs for the upcoming season in spring 2021. "The reasoning is the following: Banks may or may not be around next year," he says. "And if they are around, they probably will not be available to loan us the money to do repairs and then pay them back like we did every year (before this year)."

Another major cost for beach clubs and resorts is chlorine and other chemicals needed for pool maintenance. "The cost of chlorine and other chemicals needed for a clean pool is \$900 per month this year, whereas it was \$200 per month last season. But the cost of everything has increased this year," says Eddésands' Yammine.

Lazy B's Boustany considers himself lucky that he bought his chlorine supply for the season at the LL1,500 exchange rate back in October when he says he felt that the lira was becoming unstable. "Recently, we bought everything we need for the generators in terms of filters and parts at the rate of LL4,000, whereas today you have to buy them at the rate of LL9,000," he says. "These will finish though and then what do we do? If the situation continues like this next year, I am telling you the entrance fee will be a minimum of a LL100,000."

While on-site restaurants are usually magnets for hungry swimmers, and therefore are cash cows for operators, this season is different, again because of the exchange rate. "We increased the price of food by about



10 to 20 percent [to date, meaning early July] on some items and reduced the number of items on the menu to 30 percent of what it used to be last year,” says Pangea’s Charafeddine. “I stopped serving steak, frozen shrimps ... everything imported. I wanted to work with local products only so that we don’t have to increase our prices by much but even the price of such items has increased.”

Finally, COVID-19 related safety measures, which all beach clubs and resorts had to comply with, were an additional cost this season. “Added cost this year is that of corona safety measures, which includes lots of disinfecting material, you have to fumigate seating areas daily, provide gels, pools need to be monitored every two hours,” Abu Nassar says. “The ministry of health put up regulations and we felt that it is in our interest to abide by them because at the end of the day, if you have one client that comes out with corona, I will have to shut down the institution so it is in my interest to do it.”



KEEPING AFLOAT

Faced with all this pressure, beach club and resort operators say they are just trying to make it through the season. “The situation now is no longer about sustaining a business, it is survival mode,” Damour Beach Club’s Abchee says. “Today to stay afloat we have to manage with the minimum resources possible and try to do the best you can.”

To limit expenditure, all operators EXECUTIVE spoke with say they have reduced their number of employees to the bare minimum when compared to previous seasons. “Last year a hundred families were directly living out of Lazy B and now we have 50 employees or families,” Boustany says. “And these are being paid at the exchange rate of 1,500. Imagine how hard it is.”

■ “Although they know we are following all safety precautions to the dot, people simply prefer not to be too close to others these days.”

Another way some beach club operators are reducing cost is by keeping one of their restaurants closed for the season. “We closed the pool side restaurant and started the season with self-service kiosks,” Charafeddine says. “When we saw that that was negatively impacting the business, we started having customers order food at the huts and have waiters deliver it to them at the pool and that helped matters more.”

Sporting Beach Club, which usually operates both the beach club and restaurant year-round, is considering shutting down in the winter for the first

time since it opened its doors in 1953. “When we get to the fall, we will have to take the hard decision of either closing down for the winter so that we have enough money to launch next season or we play ostrich and expect that next year everything will be fine and rosy,” Abu Nassar says. “It is very risky.”

With all these costs and challenges and with the still comparatively low number of customers this season, it seems the tide is pulling Lebanon’s operators toward murky waters. Whether the tide will turn with the Adha holidays and the relative stability Lebanon is currently passing through (with no major protests the past few weeks and decreased exchange rate volatility), will need to be reassessed at the end of the season. The hope is that even if this season cannot be salvaged anymore, resort and beach club operators can survive to see another, brighter season in 2021. ■

By Nabila Rahhal

The clothes off our backs



Impact of COVID-19 and economic crises on Lebanon's retailers

Storefront banners and text messages announcing extended clearance sales or “70 percent off” all merchandise have been part of Lebanon’s retail landscape since 2012. EXECUTIVE has been reporting on the dwindling purchasing power among Lebanese and the overall decrease in tourists from wealthy GCC countries as the reasons behind the gradual decline of the retail sector rather consistently for almost eight years now (see articles from [2012](#), [2014](#), [2017](#) and [2019](#)).

While this state of slow decline might have dragged on for a while longer, the intensification of Lebanon’s ongoing economic crisis—in addition to the COVID-19 crisis that has negatively impacted fashion retail

worldwide—has exacerbated an already tough situation and has pushed the retail sector to the edge of a cliff.

Retailers EXECUTIVE spoke to in early July described an almost impossible situation. The increase in the foreign exchange rate has significantly driven up the cost, and hence the price, of their imported merchandise at a time when consumers’ purchasing power and desire to spend on anything beyond necessities is at what they described as an all-time low.

THE CORONA CONNECTION

The global retail industry was one of several that has been negatively affected by the coronavirus pandemic. In its late March coronavirus [update](#)

to its State of Fashion 2020 report, US-based consultancy McKinsey & Company estimated that a two to three month lockdown (which has been the case for many countries) would cause “financial distress for 80 percent of European and North American fashion businesses, as volatility reduces investor confidence in a stock market facing its hardest hit since the global financial crisis of 2008.” The report further estimates that revenues for the global fashion industry will contract by 27 to 30 percent in 2020 when compared to 2019, although it predicts that the industry could regain positive growth of 2 to 4 percent in 2021.

In Lebanon, a nation-wide lockdown commenced on March 15

and imposed the closure of all non-essential services, one of which was fashion retail businesses. Stores located outside of malls were allowed to reopen a little over a month later on April 27, during phase one of the easing down of the lockdown measures, while malls were closed until the final phase of the country's gradual reopening, which began on May 25.

During the lockdown period, non-essential businesses such as restaurants, hotels, and retail companies did not get any support from the government to sustain their livelihoods and be able to pay their employees, who were essentially left jobless as a result.

For small fashion retail enterprises (the ones with few or no branches that are typically found in Hamra, Bourj Hammoud, or Kaslik) a month-long closure with no revenues was the straw that broke the backs of their already struggling business. While there are no exact figures to examine, a simple drive along these streets reveals a significant increase in vacant stores with "For Sale" or "For Rent" signs displayed on them when compared to earlier in 2020.

Even some more established fashion retailers, those that could afford mall branches, did not reopen following the easing down of lockdown measures. Michel Abchee, CEO of Admic sal, which holds the franchise of department store BHV and which owns and operates City Mall in Dora, says four fashion retail brands and one restaurant out of City Mall's 140 units remained closed following the re-opening of the mall. This was despite the payment facilities Admic extended to all businesses in the mall during the lockdown and for almost three months after it (paying on a percentage of their sales basis until the end of August).

NO MONEY, NO CONFIDENCE

The COVID-19 crisis has aggravated the suffering Lebanese were going through due to the country's own economic crisis.

Consumers in Lebanon already did not have easy access to their money due to erratic banking restrictions that have been in place since the fourth quarter of last year, which at first meant shifting ceilings on dollar withdrawals before preventing those with dollar accounts from withdrawing the currency altogether, and instead imposing a third exchange rate in the country (not the official rate nor the black market rate), at which these dollars are converted into lira. Lebanese whose income is in lira have seen its value against the dollar depreciate by over 80 percent from October last year, and all are faced with the day-to-day realities of a shifting black market exchange rate and hyperinflation on lira prices of goods as the increase in FX rates wreaks havoc on imports and businesses' bottom lines.

This dismal situation had an understandably negative impact on consumer confidence, as is measured by the Byblos Bank/AUB Consumer Confidence Index. A May [press release](#) by Byblos Bank Group stated that the index, which averaged at 38.7 points in the first quarter 2020, had decreased by 19.1 percent from the fourth quarter in 2019 and by 49 percent when compared to the first quarter in 2019. This decrease in the first quarter of the year was the lowest level the index had reached since the fourth quarter of 2016, with the March result the lowest level since December 2013.

