

Executive3

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December 2020 - January 2021 N° 251-252

ECONOMIC ROADMAP

- DRAFT 4.0 -



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WEALTH MANAGEMENT

EDITORIAL

#251-252

100 years young

2020 has proven to be one the most tumultuous and unrestrained years in this little nation's 100 year existence. Twelve months of continuous and unexpected predicaments of the worst kinds, all endured with exemplary dignity and integrity. The extent of empathy, generosity and care offered so selflessly by the people is simply humbling. Look in the eyes of healthcare professionals and youths turned saviors in explosion devastated areas and you will understand. It is this sense of pride that allowed for people to repair their homes, renew their shops and pick-up the pieces of their lives

The beginning of the second century in the history of modern Lebanon coincides with the beginning of another fight between two sets of socioeconomic models. Lebanon will either move forward or be stuck in the past. Lebanon will either contribute to the world of knowledge, and the knowledge economy, or will watch the world progress. Lebanon will either let corruption devastate its society and environment, or it is going to unite for what is right. History taught us that Lebanon is not a nation that can be held hostage for long.

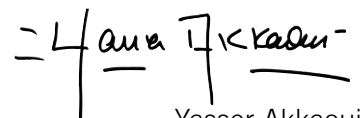
This magazine will always believe in a Lebanon that can rebuild and reform its economy, strategize its healthcare and education, combat poverty and corruption, and develop entrepreneurship and its diaspora.

Lebanon has greedy enemies, within and without. We now understand more than ever who our enemies are and what they are after, and there is a lot we can do besides being dragged into violence.

For many, 2020's events seemed desolately out of sequence. But after being thrown abruptly into this new reality, we know that this is the new order of things, and we have risen to the challenge.

It is our national pride that is frightening.

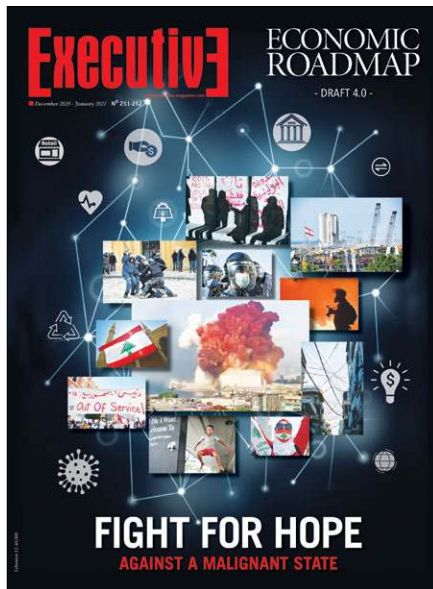
Lebanon will defeat and outlive its enemies.



Yasser Akkaoui
Editor-in-chief

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**ECONOMIC ROADMAP
DRAFT 4.0**

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The views and opinions expressed in the health care and entrepreneurship special reports in this issue are those of the authors and interviewees and do not necessarily reflect the views of KAS.

2020 REVIEW

TOTAL WARFARE

The year of truth and shock

Forgive us, we are alive

Sadly, but also realistically, one could not blame an economic analyst for pronouncing Lebanon a lost cause in 2020. The numbers are not only disturbing, but unrestrainedly disastrous. Moreover, these numbers not only exist in arcane accountancy details, but they prevail wherever one cares to look, whether that is the macro-economy or fiscal realities. And the reforms are talked about. They go round and round, these reform promises, like a little white elephant on a dream-like carousel.

Yet even in the depths of the deepest currency troubles, one can postulate an upside. Hyperinflation, for example, was but a moment in July. The rest was severe, but technically, regular inflation. Note, remittances to developing countries are down globally, according to international estimates, but not by as much as had been feared earlier this year. In the context of contracted GDP and the exchange rate, the contribution of diaspora remittances to GDP is now thought to be above 30 percent.

Additionally, not every producer of foodstuff in Lebanon was shamelessly extorting every last lira from their customers' pockets, or pressing the blood out of their employees' emaciated bodies. Not even landlords, or digital landlords – publishers and editors – are fated to be that cruel. Neither do local producers, traders and retailers rob their customers blind, nor hike prices beyond any moral restraint and enlightened self-interest.

About the self-interest of our

servants - the politicians - we can only say that they didn't even successfully slip into Santa costumes this year, to bring the people tidings of their new incarnation into a cabinet for Christmas. Anyhow, despite their best efforts, the Lebanese people have prevailed as a not totally dysfunctional society.

FORGIVE US, WE ARE ALIVE

In short, Lebanon as a society has survived this year where an assembly of economic men and economic women would have practiced perfectly rational self-extermination. This does not mean that the economic numbers and social realities are not depressing. They are even more depressing, because one can rail for months against the walls of this numerical economic prison, but cannot change the warden. Executive editors pray you to look for the numbers yourself, and analyze them. We have done it at the turn of every virtual and physical page of our magazine not just this year, but for more than 20 years.

What we ask of you now is that after having chosen your numbers and analyzed them, choose the concrete measures to change Lebanon's realities, one step at a time, as they famously say. To assist you in picking the solutions that have meaning, might appeal most to you and make you take up your weapons of truth and justice, we have reviewed the Executive Roadmap. For our 4.0 edition of this collaborative and consultative effort, Executive editors have selected 36 milestones, or targets, for you to pick from and invest your personal energy in, in 2021. We need to achieve those milestones. Lebanon needs to implement as many of the targets as we can push for.



THE HISTORIC PERSPECTIVE

History is perception. From a perception of Lebanese attitudes and experiences in the pivotal years of 2019 and 2020, one can call 2019 the year of delusion and protests, but also the year of righteous calls for the dream of a new society. 2020 was the year of despair and tragedy, but also the year of finally and inescapably accepting reality. The reality that this society has lost almost 30 years to inner corruption and external power plays. It is self-explanatory from the numbers that 2021 will be the year of economic pain and sacrifice. But will it also be the year of fairer opportunities and new endeavors in economy and society? We, the people, are the building blocks for this. Will we exert our will to be what we hope for?

"If we believe that most people are decent and kind, everything changes," writes contemporary Dutch

historian Rutger Bregman. His reasoning is that fake addictions to cultural nocebos (opposite of placebo), veneer theories, and assumptions of human inadequacies, have prevented us from taking a realistic view. A view that simply says, we are not that bad, neither collectively nor individually.

The realistic picture of Lebanese people in this sense is that they are amazing, and have proven themselves as a more coherent society than could have been expected throughout the trials of 2020. As true representative of the Lebanese spirit, former first lady Nayla Mouawad said in a quiet conversation in October about the development after the port explosion, "We can be unhappy with everything in this country, but not with the young Lebanese people."

What we can predict with certainty for 2021 is that Lebanon will not fix itself. It cannot. We have

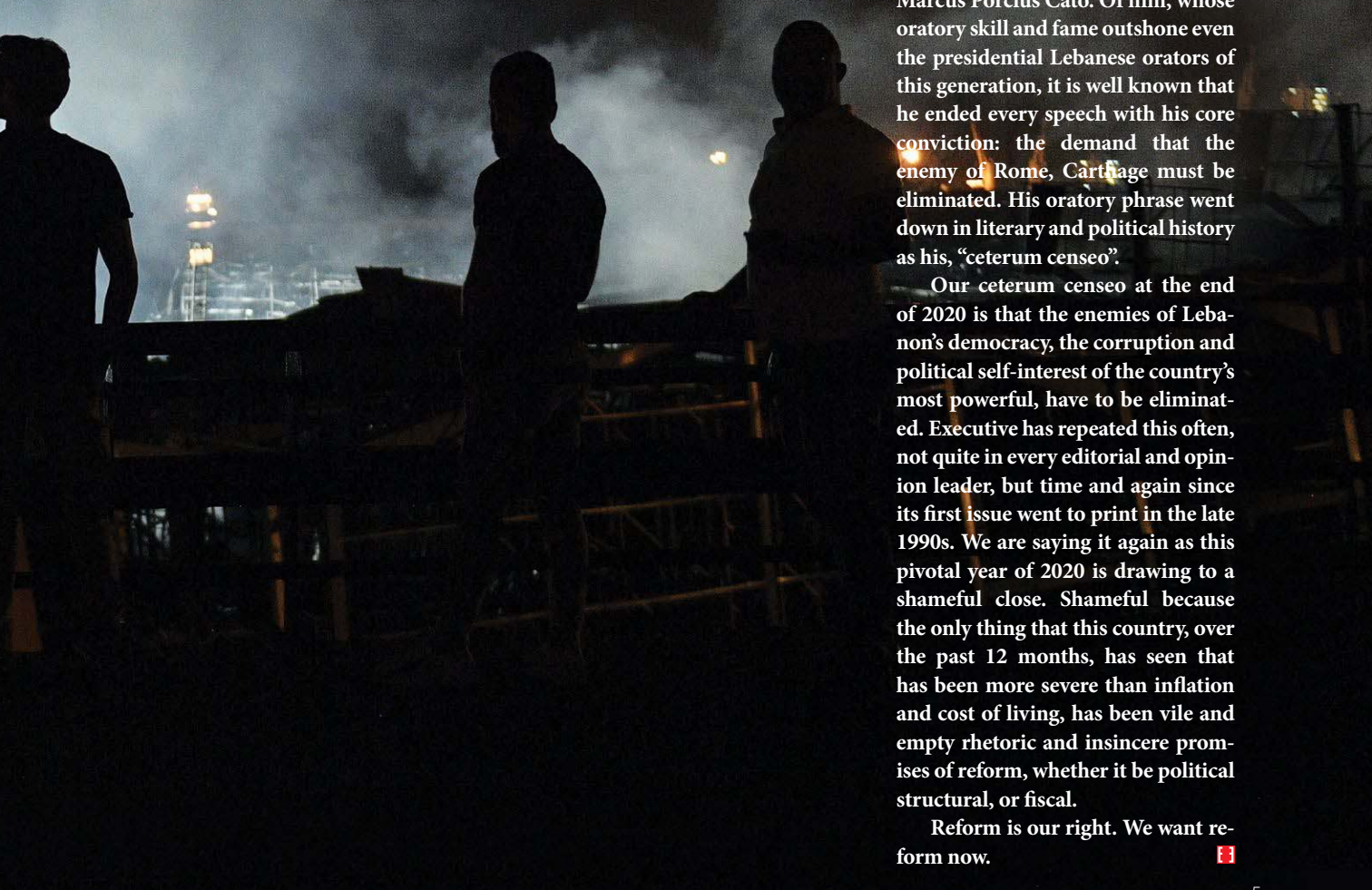
been living off our reserves this year, many consumables – in the allegory of a car for example, our tires, battery, windshield wipers, brake fluids, and shock absorbers – have not been replaced. If our windshield showed a crack, it was not replaced, if our brake pads were run down, we let it ride and screech. The modern economy has its advantages, one of them that we have accumulated many things. But we cannot run on the reserves and neglect the replacement of wear and tear parts or the maintenance of society for any number of years. The risks of doing so are cumulative. We, the decent people, need to build a decent society in a decent state and we need to start today, not next year.

Ceterum censeo (total warfare)

In closing, one of history's larger than life figures was the Roman military man, farmer and political leader, Marcus Porcius Cato. Of him, whose oratory skill and fame outshone even the presidential Lebanese orators of this generation, it is well known that he ended every speech with his core conviction: the demand that the enemy of Rome, Carthage must be eliminated. His oratory phrase went down in literary and political history as his, "*ceterum censeo*".

Our *ceterum censeo* at the end of 2020 is that the enemies of Lebanon's democracy, the corruption and political self-interest of the country's most powerful, have to be eliminated. Executive has repeated this often, not quite in every editorial and opinion leader, but time and again since its first issue went to print in the late 1990s. We are saying it again as this pivotal year of 2020 is drawing to a shameful close. Shameful because the only thing that this country, over the past 12 months, has seen that has been more severe than inflation and cost of living, has been vile and empty rhetoric and insincere promises of reform, whether it be political structural, or fiscal.