With no easy access to their money and with confidence so low, consumers across the board, albeit with a few exceptions (see below), are in no mood to shop for non-necessities.

DECEPTIVE APPEARANCES

In an apparent contradiction to this bleak description of consumers'

purchasing power, pictures circulating on social media depicted customers queuing in front of fast fashion brands such as H&M and Zara (in the first few days post-easing down of lockdown measures) and more recently, in early to mid-July, in front of sports brand Adidas and luxury retailer Louis Vuitton (LV), both of whom did not respond to EXECUTIVE's emailed request for an interview.

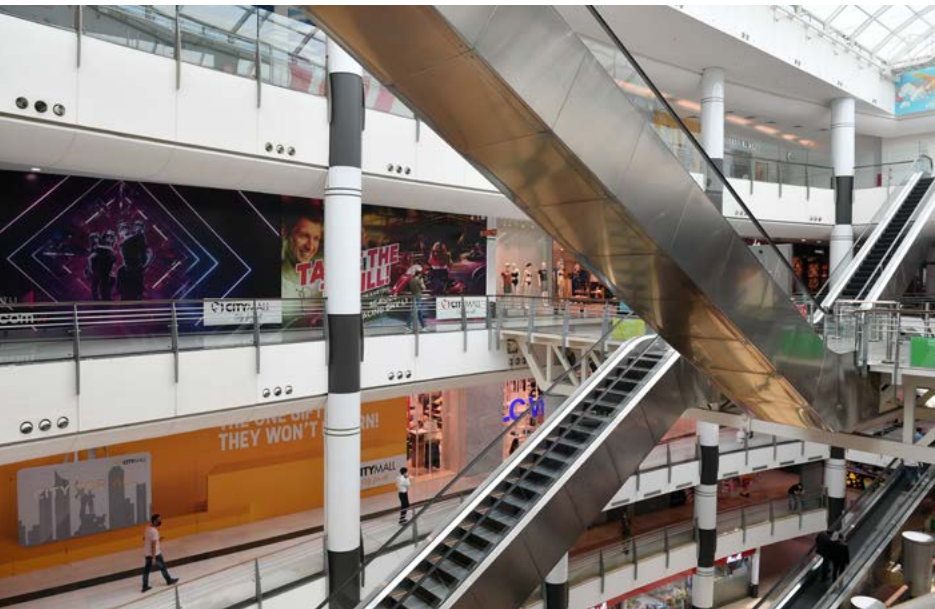
According to a salesperson in a well-known fast fashion brand ca-

■ During the lockdown period, non-essential businesses such as restaurants, hotels, and retail companies did not get any support from the government to sustain their livelihoods.

tering to mid-income customers on Hamra street, the increase in footfall in the first few days after shops reopened was short-lived and did not translate into a major increase in sales. The same salesperson felt that if people bought anything, it was mainly children's clothes and shoes (likely because children grew in size during the lockdown) or necessities such as underwear and socks.

On the other hand, those who could afford to do so lined up in front of Adidas and LV to take advantage of the difference between the black market exchange rate (averaging LL8,000 at the time) and the exchange rate used by these retailers. One of the women who waited in line to purchase a \$3,500 LV handbag (and who works at an international NGO that pays her salary in fresh dollars) later told EXECUTIVE she considered this purchase "a smart investment." Since LV was calculating the exchange rate at LL3,000 to the dollar, and she had exchanged her dollars on the black market for LL8,400, she was paying less than half of the sale price of the purse.

Retail



Sami Saliba, owner and managing director of sports goods retailer Mike Sports, believes only retailers who plan to exit the Lebanese market can afford to price their merchandise at such a low exchange rate, giving the example of Adidas who he says is calculating the exchange rate an average of LL2,000. Adidas has released a **statement** saying its own stores will exit the Lebanese market by the end of 2020 “due to the ongoing economic challenges in the country” (the brand will still be available at resellers).

STUCK IN AN EXCHANGE RUT

From the fashion retailers’ side, and since their merchandise is imported in cash dollars, the current economic situation has made operating their businesses a steep uphill struggle.

Banking restrictions on local dollar accounts are preventing retailers from transferring dollars to their suppliers abroad to buy new merchandise, which means they have to exchange whatever they are making in Lebanese lira at the black market exchange rate. This can drive cost, and hence pricing, up to the point

where it makes more sense for some retailers to simply shut down. “We closed because in one week the exchange rate increased from LL5,000 to LL9,700 at the black market exchange rate,” Saliba says, speaking of the period when Mike Sports announced it would be closing all its stores. “No one wins that way.” Mike Sports reopened almost two weeks later because they were able to secure merchandise “at reasonable exchange rates,” he says, pointing out that the exchange rate had dropped by almost LL2,000 at the time of their decision to reopen.

Because retailers are selling in lira, even with price increases, they will struggle to cover the cost of new merchandise come next season since they have to import these using fresh dollars. Abchee says the same amount of money in Lebanese lira, which last year would have allowed him to purchase enough merchandise for a whole section of BHV, can barely fill up a shelf or two at today’s rate (speaking at

the time when the exchange rate had hit LL9,700 to the dollar).

Given this situation, both Abchee and Saliba believe the real problem will be three months from now when it is time to buy merchandise for the new collection. “You will see branches shut down,” Saliba says. “Instead of having 10 branches of a chain, you will have only one selling at very high prices because nobody will be selling at the old exchange rate anymore since they need to buy a new collection.” He adds that imports in the retail industry have, by his estimate, already dropped by 90 percent.

Both Abchee and Saliba say the retail sector should be given support by the government to weather this period. This support could be either through tax reductions or cancellations, according to Abchee, or by allowing traders to buy a percentage of the dollars they need at the exchange rate of LL3,850 through their banks, according to Saliba.

At the time of writing, Lebanon is in the middle of another partial lockdown (from July 30 to August 3) to

■ Abchee says the same amount of Lebanese lira, which last year would have allowed him to fill a whole section of BHV can barely fill a shelf or two at today’s rate.

combat the recent surge in the number of COVID-19 cases with another one on the way from August 6 until August 10.

Whether the already fragile retail industry will survive another round of lockdowns, which some medical experts call for, is uncertain in the best of circumstances. But when an economic crisis, complete with an increased foreign exchange rate and bank restrictions, is thrown in the mix, the industry’s future appears dreary. ■

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Trends amidst the darkness



Signs of positive disruptions in the tech ecosystem

Moving counter-cyclically to conventional business wisdom and exhibiting disregard for old boundaries are attributes of enterprising minds, of those daring people who start pursuing an economic opportunity without regard for the current resources at their disposal. In the case of Lebanon in 2020, one could add that these have to be enterprising minds without regard for an absence of resources taken for granted in most countries and without fear of total financial uncertainty.

The Lebanese tech entrepreneurship ecosystem, first built in the 2010s around the mental assets of the country's entrepreneurs but this year in need of being rebuilt for the 2020s and beyond, appears to be emerging from several months of functional

paralysis. Encouraging signals of the system's positive disruption are converging this summer from the avenues of technology, finance, orientation, new projects, and ecosystem self-organization.

These five confluents are, one by one: On the tech side the rise of the virtual as exemplified by virtual hackathons; on the financial side, the shift to new fundraising structures and sources of finance; in terms of startup orientation, a strengthening of social entrepreneurship with focus on economic sustainability; in terms of meaningful projects, several startups in the ideation and prototyping phases; and, in terms of the overall ecosystem, an impulse of new general vitality and expansion.

ARRIVAL OF VIRTUAL HACKATHON CULTURE

Stopping in Lebanon somewhat belatedly when compared with the rapid rise of virtual hackathons in startup ecosystems in Europe, Asia, and the Americas (where virtual hackathons became the rage as soon as the severity of the coronavirus challenge and lockdowns made migration into online worlds the most logical environments for ideation and project-based competitions), the virtual hackathon train first arrived in the local ecosystem at the end of June 2020, in form of the **MIT Lebanon Challenge**.