Reform is our right. We want reform now.



Pivotal events of 2020

Spotlight on Lebanon

By Nabil Makari



DECEMBER 19

> Parliamentary consultations take place. Mr. Hassan Diab is nominated to form a government, backed by the Amal movement, Hezbollah, the Free Patriotic Movement, the Marada and others.

DECEMBER 20-31

> Heavy protests take place, protesting the nomination of Hassan Diab as Prime Minister.

JANUARY 14

> Lebanese Protests resume after weeks of calm. Banks are heavily targeted as the focus of popular anger centers around the Lebanese banking sector. Roads are closed by protestors all around Lebanon.

JANUARY 16

> Contrary to cabinet leaks circulating in the news, the formation of the government does not take place, without any explanation.

JANUARY 18

> Clashes occur between protestors and the police, resulting in 400 wounded and 34 arrested. Protestors were dispersed by the police, the latter using teargas, water cannons, batons and rubber bullets, in violation of international conventions.

JANUARY 21

> A new cabinet is formed. The government, essentially backed by the March 8 coalition and its allies, is heavily rejected and protestors go to the streets in a clear sign of rejection.

JANUARY 22

> Clashes occur between the police and protestors outside the Lebanese parliament.

JANUARY 25

> Crowds gather around Beirut to celebrate the 100th day of the Thawra, protestors demand for a complete overhaul of the Lebanese political system.

FEBRUARY 1

> Protesters gather outside the US Embassy in rejection of US President Donald Trump's Middle East Peace Plan.

FEBRUARY 5

> Protests ongoing in refusal to recognize the new government.

FEBRUARY 6

> In light of the financial crisis, the new government presents its plan to fight tax evasion and publishes a detailed policy paper in this regard.

FEBRUARY 11

> Protests occur in light of the new government's confidence vote. Protests become violent in front of parliament due to the police's heavy use of batons, teargas and rubber bullets.

FEBRUARY 21

> The 1st case of COVID-19 is confirmed in Beirut.

FEBRUARY 28

> Lebanon bars all travel by non-residents by air, sea or land from countries worst hit by COVID-19. The Public Works Ministry named China, South Korea, Iran, and Italy as affected countries.

MARCH 8

> Lebanon announces default on \$1.2 billion Eurobond payment.

MARCH 10

> The first COVID-19 related death is recorded.

APRIL 21

> Ten people are killed in a shooting in the village of Baakline.

APRIL 22

> Mazen Harfoush, the gunman in the Baakline shooting, is apprehended and confesses to his crimes.

MAY 31

> Lebanon reaches 1,220 cases of Covid-19 infections.

JULY 27

> Exchange of fire between Israeli soldiers and four Hezbollah members, no escalation occurs.



AUGUST 4

> An explosion in the port of Beirut kills 203 people, wounds thousands and results in 300,000 people losing their home

AUGUST 5

and being internally displaced. The city is heavily damaged.

> The government declares a two-week state of emergency following the explosions, effectively allowing the military a free hand in tackling the security situation.

AUGUST 6



> French president Emmanuel Macron arrives in Beirut and visits the scene of the explosion and tours the damaged quarters in Beirut. He engages in discussions with residents of Beirut and calls for government reforms and anti-corruption measures. Macron declares that he would help gather international aid through an international summit with the European Union, Arabic countries and the USA, with such aid being conditional on the government implementing reforms. Protests break out as a popular anger is at an all-time high due to the blast. 16 port employees, accused of being connected to the explosion, are arrested according to the military court spokesman.

AUGUST 7

> Lebanese officials declare that the victims of the explosion are numbered to 157 deaths and 5,000 wounded.



The European Union releases emergency funds for aid amounting to \$38 million. According to Boris Prokoshev, former captain of the ship that brought 2,750 tons of ammonium nitrate to Beirut, Lebanese authorities were "very well" aware of the risks of stocking the said amount in the Beirut port.

AUGUST 8

> Protests occur all over Lebanon, with over 700 reportedly wounded and one policeman killed. Protestors storm through various official buildings, including the foreign ministry, as the crowds of protestors face police violence. Prime Minister Hassan Diab calls for new elections, while the 3 MPs of the Kataeb party resign.



AUGUST 9

> Ministers Manal Abdel Samad and Demianos Kattar submit their resignations. International leaders join a donor conference by videoconference with the United Nations. France pledges nearly \$300 million of direct assistance to the Lebanese population.

AUGUST 10

> Prime Minister Hassan Diab announces that he and his cabinet's resignation.



AUGUST 27

> Clashes between Hezbollah and tribal members in the town of Khalde resulted in two deaths and ten wounded.

**AUGUST 31
SEPTEMBER 8**

> Lebanon reaches 17,308 cases of Covid-19 infections.

> Ali Hassan Khalil and Youssef Fenianos, two former ministers, are sanctioned by the US Treasury' Office of Foreign Assets Control (OFAC).

OCTOBER 9

> A fuel tanker explodes in Beirut, leaving at least four people dead and thirty injured. The blast occurred after the tank caught fire in the Tariq-al-Jdide district.



OCTOBER 14

> A delegation led by Brigadier General Bassam Yassine launched talks facilitated by the United Nations and the United States with Israel over the disputed maritime border.

**OCTOBER 22
NOVEMBER 6**

> Saad Hariri is charged with the formation of a new government.

> Free Patriotic Movement leader Gebran Bassil is sanctioned under the Global Magnitsky Human Rights Accountability Act by the United States.

DECEMBER 21

> Parliament passes a law to lift banking secrecy for the duration of one year

DECEMBER 28

> Lebanon reaches 171,226 cases of Covid-19 infections, with the death toll at 1394



BANKING ON CRISIS

How ESTIA does it differently

By Walid Saliby



As Winston Churchill worked to form the United Nations after WWII, he said, "Never let a good crisis go to waste". This has been Antoine Assi's motto and business model, Managing Partner of ESTIA Real Estate Group.

Assi predicted the crisis in Lebanon three years before it happened. At the time, a similar hurricane of crises was afflicting Greece. Assi decided to capitalize on the Greek crisis, and expanded his real estate business, where he eventually benefited from the sharp drop in real estate prices. Assi sold over 2,000 apartments, developed over 20 hotels, and manages over 500 million euros in property.

In this interview, Executive sits down with Assi, to get a better sense of his experiences and successes as a dominating figure amongst the Lebanese diaspora.

Can you tell us about ESTIA as a company and what kinds of services it offers?

ESTIA is a real estate development company that develops residential and touristic projects. We focus on residential development specifically in Athens and Portugal. We offer residential apartments ranging from 50 sqm lofts in the center of Athens up to 400 sqm apartments in the south and other luxurious areas along the Greek Riviera. The budget of the properties we offer ranges from 180,000 euros to 3 million euros per apartment, we also offer villa development ranging from 2 to 5 million euros.

Estia manages everything in-house, from architects, lawyers, property managers to rental management. We provide a full 360-degree service for our clients and investors.

Estia Capital, a division of Estia group manages 3rd party investors and gives them the opportunity to invest in any of our ongoing residential developments or hotels.

We were reluctant to venture into commercial real estate development. We believe that when you have a crisis like COVID-19 the commercial tenants are the first ones to leave. Thus, we prefer, as a group, to have exposure on residential or touristic projects than to have exposure on commercial tenants.

ESTIA started in Athens in residential rentals during the crisis. It started buying apartments, renovating, and renting them as short term (Airbnb etc.), medium- and long-term rentals, because the yield was at that time very high, around 16-17%.

The team grew from a two-person operation to a 200-employee operation in less than 4 years.

Where are ESTIA properties located? How do these locations attract investors?

Most of our properties are in Athens which is a strategic location that generates high rent. Wherever we decide to develop a residential building, the number one requirement is to be in a strategic location, so that the client or investor who is buying the property can generate a decent profit of 7 to 10% annually.

We also have properties in Portugal. It is always interesting for us to choose locations that give us long-term opportunities. We don't just want to sell our apartments; we want to retain the management of the property to generate the maximum income to our clients.

Our rental division in Athens is managing over 2,000 apartments. These locations are prime locations that get high yields and will always have a demand for rent.

The clients can decide to rent the apartment for short-term use, and use it themselves in the summers, for example; or, they can rent it for a

longer contract when they don't need it.

The apartment serves as a three-dimension investment: firstly, for their own use, secondly for getting a Golden Visa and becoming permanent residents of Europe, and thirdly, making yearly rents and [passive] income.

What experience does ESTIA have in Airbnb hotels?

I will tell you a small story. When I came to Athens, I was staying in the Hilton hotel. I saw that during the worst year in the history of Greece - when there were riots, political and security problems - the Hilton was running on full staff and offering food every day. So, I said to myself, "I want to establish a hotel that doesn't offer food nor has a staff problem".

My dream was to launch one hotel that runs on one employee. This way when there is a crisis, investors will be safe from pouring money back into the project because of the high cost of the hotel. Thus, I started something close to an Airbnb hotel, where the whole building is running like a hotel but with one employee. And this is done through our application and center management.

We provide our clients with a delivery menu and all our Airbnb hotels are strategically located. The clients love to go down and have breakfast in the different nearby restaurants. The unit at our hotels ranges from 25 to 200 sqm. Our 3-bedroom unit is around 80 sqm that can cater to eight people for just 150 euros a night, where the 16 sqm couple room at Hilton stands for 280 euros/night.

This advantage raised our ratings to 9.5 in comparison to 8.3 rating for Hilton hotel. So now the families prefer our concept.

Our Airbnb concept is very competitive, and its real estate value is high because it is a custom-made project. Our interiors are well designed, and we make sure that every unit is a signature apartment.

In terms of luxury, they are even higher than the ones in the market with more amenities such as furnished kitchen, high end gym, laundry area, bags storage etc. while being three times cheaper than a typical hotel. In October 2020, the worst time of the year, we had 85% occupancy, while most hotels had 20%. Our experience in Airbnb hotels started in 2016 and now we have over 20 under development.

Do you have any advice for people seeking to invest in real estate?

In the past thirty years, we have seen that real estate has been the safest investment and the most secure. I would advise anyone to invest in any real estate property that generates income. The real estate investment can turn into a burden if it does not generate income.

What people do not know is that there is a holding cost. For example, if you are buying land, your holding cost for it is the interest of your money that you are not receiving. When you are buying an apartment that is not rentable you have municipality taxes and common charges and utility to pay that will be a burden on you. So, when you buy a real estate property you need to see the location, the quality, and how rentable it is, because at the end of the day, you need to account for one month of every year of rental going towards the payment of these costs, which are the municipality taxes, utility, and common expenses.

So, if you buy in places that cannot be rented, the real estate will turn into a burden. Besides, I always advise people to buy early from the developer when he is launching his project because they can get a 10% to 20% discount.

What types of investment opportunities does ESTIA offer for potential or seasoned real estate investors?

We offer opportunities in the typical residential business, where people can either invest with us to buy the lands and develop them, or they can buy apartments from us and we can rent them so they can make a good profit. And they can also invest in our upcoming hotels where they can make a very good return by owning shares.

What types of architecture and interior design does ESTIA provide to its diverse clients?

First, it is important to highlight that we have a team of thirty engineers, interior designers, and a furnishing department. We give the clients the option to do everything with us in terms of interior design. We have a



department that offers interior design since most of our clients live abroad.

As part of our services, we handle the full furnishing of their apartments, we deliver the apartment ready to move in.

For the architecture, we are working with a panel of top architects in Athens to provide multiple architectural projects for every taste. We are delivering different styles from modern architecture to the renovation of heritage buildings.

What kind of residency does "owning a property" in Greece provide the owner? How can ESTIA help in this regard?

ESTIA has provided until now over 1,000 residencies in Greece alone. Every country has different laws regarding residency, but what is common between all these residencies is that they give you access to all Europe.

When you become a resident of Greece you become a resident of Europe. It is a permanent residency (PR). So as long as you buy an apartment for 250,000 euros, and maintain it, your residency remains for life. Every five years you would have to renew the PR and simply show that you still own the apartment.