Conceived and organized within the space of less than two months and aimed, in the lingo of a post-event press release, at "connecting Lebanese at home and in the diaspora to build creative, responsible bridges toward a more stable Lebanon," the three-day event was a, by local standards, massive hackathon that according to its organizers digitally brought together 600 participants, 120 mentors, 24 judges, and 51 volunteer organizers.

Followed immediately by an acceleration program, the MIT Lebanon Challenge stood alongside two smaller virtual hackathons that were convened in early July, one seeking to fight disinformation under the title "Hack the fake" that was organized by the American University of Beirut (AUB), Saint Joseph University (USJ), and German foundation Friedrich Naumann Stiftung (FNF), and one seeking to address "Life after corona, a Lebanese take," which was organized by the ESA Business School and Smart ESA accelerator.

Stakeholders in the tech ecosystem, some of whom represent organi-

zations listed by the MIT Lebanon Challenge as sponsoring organizations and some who were interested observers of the event universally told EXECUTIVE that they had had received excellent reports about the event from their teams as far as they were involved or had generally heard nothing but good things about it.

The hackathon opened new participation strata for the majority of participants (organizers spoke of 75 percent); even for many participants with previous tech entrepreneurial achievements, it was their first-ever hackathon.

Examples for this novel experience value, as noted by EXECUTIVE, were tech entrepreneurs Roy Baladi (San Francisco) and Nour Fakhoury (Beirut), who enlisted in the event with their concept of developing a digital platform to help local graduates and career changers to upskill themselves with a view toward improved employability. Called Campus For Lebanon through a brainstorm by the team that was formed during the hackathon, the concept participated in the knowledge economy track of the MIT Lebanon Challenge.

Explaining that it was the first-ever hackathon of any kind for her, Fakhoury emphasizes how the virtual format meant participants were able to work with people across the globe, including Lebanese diaspora from all around the world. “My expectation going into the hackathon was to have no expectation—we expected to build something new from scratch and we had a frame of what we hoped to accomplish,” she says, adding that the collaboration she experienced in an ad-hoc team was productive, enriching, and overall “very inclusive.”

When asked why virtual hackathons in their opinions made late arrivals on the local scene, ecosystem stakeholders Fawzi Rahhal of accelerator Flat 6 Labs and Jihad Bitar of Smart ESA mentioned respectively that a recent exploration of a virtual coronavirus hackathon on regional

scale had been discouraging in terms of quantity and quality and that the delay was rooted in the stickiness of regional online cultures that did not facilitate a quick pickup of the new virtual meeting pattern.

Irrespective of what had held virtual hackathons back from being convened in the first six months of 2020 in the thoroughly shaken Lebanese environment, MIT Lebanon Challenge initiator Jad Ojeh tells EXECUTIVE after the event that neither wanting internet connectivity nor absent electricity could depress the minds of the participants.

Describing the three-day experience of the event as a demonstration of participants’ global geographic diversity, joint enthusiasm for Lebanon, their calm and understanding patience at occasional hiccups, and the best personal experience of his still young life, Ojeh confesses, “In terms of the hackathon, it went smoother than I expected it to go. That would be the biggest surprise if you ask what surprised me the most in the experience.”

The near future can be expected to provide further indications if and how far the hackathon’s winning ideas—six winners were named with flat-sharing, agricultural filtration, agricultural financing, employment energizing, co-manufacturing, and rural tourism proposals, and virtual demo days scheduled for early August—will be able to add viable and specific solutions in Lebanon’s distressed economic environs.

There is no reason to doubt that virtual hackathons will be durable additions to the Lebanese tech entrepreneurship environment, given these virtual events’ broader geographic reach, by comparison to conventional hackathons advantageous cost structure, and adaptive quality

for functioning under the expected prolonged coronavirus culture. Supporting this expectation are plans, in various stages of development by local ecosystem players, to align their future hackathons and general operations with the new mandates of entrepreneurship life with the coronavirus.

In one notable such example, the

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brand new Nucleus Ventures organization, the successor organization and heir to the work of the UK Lebanon Tech Hub (UKLTH) initiative, tells EXECUTIVE that it will organize virtual hackathons and virtual startup days in the next few months as it is preparing to offer such options in balancing of having to possibly restrict physical access to its new entrepreneurship space in Sin el-Fil. “We are making up for the limited physical facilities by offering full virtual support services as well as virtual events such as startup days and hackathons and the clinics that we run with our experts and mentors,” says Nadim Zaazaa, managing partner in Nucleus Ventures.

NEW DUALITY IN FUNDING PATTERNS

Up until 2019, the financial design of the Lebanese ecosystem incorporated access-to-finance paths that led startups into dual strategies and a sometimes inflationary automatism in looking for funds. The idea for igniting an entrepreneurship ecosystem was that startup financings were provided by venture capital funds in compliance with the stipulations of the Lebanese central bank’s famous Banque du Liban (BDL) Circular 331,

Overview



authorizing and partly guaranteeing capitals that commercial banks dedicated to knowledge economy investments through a batch of venture capital (VC) organizations.

Given domestically centered usage stipulations attached to these 331 funds, many startups—all those with the natural and logical ambition to establish some overseas operations for better access to target markets outside of the small Lebanese pen—additionally sought funding that was not restricted to local usage or required overly detailed reporting to and permission taking from BDL.

That the ecosystem's 331-based financing paradigms would need fundamental adjustment was already on the horizon before the general evaporation of confidence had affected the entrepreneurship scene and was fully thrown into jeopardy by the last quarter of 2019. What was not initially clear was what this would mean for existing startups.

By mid-2020, however, a new funding pattern seems to be emerging by the descriptions of several ecosystem stakeholders as both a consequence and partial remedy of the old closed system's inbuilt tendency to

create valuation distortions, competition for viable startups, and conflict of interest potentials among VCs. For Jihad Bitar, chief executive officer of accelerator Smart ESA, the current banking and finance scenarios for entrepreneurship appear not to be burdened with some of the disincentives that held investments back under the previous settings.

"Saying it in a cynical way, investing in a startup in Lebanon today is less risky than keeping your money in a bank," Bitar puts it. He tells EXECUTIVE that he had argued already for many months prior to the 2019 liquidity crisis against the banking sector's high deposit interests on grounds that no one would want to risk their money by giving it to a startup if they could easily obtain north of 10 percent in deposit interest (which was then regarded as very low risk). His expectation that a drop in deposit interest rates would translate into an increase in investments in entrepreneurship has been fulfilled, he adds. "So what we are seeing today is a micro-boom of investment in startups. I am talking about early-stage investments in startups, coming from some angel investors. Yes, the

funding from 331-funded VCs has stopped or slowed down a lot. But on the other hand, we are seeing a boom in angel investments."

Also for Fawzi Rahhal, the managing director of fund-cum-accelerator Flat 6 Labs Lebanon, the new trend for private investments is tangible. According to him, several funds-seeking companies in the past two months have either received verbal commitments or actually raised money. "Investments came from Lebanese angels that have lollars [dollar-denominated deposits in Lebanese banks that cannot be withdrawn as dollars in cash] and virtual coins in the bank that they want to turn into equity so it does not disappear the next day," he says. "Or they came from interesting initiatives—[Abu Dhabi-based entrepreneurship] hub71 recently **awarded** [funding to Lebanese startup Mint Basil Market] under an equity and grant mixture. So there is movement on the fundraising level, [but] some of these things should have happened six or seven months ago."

Speaking of signs of hope, Rahhal concedes that these are still feeble signs that come after many months of financial paralysis. "It was frustrating, a period of every man on his own," he says, pointing to his and other VC funds that were waiting for previously agreed capital calls, ineffectiveness of steps by the Lebanese Private Equity Association, and restraints on the ability of accelerators to provide support to startups in their portfolio.