What people don't know, and what they are discovering now, is that when they become residents of Greece, they don't have to pay taxes. In comparison to the Schengen Visa, the PR is more stable since all the Schengen Visas were cancelled or recalled when the crisis started in Greece, but the PRs were still active. When you have a PR, it is easier to submit a work permit application to the ministry of interior.

What is important to highlight in this regard is that most people think that a Schengen acts like a PR, which is not true. They must understand that when they have the Schengen for 5 or 10 years, they cannot stay in Europe more than 50% of their visa period, which means 182 days per year.

Any last words of advice for the Lebanese looking for a way out of the crises?

I believe that the economy in Lebanon collapsed and what the Lebanese are witnessing is the tip of the iceberg.

The state in Greece is protecting the Lebanese expatriates. In the COVID-19 crisis, the Greek banks called us suggesting to extend the payment of our loans and to reduce the interests. However, I heard that some Lebanese banks increased the interests from 8 to 27% during the crisis.

Soon, the Lebanese will be banned from entering several countries. So, every Lebanese should have a Permanent Residency and an income generating property in Greece or Portugal to safe keep their families in terms of crisis.

HEALTH CARE INFRASTRUCTURE UNDER PRESSURE



Changes and challenges

Long seen as the health care centre of the Middle East due to its developed hospital infrastructure and presence of heavily qualified medical personnel, Lebanon may well lose this title soon, due to a series of unfavorable factors, including the economic crisis, the August 4 Beirut port explosion, and the Covid-19 pandemic. Despite the efforts of its health care personnel to provide adequate medical care and the current support of the Central Bank of Lebanon by providing dollar subsidies to importers at a fixed rate of 1,500 LBP to the dollar, Lebanon's health care infrastructure is currently in the midst of its worst crisis in modern history with no clear end in sight.

The convergence of stresses on the health care system has revealed the lack of up-to-date infrastructure; lack of medical personnel due to high emigration rates among doctors; and difficulties in obtaining medical supplies due to the devaluation of the Lebanese currency and reduced imports. Dr Charaf Abou Charaf, president of the Lebanese Order of Physicians, recently estimated that the total number of doctors who have chosen to leave Lebanon between July and September to be more than 400, which represents roughly 3 percent of the

total number of Lebanese doctors. Nevertheless, at a level of three doctors per thousand of population according to Ministry of Public Health statistics for 2019, Lebanon is still in the upper tier in levels of doctors per population, close to France and higher than the United Kingdom according to thestreet.com, a financial news website. In addition, the August 4 Beirut explosion resulted in heavy damages to hospitals in Beirut, and for the moment reconstruction is stagnant.

IMPACT OF THE DEVALUATION AND BDL CIRCULAR

According to Dr. Jamil Borgi, a cardio-thoracic surgeon at the American University of Beirut's Medical Hospital (AUBMC), medicinal supplies have become more expensive due to the devaluation of the Lebanese pound, despite the fact that the Central bank subsidizes 85 percent of the prices. This leaves the other 15 percent of payment subject to currency fluctuations and the difficulties of finding cash dollars (as per the BDL scheme, suppliers of medical equipment must provide the BDL with 85 percent of the dollar price in LBP at the official rate of 1500 LBP per dollar, and the rest in cash dollars). Prices of insurance premiums and medical equipment are going up, and the latter are not always covered, according to Dr. Jamil Borgi, which is putting added pressure on hospitals and Lebanese citizens, both insured and uninsured. This has highlighted the need to restructure the health care infrastructure in Lebanon in order to be able to cope with the economic crisis, the impact of Covid-19 and the destruction of the infrastructure in the Beirut blast.

Due to the difficulties in obtaining cash dollars, there is a shortage of medicinal supplies. Given that the current BDL subsidies are temporary, and with no political solution to the economic turmoil, hospitals are worried that supply costs may skyrocket, due to the possibility of having to buy medical supplies at real market prices, with a currency rate which has fluctuated in the last two months between LBP 6,000 and LBP 8,800.

According to Dr. Alexandre Nehme, Chief

Medical Officer at the Saint Georges Hospital University Medical Center (SGHUMC), the impact of the devaluation of the currency on the availability of medical supplies might be heavily affected due to the recent BDL Circular 573, which established that medical suppliers, in order to obtain dollars from the Central Bank at the official rate of 1,500 LBP to the dollar, must provide the Lebanese pounds needed for the conversion in cash. Otherwise, the importers would not be able to obtain dollars to pay their suppliers. According to him, this would add pressure on Lebanese hospitals as they are mostly paid in credit cards and SWIFT, and therefore if their suppliers were to insist on being paid in cash, hospitals would have difficulties obtaining it due to the current capital controls at Lebanese Banks.

LEBANON'S ECONOMIC CRISIS CASTS A LONG SHADOW

The impact of the economic crisis on medical personnel has been two-fold: the crisis has forced many hospitals to fire part of their medical personnel in an effort to cut costs, with AUBMC having laid off between 800 and 850 of its staff members on July 17th, 2020, and many have left the country in search of more secure opportunities abroad. The lack of personnel was actively felt during the aftermath of the August 4 explosion. "Our challenge is to keep our working force; it is bleeding", says Dr. Alexandre Nehme, highlighting the need for hospitals to maintain an effective medical workforce.

In addition, the BDL circular 573 has come under heavy fire from prominent hospitals due to the difficulty in obtaining cash money to finance the purchase of medical supplies. Six university hospitals (the AUBMC, the Lebanese American University Medical Centre – Rizk Hospital, the Saint Georges University Hospital, the Hôpital Notre-Dame des Secours, the Hotel-Dieu University Hospital, and the Mount Lebanon Hospital) have issued a joint statement lamenting the current situation and apologizing for not being able to provide medical services in this current situation.

Indeed, the Medical Equipment & Devices Importers' Syndicate requested on October 20th of hospitals that they pay 85 percent of their purchase bills in LBP cash, which the above-mentioned hospitals deem impossible. For them, requesting cash payment from their patients is near impossible, and will result in an inability to provide their patients with the required care, especially as the current limits on withdrawal make it very hard for many to spare the required sums.