This notwithstanding, he confirms that he and his peers in the ecosystem have been initiating talks with some late-stage funding organizations and that daily talks with angel investors have been ongoing. "On an ad-hoc level and a personal level, we have been doing as much as we can and the quote-unquote network has been doing as much as they can," he says.

A positive spin on the narrative of ecosystem 2020 also comes from Sami Bou Saab, the chief executive of accelerator Speed@BDD. “This is actually a great time for those [startups who are] fundraising, because local investors are looking to get their money out of the banks and now, the risk of investing in a startup may be comparable or less if it is a good startup—angel investors are excited and saying that it is better to put their money in startups than keeping it at the bank,” he enthuses to EXECUTIVE about the developments in the local financing scene.

Moreover, there is also increased interest in startup investing internationally, due to reasons that include the impact of the coronavirus crisis, he adds. “On the international scene, investors as well are seeing this as a great time,” he says. “They can invest in startups at discounted value, they think, and get more equity and ownership with less amount invested. In both cases, it is a good time for startups to go fundraising.”

MORE AND CLEARER PURPOSE

However imperative the need for money might feel in a moment of desperation to a cash-strapped startup, it is a mantra of entrepreneurship thinking that finance is never the biggest hurdle for a worthy venture. The value question in this sense is usually a function of the motivation that drives and the purpose that guides a startup.

What had been in this sense a third and hitherto ephemeral ingredient in the Lebanese entrepreneurship ecosystem’s mixology, figuratively speaking the ginger and lime juice as the healthiest parts in the local startup cocktails, was social entrepreneurship. Albeit proclaimed and promoted at quite a few events (often by stakeholders with an excellent nose for attractive buzzwords), social entrepreneurship was not well understood, has not been supported by clear legal definitions and dedi-

cated incorporation templates, and tended to either transmute into a startup’s conventional commercialism or descend toward becoming the anti-business models of unsustainable and opportunistic non-profit ventures that speculated on exploiting the money spouts of international public sector donors and foreign non-governmental organizations.

Mona Itani, entrepreneurship program coordinator at the American University of Beirut (AUB) and member of the engineering faculty there, has a story to tell about the importance of entrepreneurship for Lebanon and its academic institutions as well as the adoption of social entrepreneurship thinking in the Lebanese ecosystem. “At AUB we have a mandate to keep working and promote entrepreneurial culture among our students, whether they are at the engineering faculty or any faculty across AUB, whether they are undergraduates or graduates,” she says. “We also sometimes open programs for staff and faculty members. This means for us that building this entrepreneurial culture is very important, regardless of what is happening in the country or in the world. Personally speaking, as someone who is fond of social entrepreneurship, I believe that Lebanon, with all its troubles and challenges, is a very good soil for such projects because we need [entrepreneurship] the most.”

As Itani narrates it, she was motivated to become a social entrepreneur herself and establish Riyada for Social Innovation, a consulting startup that offers project-based training in social entrepreneurship, by seeing how poorly her Lebanese engineering students rated in terms of connecting to the social issues and real life problems

of underprivileged communities and refugee populations.

“Engineers are problem solvers, so what [could positively be done] if they exercise their talents in creating new solutions that solve social problems that exist in our community?” she asks, explaining her approach and emphasizing that the emerging global coronavirus crisis and the current Lebanese crisis, although extremely difficult as environments for starting a socially conscious enterprise, open new windows for entrepreneurial minds. “There is a huge opportunity in this to pitch in, take leadership and initiative in solving a lot of the problems that we are facing right now, for individuals, for startups and for companies and the private sector more generally,” she says.

While Itani concedes that she does not have sufficient visibility yet on the development of social entrepreneurship in Lebanon since the

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onset of the coronavirus crisis, she emphasizes that in the period before the crisis, awareness of social entrepreneurship “has been increasing dramatically in the ecosystem.”

According to her, awareness was getting better in quality and understanding of social enterprise paradigms. In this regard, she is adamant that a social enterprise should be a sustainable enterprise, ergo be profitable, and be conscientiously passionate about social causes—meaning neither move from one temporarily popular cause to the next nor keep depending on external funding.

Overview

USEFUL CONCEPTS

This perspective on the role and method of social enterprises as economically sustainable ventures is echoed by several stakeholders in the Lebanese ecosystem who this summer talked with EXECUTIVE. It is more importantly also mirrored in a cohort of post-coronavirus startup concepts.

Notably, the emphasis on social entrepreneurship virtues as important for Lebanon in the crisis was mentioned by representatives of the accelerators such as Smart ESA's Bitar. But even more interestingly, whereas it was mainly startups conceived in the period before the 2019 crisis that were mentioned as promising by the accelerators and had adapted their business models to needs for social distancing, the stories of appealing new concepts and startups originated with individual entrepreneurs. These could be participants in the MIT Lebanon Challenges and the recent virtual hackathons and other startup competitions organized with students of universities such as AUB, ESA, and USJ, as well as entrepreneurs who have chosen to pursue ventures independently from the old system.

While it is still very early to discuss the prospects of very recent concepts, interesting ideas by EXECUTIVE's impression were quite numerous and indeed seeking to address real micro-problems that exist in Lebanon. To name two anecdotal examples among this larger crop of projects that will be worth watching out for, EXECUTIVE encountered people who are aspiring to widen the effective scope of entrepreneurship in Lebanon with new projects such as "From the Villages," a nascent e-commerce venture that is still on the drawing board (see [inter-view](#)) and the "Campus For Lebanon" project that debuted as idea at the MIT Lebanon Challenge.

As co-founder of the latter project, Nour Fakhoury has a positive opinion of the Lebanese ecosystem. In her perception it is capacious de-

spite the country's extremely difficult situation because it is formed by solid components such as accelerators, incubators, VCs, startups, and so on. This over years established foundation notwithstanding, she agrees that the system has its greatest growth potential in social entrepreneurship. "[This] is one of the most needed fields for adding value to the ecosystem, given the current circumstances, and so I would say that we with the Campus For Lebanon are [working on] an essential addition to the ecosystem for it to still be sustainable," she says.

The rural-to-urban ecommerce venture "[From The Villages](#)," which is a serendipitous result of the country's coronavirus lockdown, is an example for a startup initiative that is pursued independently from the existing Lebanese ecosystem. As initiator Ziad Hourani tells EXECUTIVE, he is pursuing its development with the approach of making it financially sustainable without enrolling in the BDD ecosystem. "It is an e-commerce platform with a social mission but we are fully for-profit," he explains, adding that seeking profitability from the beginning of operations will enable the venture to secure jobs and pay its stakeholders, which include farmers that he sources products from.

While conveying views that are very similar to Itani's statements on the unproductive leanings of NGO-centric social enterprise projects, Hourani says he is generally critical of the Lebanese ecosystem, including investors, as he has encountered them when immersing himself in the system at several occasions in the past few years. He is thus preparing to incorporate "From The Villages" as an [sal](#) and fundraise, later this year, by seeking value-added strategic inves-

tors who understand the story that the project is trying to establish.

Comparing his local exposure with his experience in the US and UK tech ecosystems, he elaborates: "My opinion about the ecosystem [here is that] the ecosystem is against the entrepreneurs. If you are an entrepreneur today and want to start some business in Lebanon, I don't see anything supporting the entrepreneur other than Circular 331, which is the money. But at the end of the day, in these kinds of ecosystems, the money is usually not the issue."