Dr. Firass Abiad, chairman and director general of the Rafic Hariri medical hospital, has highlighted to Executive Magazine that "it is all about preparation", adding that the hospital has instigated a staff development program which has allowed them to generate enough nurses and personnel thanks to incentives. As a result the proportion of

■ Between July and September, 400 doctors have been estimated to leave Lebanon.

personnel that has left is lower than other hospitals. Unlike many other hospitals, Rafic Hariri has hired staff and trained them.

Dr. Abiad, says that, "We are facing three or four storms that are coming together as a perfect storm," referring to the financial crisis, the Corona pandemic, and the staffing and equipment challenges in Lebanon.

COVID-19'S IMPACT ON HEALTH CARE

In seven weeks, from October 26 to December 17, the number of infections rose from 72,186 to 153,049 and the number of deaths from 579 to 1248, according to Worldometer. Intensive Care Units (ICUs) have had to be expanded since the beginning of the pandemic and ICUs have reached a critical occupancy rate of 85 percent according to a November 7 World Health organization report. The AUBMC has created a Covid-19 Unit, but have currently reached maximum capacity due to the rapid expansion of the pandemic. At Saint Georges Hospital, many changes had to be put in

Health care

place after the August 4 explosion. Before the blast different departments at the hospital were dealing with Covid-19, with half the emergency and half the intensive care units (and around 25 additional rooms) dedicated to Covid care. After the blast, St Georges' damages were such that changes had to be made to cope with the increase in Covid-19 cases in spite of heavily damaged infrastructure.



■ Covid beds in Beirut governorate hospitals have reached 100 percent occupancy.



The changes included obtaining 14 hospital beds from the Lebanese-Canadian Hospital, establishing a walk-in for PCR tests and a drive through for the same. Damages at the hospital were estimated at \$40 million, noting that by the end of October the hospital obtained only \$10 million.

The hospital amongst the most affected since the beginning of the Covid-19 pandemic has been the Rafic Hariri Hospital. According to its Chairman, Dr. Firass Abiad, the Rafic Hariri hospital has expanded its ICU unit quickly, from four beds before the pandemic to 22 in a matter of two weeks since the beginning of the pandemic. "We bought a lot of time for the country", he says, due to the alleged rapidity and professionalism of the hospital staff in handling the Covid-19 patients. Nevertheless, as the number of patients goes up, so does the need of beds, especially as Covid-19 can be transmitted by air when an infected person coughs, sneezes or breathes heavily in close contact according to the World Health Organisation and therefore the medical staff must be extra careful with regards to contact with patients.

Overall, Rafic Hariri Hospital reached 28 beds for Covid-19, an ICU with five beds dedicated to children, and is working on nine more beds to become the largest Covid-19 ICU in Lebanon. According to the latest World Health Organization report dated November 7, hospitals in the Beirut governorate, for example, have reached 100 percent occupancy rate.

This will only get worse should the situation stagnate without the help of former and international donors to establish hospitals and ICU units. According to Dr. Ghassan Skaff, head of the neurological surgery department at AUBMC's department of Surgery, in an Elsiyasa.com article dated November 1, should Lebanon not enlist the help of international donors, the country might reach a milestone of one million Covid-19 infections and around 10,000 deaths due to corona from here to June 2021.

In conclusion, Lebanon might have to relinquish its reputation as the health care center of the Middle East. With medical personnel leaving, an expected hike in the price of medical equipment, and difficulties in obtaining the much-needed financing for importing the latter, which would result in the hospital sector lagging behind, Lebanon might very well end up with a stagnating medical sector, leaving no room for envy from its neighbors. ■

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ORGANIC CARE AND TRUE BEAUTY NICHES



State of the market

The global cosmetic and personal care market is growing, the upward swing especially boosting companies that produce organic and sustainable products. The specificity of new manufacturing trends and the evolution in marketing funnels, such as the rise of micro social media influencers, is shifting the research-intensive health-related sector towards viability of small enterprises, niche producers, and customized lifestyle products.

Due to the Covid-19 pandemic, the overall social appreciation of proper personal care is increasingly on peoples' minds. This begs the question for all countries that do not have the benefit of being homes of vaccine makers or personal care giants: how can our countries benefit from the changes in the marketplace, and improve the local production of personal care products?

As with pharmaceuticals, this supply question is made much more urgent in Lebanon by the demise of the national currency's artificial stability. In 2018, the Investment and Development Authority of Lebanon (IDAL) opined that there were four notable market opportunities in the

healthcare sector, notably advocating the growing market for natural cosmetics. "Demand for natural and organic products is growing exponentially driven by increased awareness of health and wellness. Lebanon's cosmetics industry ranks amongst the top 5 Lebanese exports indicating its strong position and its potential to grow to address regional and global demand."

This global demand is not to be scoffed at from the positions of small and medium suppliers in small countries. In its annual report for 2019, Cosmetics Europe, a lobbying and advocacy voice for the industry, expresses the expectation that "improvement in deliveries and technological progress will help online sales of cosmetics to grow significantly. Ecommerce represents an opportunity for small and large companies to expand their sales and client base."

HYGIENE AND CARE MARKET BOOMS

According to Cosmetics Europe data, the European cosmetics and personal care market is the world's largest at 79.8 billion euros in retail sales. "Including direct, indirect and induced economic

activity, the industry supports over 2 million jobs. In 2019, over 206,800 people were employed directly, and a further 1.65 million indirectly in the cosmetics value chain,” says the organization. Modern cosmetics is not about torturing yourself with applications of potentially toxic substances for the sake of making a fake impression. “The vast majority of Europe’s 500 million consumers use cosmetic and personal care products every day to protect their health, enhance their well-being and boost their self-esteem.”