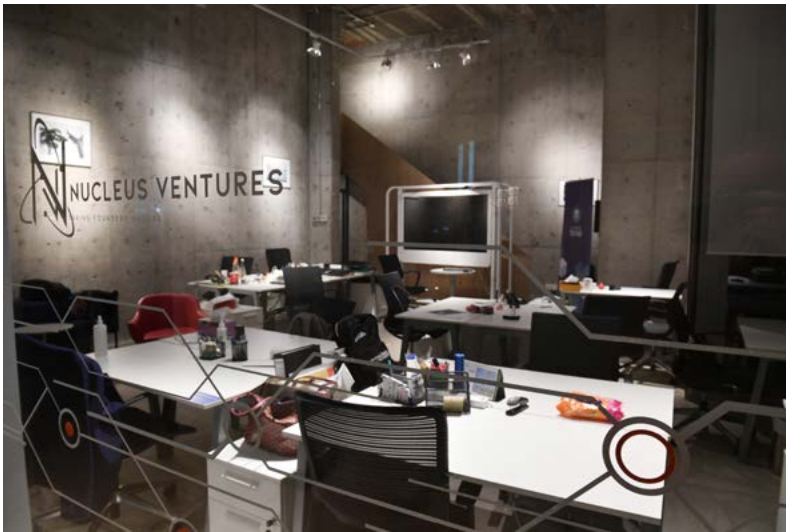
He includes in this criticism the state of the infrastructure that is a hurdle to the growth of startups, mentors that are seeking mainly their own glory instead of being passionate

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for the sake of startups, and investors, including angel and early-stage investors, who behave abusively to entrepreneurs by evidence of, for startups, unfavorable term sheets and equity deals. "For the early stage startups, you need a pro-entrepreneur ecosystem, and we actually don't have this in Lebanon," he says.

KEEPING THE EYES ON THE PRE- AND POST-CORONA CONTEXT

In considering the role that the Lebanese tech entrepreneurship ecosystem might need to play in coming years, it serves to remember that this system is not old. Even by the standards of the digital entrepreneurship



world, where you mature and advance through the enterprise-related lifecycle in months and years, not the industrial and pre-industrial ages' decades and centuries.

The local system's first building blocks—in forms of private visions and rudimentary semi-private initiatives with minor-league support from local banks—had been tossed around in the 1990s when every tech corridor and their hillside cousins wanted to become the next Silicon Valley. Things got a bit more concrete in the 2000s, with notable trial-and-error attempts of tech enterprise funds at importing investment and financial disciplines and combining such funding structures with the less-formally-inclined local business culture.

The small funding bang that appeared big for Lebanon came with the launch of Circular 331 and the following—relative to Lebanon's size remarkable—proliferation of venture capital firms, funds inflows, real estate designations (the Beirut Digital District), hyped-up international events (BDL Accelerate), etcetera.

This ecosystem development cycle, vacillating its way through several stages and producing a visible if not at all perfect ecosystem, was fundamentally and in the first instance negatively disrupted toward the end of 2019 and

subsequently was exposed with the entire economy to the over-reported and more-than-sufficiently described following spiral of triple doom of finance, economy, and society.

MODIFYING STRUCTURES

As a new phase of the ecosystem is thus emerging by necessity, the final element of note in this apparent early process of adaptation to the needs of the next digital knowledge scenario in Lebanon are adjustments and expansions of structural components in the entrepreneurship ecosystem. Perhaps the most noteworthy of these changes is the adaptation of the UK Lebanon Tech Hub.

"We are launching as of [July 23] a new seed program that is called The Nucleus and was actually run by UK Lebanon Tech Hub since 2015. We ran four versions and are now running version five. What has changed is that we are now backed by private investors and our team is now running under a company called Nucleus Ventures," says Nadim Zaazaa, previously the CEO of UKLTH and now managing partner of Nucleus Ventures.

Woven into the BDD ecosystem since the UK's then-ambassador Tom Fletcher invested his charisma into knitting UKLTH (an initiative of the UK government, acting through its Beirut embassy, and BDL) as the base fabric for further tech entrepreneurship ties between the two countries, the role and structure of the eponymous entity has now been transformed, Zaazaa explains. Instead of providing a series of acceleration programs organized under a scheme that was situated at the core of the BDD (with a significant workspace in the Berytech Digital Park, one of the first buildings integrated into the BDD cluster) and that took winners of each year's cohort for training in the UK, the team of UKLTH has become the team of Nucleus Ventures, a Lebanese seed program and seed fund.

According to Zaazaa, Nucleus Ventures is locally backed by private investors and also backed by the Lebanon Enterprise and Employment Program (LEEP), which is funded by the UK government's department for

■ As a new phase of the ecosystem is thus emerging by necessity, the final element is adjustments and expansions of structural components.

international development and which fortifies small and medium enterprises in Lebanon with funding and development services. Sporting the equivalent of an enticing PR jingle—"We offer our startups cash, customers, and community," Zaazaa repeats a couple of times—Nucleus Ventures aims at building a portfolio of startups and SMEs that are either part of the knowledge economy or seeking to leverage knowledge technology to scale up traditional business activities and develop their exports.

The seed program and fund will be providing support that is customized to recipients' needs and they will be "evergreen," meaning accessible year-round. The funding formula is described as flexible and extending from ticket sizes of \$5,000 for ventures that can be still in their ideation phase all the way up to \$100,000 or \$120,000 for those that are on stages of validation and execution, up to an annual revenue of \$2 million. Notably, prospective fundings are likely to include investments in *lollars* but have two additional sweeteners—which, according to Zaazaa, are potentials for being matched by the likes of Kafalat's ISME, IM Capital, or other funds in the Lebanese ecosystem and for being matched with up to \$35,000 in hard currency grants by LEEP.

Moreover, Nucleus Ventures will leverage its experience as operator of programs and expert on emerging market startup ecosystems regionally, where it already has entered agreements to run the Fouad Makhzoumi Innovation Center at the Lebanese American University and a scale-up program for the World Bank in Jordan, Zaazaa says. Nucleus Ventures' Lebanon activity hub—likely to be part physical and part digital—is being phased in in August and September of 2020.

Completing the bouquet of activities from later this year, will be regional, meaning Mashreq and Gulf countries, operations of a program called *Go Global*, a UK-sponsored enterprise development program that includes focal components such as "tech for social good." UKLTH at time of this report was not part of a public list of similar hubs on the *web-site* of the UK government's department for digital culture, media and sports (DCMS) but *Go Global* Middle East is going to be operated by the Nucleus Ventures-run UKLTH, which in turn supposedly is part of this international tech hubs network under the DCMS umbrella.

SYNERGIZING THE DISRUPTIONS

Looking at the five components of the Lebanese tech entrepreneurship ecosystem then creates by comparison with the past eight years a more comprehensive picture, whereby the overall system's enterprise and product focuses could well range from the expected post-coronavirus winners healthtech and edutech or digital media to newly tech-enabled productive SMEs and even include a revived fintech

concentration (Smart ESA and others are harboring plans for fintech hackathons, and researchers at the IMF recently confirmed that, "During the COVID-19 pandemic, technology has created new opportunities for digital financial services to accelerate and enhance financial inclusion").

Corporate and academic stakeholders with entrepreneurship expertise could sustain themselves by spearheading and spreading entrepreneurship cultures in the Arab region (as shown by the case of Nucleus Ventures but also emphasized by AUB's Itani as engine for sustainable revenues under the university's entrepreneurship expertise).

The small entrepreneurship system in Beirut could in coming years benefit from further expanding its network and aggregate social capital through intensification of bonds with European partner countries such as the UK and France as well as new virtual employment-generating interactions with Lebanese expatriate communities and collaborations with fresh Lebanese graduates of top international business schools, as demonstrated by the MIT Lebanon Challenge.

The system's purpose and scope of entrepreneurship could hence-

forth be better tuned to the needs of Lebanese society through genuine and profitable social enterprise developments and its access to finance could be improved and expanded through interactions with new private investment sources on local and institutional sources on international level.