A 2019 global cosmetics market report by retail data research company Edited, similarly described the beauty industry as an economic landscape where direct-to-consumer (D2C) selling is increasingly sophisticated, due to positioning of products by pricing and highly-informed digitally native customers. Additionally, according to Edited, there is a great consumer desire for transparency in beauty products, as mind sets are changing to favor non-harmful, sustainably produced and cruelty-free tested products, and demand trends are shifting towards plastic-free recyclable packaging and economic transparency.

“The beauty industry is seeing a greater regulatory crackdown against increased ‘greenwashing’ across the sector”, the report says and cites with initiatives such as the US Personal Care Products Safety Act to substantiate its prediction that the future “will force large beauty brands to rethink their approach to natural cosmetic formulations”.

Credit Covid-19 for the exponential rise in hygiene and care awareness: a paradigm shift that is likely to translate into significant opportunities for companies in that market, whether established or start-ups. Moreover, in the Lebanese economic context, it is a valid question to inquire about the national capacity for production of care products, just as it paramount under the national economic

emergency to substitute as much as possible imported brand medicines with far more affordable products of similar quality and local manufacture.

PROLIFIC BEES ARE SWARMING REGIONALLY

In Lebanon, the production and exportation of organic care products appears, at least in one case, to be thriving. Beesline, a Lebanese, family-run, apitherapy-based enterprise, initially had a slow-growing market presence in Lebanon. With time, their market presence evolved, and in combination with moderate exports for well over a decade, it eventually reached a stage where the company was invited to join the Endeavor network of companies in Spring 2014.

Reported to have about approximately \$7.5 million in annual sales in 2013 and a workforce of 180, company revenue took off. “In the past five years,

■ “The beauty industry is seeing a greater regulatory crackdown against increased ‘greenwashing’ across the sector.”

Beesline focused its strategy across the region and accelerated growth in core markets. The company more than doubled its size in revenues in the past four years,” Hassan Rifai, marketing manager and second-generation member of the company’s

founding family, tells Executive. According to him, the headcount is still 180 employees but the solid double-digit year-on-year revenue growth of more than 20 percent has propelled the enterprise into a new dimension of economic performance.

And this performance has not waned in 2020. “Like all Lebanese, we are used to challenges and work harder when they come. Despite all the challenges that we have faced, 2020 is still on a similar path of growth as in the past years,” he enthuses.

Factors that cannot but be noted as drivers of this growth according to Rifai are the company’s allocation of about 5 percent in annual turnover to research & development, alongside intellectual property protection of its formulas; the consistent focus on exports, and the multi-tiered reliance on channels to market that entail traditional collaboration with distribution and wholesale intermediaries, as well as a focus on e-commerce through an proprietary platform plus third-party platforms.

In terms of selling and marketing, the main marketing channel is digital, but online communication and selling channels are augmented with selling channels through pharmacies, and for some product lines, through hypermarkets and some beauty shops.

“Quick use products, which are off the shelf and low-cost such as face masks, go to beauty shops and



Health care

hypermarkets. Flavored lip balms go there too. More health focused products remain in pharmacies, but everything can be found on the online platform. Since we started our own e-commerce platform, we have been keen on growing it quite aggressively, and our platform generates more [turnover] than any other platform in itself,” Rifai explains.

What, on the other hand, is not a factor for the company’s success is the ability to rely on domestic raw materials. “We have to rely on imported raw materials up to 90 and sometimes 95 percent,” Rifai tells Executive without elaborating on the role of locally produced beeswax in the product range of Beesline. With the majority of raw material cost related to dollarized imports, he says, “Our cost actually increased quite a lot, yet we picked a pricing strategy where we tried to stand as much as possible on the side of the Lebanese consumer, by limiting the transfer of inflation to them.”

Consequently, the company looks at a red zero in the home market for 2020 and its strategic projection for next year is similar. In this mix of seeking to acquire market share in Lebanon by sacrificing short-term profits and maintaining price levels in regional export markets, it is notable that the share of the Lebanese market in overall business according to Rifai amounts to only about 8 percent, whereas revenue and growth come from Gulf markets such as Saudi Arabia and the United Arab Emirates and ongoing expansions of sales in large regional markets such as Egypt, but also include forays into European and farther-flung markets in the United States and Oceania. “We started selling in some of these markets as of 2020 and are planning to push further from 2021 onwards,” Rifai says.

Rifai explains that customer concerns have been shifting to organic product certification, compliance with environmental sustainability practices and fair governance standards.

“The challenge or issue here is not about the origin of manufacturing but on the value proposition. We have pushed our value proposition towards sustainability and commitment to the environment,” Rifai concludes.

STARTUPS ON THE ORGANIC CASE

One would expect the global market opportunity for producing and marketing organic cosmetics to naturally reverberate with some diverse minds in the Lebanese startup talent pool. One example of such a startup is Lagom Organics, an organic skincare company, whose founders Jennifer and Samer Abouarab spent serious time on research and devel-



opment. They found themselves compelled to jump straight into exports because of the near total demise of the domestic market at the time of their venture’s launch in late 2019.

Similarly, Salma Loves Beauty is a natural beauty startup with a range of olive-oil based soaps that has expanded into liquid soaps, potions, shampoos and sanitizers. Founder Rosemary Romanos had been working on and running the startup already for many months when the crisis first hit and she felt an immediate impact on the business. Nonetheless, in a decision to pursue her startup dream even as the tidal waves of depressed economic mindsets were washing over the Lebanese market, Romanos incorporated her venture in August of this year.

Thirdly, the start-up Potion Kitchen has been included in the 2020 batch of ventures at the SMART ESA demo day in December. Founder Rafa Hojeij, who first came to the market purporting messages of plant-based skincare and clean beauty in 2018, is seeking to raise \$65,000 in funds for expansion of production capacities and marketing in 2021. Her startup’s initial export orientation is directed at West Africa, where the Hojeij family of south Lebanese origin has extensive market knowledge. Potion Kitchen’s next target markets after that will be located in the Gulf region, Hojeij tells Executive.