But what makes all of these—individually speculative—components meaningful and endows the observer with an ignited fuse of hope for

■ "The hearts and minds of the Lebanese are in the right place and I cannot stress on this enough. People are eager to learn. They just need the proper guidance."

resurgence of the Lebanese knowledge entrepreneurship ecosystem is that the synergies of all these development streams could create a more productive and more natural tech entrepreneurship ecosystem that can prove itself as the profound building block of a productive knowledge economy that it has hitherto not functioned as.

The common thread in the entrepreneurial minds that EXECUTIVE interacted with in this summer of 2020 was the thread of "doing something that is beneficial for Lebanon" (The MIT Challenge's Ojeh), of realizing that "we need social entrepreneurship more than ever" (AUB's Itani) and that "Lebanon has hit rock bottom and we really need to reinvent the economy" (Nucleus Ventures' Zaazaa). Or, to say it with hopeful Campus For Lebanon entrepreneur Fakhoury, "The minds and hearts of the Lebanese people are in the right place, and I cannot stress on this enough. People are eager to learn. They just need the proper guidance." ■

BUSINESS ESSENTIALS

Company Bulletin

■ According to **Atlas VPN investigation**, 40 percent of startups globally saw their revenue drop by 40 percent or more during the COVID-19 pandemic.

■ Under the patronage of President Michel Aoun and on the occasion of celebrating the Centenary of the Proclamation of Greater Lebanon, **Baalbeck International Festival** proudly presented "The Sound of Resilience," concert, the first performance in the Middle East following the lifting of COVID-19 lockdowns.

■ Global pharmaceutical company, **Boehringer Ingelheim**, held a regional media webinar titled 'Managing Type 2 Diabetes during COVID-19' on June 30 with the participation of healthcare professionals who provided the latest updates on Type 2 diabetes management during the pandemic.

■ **Lebanese American University's** Fouad Makhzoumi Innovation Centre will partner with **Cambridge Enterprise** to build an expert framework for developing the IP arising out of university research projects and boosting their overall technology transfer efforts, helping innovative research reach its fullest potential in terms of scalability, accessibility, and impact.

■ In an ongoing drive to tackle evolving societal needs, **Nestlé** has donated over 1.2 million Food and Beverage servings to the **Oman Charitable Organization**, impacting more than 1,000 families, and provided more than 47,000 face masks to hospitals.

■ **Huawei** is steadfast in its commitment to innovation and driving value for global consumers. In the latest BrandZ Top 100 Most Valuable Brands study, published by WPP and Kantar, Huawei is ranked 45th, up two places from last year, with a \$29.4 billion brand value (nine percent increase YoY).

■ **L'Oréal** launched, on June 26, its new sustainability program "L'Oréal for the future," laying down the group's latest set of ambitions for 2030. In the context of growing environmental and social challenges, L'Oréal is accelerating its transformation toward a model respecting planetary boundaries and reinforcing its commitments to both sustainability and inclusion.

■ **BLOM Lebanon PMI** revealed an increase from May's PMI score of 37.2 points to 43.2 points in June 2020. The uptick is directly linked to the easing of the three-month coronavirus lockdown and businesses going back to normal working hours.

■ Within the framework of the plan to resume work in its sales centers across Lebanon after the coronavirus-related forced closure, **Alfa**, managed by **Orascom TMT**, announced, on July 7, the reopening of seven new points of presence with **Ogero**, as follows: Zouk, Bint Jbeil, Jbeil, Sawfar, Aley, Amioun, and Hammana.

■ In 2018, **GROHE** launched its initiative to replace plastic in product packaging with more sustainable alternatives. Until today, approximately 10 million items of product packaging made from plastic has been eliminated; by 2021, this figure is to be significantly increased to up to 35 million.

■ The **LAU Medical Center-Rizk Hospital** and the **LAU Gilbert and Rose-Marie Chagoury School of Medicine** partnered with the **Baalbeck International Festival** to provide medical assistance to the festival's team and artists that were rehearsing and attending "The Sound of Resilience" festival that took place on July 5.

■ The **Embassy of Italy** in Beirut signed, on July 8, a 2 million euros funding agreement in support of

UNICEF's school rehabilitation programme. The program, part of UNICEF and the **Ministry of Education and Higher Education** RACE II initiative, seeks to improve the physical learning environment in public schools throughout Lebanon, with a focus on the most vulnerable communities.

■ **UNESCO Beirut** organized on July 9 a regional webinar on "The Triangle of Safety: Protecting Journalists in the Field during COVID-19." The webinar, which was attended by 30 journalists from the Arab region, to discuss the challenges of reporting amid the coronavirus pandemic.

■ The **U.S. Food and Drug Administration**, on July 10, authorized the marketing of IQOS, **Philip Morris International's** electrically heated tobacco system, as a modified risk tobacco product.

■ **Bolt**, an on-demand transportation platform in Europe and Africa, announced the pilot of its service in Beirut, Lebanon starting from July 7, with hundreds of drivers ready to start accepting rides.

■ In collaboration with its partners in Beirut and Paris, the Washington-based **Middle East Institute**, announced the launch of "Lebanon Then and Now, Photography from 2006 to 2020," an online exhibition running from July 13 through September 25.

■ Lebanese pharmaceutical company **Benta** has acquired the famous pharmaceutical factory Famar in Lyon, France, as part of its strategic plan of global expansion, according to a statement from the company.

■ Amid the current situation, and as cinema is the strongest form of resilience, **Beirut Film Society's** Beirut International Women Film Festival, Beirut Shorts, Beirut International Children and Family Film Festival are moving online for the 2020 editions. 

BUSINESS ESSENTIALS

Events

CONFERENCES

	ORGANIZERS	CONTACT	WEBSITE
ONLINE EVENTS			
11 Aug	RAK ENERGY SUMMIT IFP	+971 4563 15555; opportunities@acm-events.com	www.rakenergysummit.com
24-25 August	THE ROLE OF CENTRAL BANKS IN SUPPORTING CAPITAL MARKETS Union of Arab Banks	+961 1 364 885; uab@uabonline.org	www.uabonline.org
1-23 Sep	THE ROLE OF BANKS IN SUPPORTING TOURISM & INSURANCE POST COVID-19 Union of Arab Banks	+961 1 364 885; uab@uabonline.org	www.uabonline.org
7-9 Sept	BANKING IN THE NEXT NORMAL Union of Arab Banks	+961 1 364 885; uab@uabonline.org	www.uabonline.org
26-28 Oct	THE SOCIAL RESPONSIBILITY OF BANKS IN LIGHT OF THE EFFECTS OF COVID-19 Union of Arab Banks	+961 1 364 885; uab@uabonline.org	www.uabonline.org
LEBANON			
26-27 Nov	THE ANNUAL BANKING CONFERENCE FOR 2020 Union Arab Bankers	+961 1 364 885; uab@uabonline.org	www.uabonline.org
DUBAI			
8-9 Sep	SEAMLESS MIDDLE EAST 2020 Terrapinn	+971 4440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
15-16 Sep	SPARK Terrapinn	+971 4440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
15-17 Sep	GCC MUNICIPALITIES CLEAN AND HEALTHY CITIES CONFERENCE Datamatix Group	+971 4332 6688; info@datamatixgroup.com	www.datamatixgroup.com
15-17 Sep	DATAMATIX ECOMMERCE SUMMIT Datamatix Group	+971 4332 6688; info@datamatixgroup.com	www.datamatixgroup.com
22-23 Sep	VIRTUAL - RE-IMAGINING HEALTHCARE INSURANCE IN 2020 AND BEYOND Informa Middle East	+971 4407 2500; info-mea@informa.com	www.informa-mea.com
27 Sep	WORLD MARITIME DAY SUMMIT Datamatix Group	+971 4332 6688; info@datamatixgroup.com	www.datamatixgroup.com
28-29 Sep	VIRTUAL - STRATEGY EXECUTION AND INNOVATION FORUM Informa Middle East	+971 4407 2500; info-mea@informa.com	www.informa-mea.com
5 Oct	WORLD TEACHERS DAY SUMMIT Datamatix Group	+971 4332 6688; info@datamatixgroup.com	www.datamatixgroup.com
8 Oct	WORLD POST DAY SUMMIT Datamatix Group	+971 4332 6688; info@datamatixgroup.com	www.datamatixgroup.com
14-15 Oct	MIDDLE EAST EVENT SHOW Informa Middle East	+971 4407 2500; info-mea@informa.com	www.informa-mea.com
15 Oct	WORLD FOOD DAY SUMMIT Datamatix Group	+971 4332 6688; info@datamatixgroup.com	www.datamatixgroup.com
20 Oct	WORLD STATISTICS DAY SUMMIT Datamatix Group	+971 4332 6688; info@datamatixgroup.com	www.datamatixgroup.com
2-3 Nov	EDEX MENA Informa Middle East	+971 4407 2500; info-mea@informa.com	www.informa-mea.com
15-17 Nov	CITYSCAPE Informa Middle East	+971 4407 2500; info@cityscapeglobal	www.cityscapeglobal.com
16-18 Nov	HR SUMMIT AND EXPO Informa Middle East	+971 4407 2500; info-mea@informa.com	www.informa-mea.com
21 Nov	WORLD STATISTICS DAY SUMMIT Datamatix Group	+971 4332 6688; info@datamatixgroup.com	www.datamatixgroup.com
25 Nov	GCC GOVERNMENT AND BUSINESS ORGANIZATIONS GOLDEN JUBILEE CONFERENCE Datamatix Group	+971 4332 6688; info@datamatixgroup.com	www.datamatixgroup.com
30 Nov	NATIONAL BRANDING CONFERENCE Datamatix Group	+971 4332 6688; info@datamatixgroup.com	www.datamatixgroup.com
7 Dec	INTERNATIONAL CIVIL AVIATION DAY SUMMIT Datamatix Group	+971 4332 6688; info@datamatixgroup.com	www.datamatixgroup.com
9 Dec	INTERNATIONAL ANTI-CORRUPTION DAY SUMMIT Datamatix Group	+971 4332 6688; info@datamatixgroup.com	www.datamatixgroup.com

ORGANIZERS

CONTACT

WEBSITE

ABU DHABI

31 Aug - 1 Sep	ABU DHABI GLOBAL FORUM FOR INNOVATION IN AGRICULTURE Media Generations Exhibitions	+971 5512 7789; d.stradling@onecmg.com	www.innovationsinagriculture.com
1 Oct	HIMAYA Al Iktissad Wal Aamal	+971 4294 1441; -	www.iktissadevents.com
9-12 Nov	ABU DHABI INTERNATIONAL PETROLEUM EXHIBITION AND CONFERENCE dmg Events	+971 4438 0355; info@dmgevents.com	www.dmgevents.com

SAUDI ARABIA

7 Sep	EDUCATION INVEST SAUDI Informa Middle East	+971 4407 2500; info-mea@informa.com	www.informa-mea.com
14-15 Sep	HR SUMMIT AND EXPO Informa Middle East	+971 4407 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 4407 2500; info-mea@informa.com	www.informamarkets.com
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IRAN

12-13 Sep	IRAN CAPITAL MARKET FORUM OPPORTUNITIES & CHALLENGES IICIC	+98 21 22 04 885 9; icmf@iicic.com	www.iicic.com
3-4 Oct	PE VALUE CHAIN FORUM IICIC	+98 21 22 04 885 9; pe@iicic.com	www.iicic.com
10 - 11 Oct	IRAN DIGITAL ECONOMY & EMPLOYMENT IICIC	+98 21 22 04 885 9; deef@iicic.com	www.iicic.com
28 - 30 Nov	IRAN CLEANING EXPO IICIC	+98 2122048859; cleansing@iicic.com	www.iicic.com
5-6 Dec	PP VALUE CHAIN FORUM IICIC	+98 21 22 04 885 9; pp@iicic.com	www.iicic.com
Dec	IRAN ECONOMIC FORUM IICIC	+98 21 22 04 885 9; ief@iicic.com	www.ieforum.ir
Dec	PVC VALUE CHAIN FORUM IICIC	+98 21 22 04 885 9; pvc@iicic.com	www.iicic.com
9-10 Jan 2021	PET VALUE CHAIN FORUM IICIC	+98 21 22 04 885 9; iicic/pet@iicic.com	www.iicic.com

KUWAIT

16-17 Sep	KUWAIT MARITIME SUMMIT White Paper Summits	+968 2478 8476; info@wpsummit.com	www.wpsummits.com
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QATAR

10-11 Aug	THE IRES - 895TH INTERNATIONAL CONFERENCES ON ECONOMICS AND SOCIAL SCIENCES The IRES	-; info@theires.org	www.theires.org
10-11 Sep	INTERNATIONAL CONFERENCE ON ADVANCES IN BUSINESS MANAGEMENT AND INFORMATION TECHNOLOGY IIER	-; info@theiier.org	www.theiier.org
10-11 Oct	915TH INTERNATIONAL CONFERENCE ON SCIENCE, TECHNOLOGY, ENGINEERING AND MANAGEMENT ICSTEM Research World	-; info@researchworld.org	www.researchworld.org
10-11 Nov	755TH INTERNATIONAL CONFERENCE ON ADVANCED ENERGY MATERIALS AND RESEARCH Research Fora	-; info@researchfora.com	www.researchfora.com

JORDAN

6-7 Oct	FINTECH DEVELOPMENTS AND ITS IMPACTS ON THE BANKING INDUSTRY Union Arab Bankers	+961 1 364 885; uab@uabonline.org	www.uabonline.org
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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 4438 0355; info@dmgevents.com	www.dmgevents.com
14-16 Sep	WORKSPACE dmg Events	+971 4438 0355; info@dmgevents.com	www.dmgevents.com
14-16 Sep	THE HOTEL SHOW DUBAI dmg Events	+971 4438 0355; info@dmgevents.com	www.dmgevents.com
14-16 Sep	FM EXPO dmg Events	+971 4438 0355; info@dmgevents.com	www.dmgevents.com
19-21 Oct	AUTOMECHANIKA DUBAI Messe Frankfurt Middle East GmbH	+971 4389 4500; mectw@uae.messefrankfurt.com	www.ae.messefrankfurt.com
26-28 Oct	AIRPORT SHOW Reed Exhibitions	+971 4420 8271; EnquiryREC@reedexpo.co.uk	www.reedexpo.com
10-12 Nov	MIDDLE EAST CLEANING TECHNOLOGY WEEK Messe Frankfurt Middle East GmbH	+971 4389 4500; mectw@uae.messefrankfurt.com	www.ae.messefrankfurt.com
16-18 Nov	HR SUMMIT AND EXPO Informa Middle East	+971 4407 2500; info-mea@informa.com	www.informa-mea.com
16-18 Nov	SITL MIDDLE EAST Reed Exhibitions	+971 4420 8271; EnquiryREC@reedexpo.co.uk	www.reedexpo.com
23-26 Nov	URBAN DESIGN AND LANDSCAPE EXPO dmg Events	+971 4438 0355; info@dmgevents.com	www.dmgevents.com
	ABU DHABI		
25-29 Oct	JEWELLERY AND WATCH SHOW ABU DHABI Reed Exhibitions	+971 4420 8271; EnquiryREC@reedexpo.co.uk	www.reedexpo.com
9-12 Nov	ABU DHABI INTERNATIONAL PETROLEUM EXHIBITION AND CONFERENCE dmg Events	+971 4438 0355; info@dmgevents.com	www.dmgevents.com
	BAHRAIN		
14-17 Sep	MIDDLE EAST GEOSCIENCE CONFERENCE AND EXPO Informa Markets	+971-44072500 info-mea@informa.com	www.informamarkets.com
15-17 Sep	GEO 2020 Informa Markets	+973 17550033; info.bahrain@informa.com	www.bahrainexhibitions.com
5-7 Oct	INTERIORS 2020 Hilal Conferences & Exhibitions	+973-17-29 9123; Bill.newmaker@gmail.com	www.interiorsexpo.net
5-7 Oct	GULF CONSTRUCTION EXPO 2020 Hilal Conferences & Exhibitions	+973-17-29 9123; Bill.newmaker@gmail.com	www.gulfconstructionexpo.com
11-14 Oct	18TH MIDDLE EAST CORROSION CONFERENCE & EXHIBITION 2020 Bahrain Society of Engineers	973 17810733; Conference.manager@bse.bh	www.bahrainexhibitions.com
27-Oct	THE TRADER EXPO 2020 HuanQiao (Hongkong) Co. Ltd	+86 17765177817; info@theforexexpo.com	www.bahrainexhibitions.com
	EGYPT		
21-23 Aug	HACE EXHIBITION Egyptian Group for Marketing	+20 2240 501 51; -	-
21-23 Aug	DEFILE KIDS EXHIBITION Defile D'Egypte co.	+20 2240 194 488; info@defiledeegypte.com	www.defiledeegypte.com
5-7 Sep	PAPER MIDDLE EAST Nile Trade Fairs	+20 2267 05239; info@nilefairs.com	www.nilefairs.com
13-16 Sep	SAHARA Informa Markets	+971 4407 2500; info-mea@informa.com	www.informamarkets.com

	ORGANIZERS	CONTACT	WEBSITE
22-24 Sep	THE BIG 5 CONSTRUCT EGYPT dmg Events	+971 4438 0355; info@dmgevents.com	www.dmgevents.com
26-28 Sep	EDUCATION EGYPT 2020 dmg Events	+971 4438 0355; info@dmgevents.com	www.dmgevents.com
22-24 Oct	NEXTMOVE Informa Markets	+971 4407 2500; info-mea@informa.com	www.informamarkets.com
5-8 Nov	MARKET EXHIBITION Green Land. Co	+20 220822137; info@ceramicamarket.com	www.ceramicamarket.com
11-13 Nov	ZUCHEX CARIO EGYTEC	+20 1222122418; afahmy@egytec.com	https://en.zuchexcairo.com
12-15 Nov	HANDLING EXPO International Fairs Group	+20 225264499; info@ifg-eg.com	www.ifg-eg.com
26-28 Nov	THE DESIGN SHOW EGYPT International Conferences and Exhibition Company	+20 1012454082; info@icec-events.com	www.thedesign-show.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

SAUDI ARABIA

14-15 Sep	SAUDI EVENT SHOW Informa Middle East	+971 4407 2500; info-mea@informa.com	www.informa-mea.com
14-15 Sep	HR SUMMIT AND EXPO Informa Middle East	+971 4407 2500; info-mea@informa.com	www.informa-mea.com
20-22 Sep	GLOBAL HEALTH EXHIBITION Informa Markets	+971 4407 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
2-4 Nov	SAUDI REHAB EQUIPMENT EXPO Firs Arabia Tradeshows and conferences	+966 9200 20025; infor@saudirehabexpo.com	www.saudirehabexpo.com
18-20 Nov	DECOFAIR RIYADH Reed Exhibitions	+971 4420 8271; 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
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JORDAN

14-17 Sept	INTER BUILD JORDAN 2020 Golden Gate For Exhibitions	+962 565 8501; info@jordanfairs.com	www.jordanfairs.com
14-17 Sept	STONE JO SHOW 2020 Golden Gate For Exhibitions	+962 646 179 35; info@jordanfairs.com	www.jordanfairs.com
21-23 Sept	JORDAN ECONOMIC FORUM World Digital Economy Summit	+962 655 164 60; khnusair@afaqgroupadv.com	www.meblockchain.com
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 4438 0355; info@dmgevents.com	www.dmgevents.com
13-15 Oct	CITYSCAPE Informa Markets	+971 4407 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
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LAST WORD

By Alia Ibrahim

A long battle ahead

Coalition formed to defend free speech in Lebanon

Fourteen local and international organizations announced a coalition to defend freedom of speech in Lebanon on July 13. Along with most signatories, I share doubts about the viability of this collective action, but also a certitude about its necessity. In the 20 years I have been a journalist, rarely have I been more scared about Lebanon's insidious descent into a police state.

Things were never perfect, but in a region where authoritarian regimes impose **draconian laws** against free speech, Lebanon remained a relatively safe haven. This began to change for the worse in 2015, when, triggered by a trash crisis, protestors took to the streets, for the first time raising the *kellon yani kellon* (all of them means all of them) slogan. The movement ultimately failed to produce change, but the prospect of Lebanese uniting against their political elite was not lost on the ruling class. The freedom to criticize, already limited by law, came under increasing attack.

This perception is borne by data. One of the signatories to the new coalition, Human Rights Watch (HRW), released a **report** last year detailing the increase in defamation cases from January 2015 to May 2019. Using numbers from the Cyber Crimes Bureau (CCB), HRW found that the CCB had investigated 3,559 defamation cases in that time—a 325 percent increase when comparing 2018 to 2015.

During this period oppressive measures were not exclusive to the state and suppression was not limited to political opinions. As just two examples of many, widespread xenophobia **saw** Syrian refugees blamed for all manners of socio-economic problems, and homophobia and threats of violence were

used to justify the cancelation of a 2019 Masrhou Leila **concert**.


WORSE TO COME

Since the October uprisings, attacks on freedom of expression have continued; more than **60** people have been arrested or summoned for interrogation. Amid a national economic crisis, Lebanese have been criminalized for critiquing their government and media has come under pressure for reporting economic realities. In October, the president's office released a **statement** reminding that the criminal code allows for prosecution of those publishing material that threatens the stability of the economy, a day later, four Lebanese lawyers announced their intention to sue *The Economist* for its reporting of the unfolding currency crisis.

As bad as things are, they can get worse. Media monitors among the coalition members were able to obtain a leaked **draft** of the new media law being reviewed at Parliament, which, while prohibiting pre-trial detention for all publishing crimes, still allows for imprisonment due to defamation and even increases prison penalties and fines in some instances.

The work of these media monitors brings needed accountability to Lebanon's media landscape. Contrast this to the main media channels that have been rightly criticized for the ways in which they kowtow to their political and economic sponsors. At the launch event for the coalition, a live TV transmission was cut within minutes, with the anchorwoman commenting on air that what was being said was "exaggeration." These organizations are part of the problem.

The coalition is seeking solutions. As such, it is calling for public prosecutors and security agencies to refrain from summoning people for investigation for exercising their right to free speech, for legislative discussions in parliamentary committees to be made public, and for the new media law to be amended to bring Lebanon in line with international standards on free speech. This would mean decriminalizing defamation, removing special protections for public figures, preventing government and security agencies from bringing defamation suits, allowing truth as a defense, decriminalizing blasphemy and insults to religion, criminalizing only statements that amount to advocacy of national, racial, or religious hatred, removing all requirements for licensing of journalists and advance authorization of publications, and removing civilians and all children from the jurisdiction of the military courts.

Much still needs to be accomplished in the long battle to protect and foster freedom of expression in Lebanon, but looking at the crowd around me on that Monday morning I was comforted by familiar faces I trust. We may not have seen the worst yet. The elements that allowed for co-existence between the establishment and those who opposed it are no longer available and the system is running out of resources—real reform will mean its end and the only available tool it possesses is oppression. But while the image is bleak, it is not without hope. The battle for freedom of expression is a battle for a new future for Lebanon, and this coalition stands ready to fight. 

*Alia Ibrahim is the co-founder of **Daraj.com** an independent digital media platform for Arabic speakers.*

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