Among these young enterprises, Lagom Organics is based in Zghorta, North Lebanon. Co-founder and commercial head Samer Abouarab says that Lagom Organics is endeavoring to pioneer the regional market niche for skincare under an originally Scandinavian lifestyle concept of lagom and position the brand as the region’s first in the “indie organic skincare segment”. Lagom is a concept that refers to the perfect balance: not-too-much, not-too-little. The company is thinking to expand its market to Europe, South Korea, and the Pacific Northwest in the US.

In the reality of doing daily business from Lebanon, Lagom Organics has discovered that local ingredients did not satisfy the quality requirements for the company's luxury formulas of essential oils and "wild harvested" raw materials. While including up to 20 ingredients in the company's two existing products (two more are in late-stage development and others under preparation), Samer Abouarab says he cannot locally source even one ingredient. Even as the company's products when sold abroad are not heavily exposed to the Lebanese currency exchange rate problem, he concedes that the importation problem is one of the main issues faced by the startup.

SUSTAINABLE PRACTICES

Farmers and growers still lack knowledge in essential oil production and high quality products, and certified ingredients are not available from Lebanon, Abouarab tells Executive: "There is no local production. I have been in touch with several local farmers and growers because we use a lot of essential oils, but local production is still very low in quality and quantity."

These barriers notwithstanding, Abouarab is committed to producing the Lagom Organics product range in north Lebanon, noting the labor cost advantage and high work ethics of the company's small production workforce of local women. Besides requiring certified imported ingredients and relying on special glass containers made from imported, novel and expensive, photonic glass, the company is artisanal in nature and committed to local production in Lebanon. Abouarab explains, "We don't use machinery and our batches are very small, we produce like 1,000 pieces at a time whenever someone requests our product, manufacturing immediately and shipping to them," he says.

Salma Loves Beauty founder Romanos confesses, just as the other two maker startups, that she is highly insistent on the sustainable and environmental characteristics of her brand's organic skincare products. She tells Executive that she joined up with a manufacturing partner who is a chemist and formulator that wants only to produce natural care products. She is marketing these products on the basis of a shared commitment to "never manufacture something that is toxic to the environment or the consumer." She does not want to divulge performance numbers of the business, which has a monthly capacity of producing 4,000 soap bars, but tells Executive that her startup is already achieving turnover of below half a million dollars.

LEBANESE START-UPS ADAPT AND STEP UP

Economically, the venture handled its 2020 market experience with a strategy to distribute cost increases by first reducing the company's profit margin and next seek reduction of supply costs. Passing cost on to consumers is only the final option when mandated by the need to have a healthy business with a healthy margin. "We took a cut in our margin. Because we have been [operating] before and after the [start of] the crisis, I have personally seen the changes in my margin and the first decision that I took was that I reduced my margin before I passed this cost on to the customer," Romanos says.

Romanos, who earned her first chops as an entrepreneur in Lebanon with an alternative energy startup in 2017, says that up to 80 percent

of her cost base is tied to foreign currencies. She explains that she obtains all raw materials and inputs from Lebanese companies, but adds that many of these local suppliers in turn rely to varying degrees on imported materials such as plastics and packaging. Her

products' ingredients include olive oil, honey, jasmine, lavender, and laurel oil.

"I personally made a switch to natural products when I was 21. I wanted to be more conscious about the things that I consume and it made a big difference with my skin and hair. The first product that I switched to was deodorant because I wanted something that was free of aluminum and preservatives. This was because I believe that anything that you put on your skin goes inside of your body," she says.

Two factors that the three startups and the established care player Beesline have in common are firstly that all of them are relying on native e-commerce platforms - in cases of Beesline and Salma Loves Beauty in conjunction with traditional distribution - and secondly that none of them has seen any state incentive, tax break, ministerial initiative or public sector support of their own company development in the cosmetics sector.

■ One factor that the three startups, and the established care player Beesline, have in common is that all of them rely on native e-commerce platforms.



DRUG MONEY



Untapped Potential in Lebanon

What a difference in perception a year makes – especially this year of 2020, and especially in all matters concerning health, directly or indirectly. Let's assume – very reasonably – that you were cleaning your hands a few times a day at about this time in late 2019. Were you to have been engaging in any lengthy hand washing and extensive sanitary exercise back then, it might have led an observer to suspect that you suffered from OCD - obsessive compulsive disorder. In 2020, the same diligent hand-washing and frequent use of hand sanitizers would likely be regarded by the same observer as best practice and responsible behavior.

Further altered behavior patterns in relation to health have emerged over the past months, such as increased acceptance of telehealth in developed economies; hesitancy of people afflicted by various chronic or age-related conditions to commit to elective surgery; and highly restrictive visitation rules by hospitals and old-age nursing facilities.

This year's behavior shifts have found their clearest early economic expressions in financial markets and specifically in stock values. Whether it is the biotech index of NASDAQ that is booming at the cutting edge of medical innovations or something as mundane as the share price of Malaysia's Top Glove, the world's largest

manufacturer of latex gloves that has seen its profits soar even as it relies heavily on migrant labor.

Even for both the economic strategist and the prudent investor who does not gamble on the flashiest and risk-prone outliers of the 2020 financial markets that are under the reign of the pandemic's heightened awareness and fear, keeping a careful eye on hot pharmaceutical and personal care manufacturers is a no brainer. Although this year many investors and advisors were noted for adopting the strategy to - in Bank of America's term - "sell the vaccine" and divest from volatile assets, the overall healthcare sector and non-cyclical consumer goods such as soaps and other personal care products have fortified their auras of being composed of defensive stocks.

Within the conventional wisdom of global equities markets, this means that stocks in the healthcare and non-cyclical consumer care segments, from makers of pain relief drugs and medicines for chronic conditions to manufacturers of hygiene products and cosmetics, are values to hold onto in times of economic and/or political instability. Thus, healthcare and specialized or adjacent industries – such as biotech and organic cosmetics – promise wider and more intriguing opportunities than the top horses in the mad coronavirus vaccine race that are on the mind of every last stock market gambler

who is chasing after high-risk biotech propositions such as Moderna Inc.

On a curious side note, news of vaccine developments are gobbled up and acted upon not only by fortune hunters but also by criminal cyber-attackers or

state-backed hacking organizations – over the last few months those very opposite interest groups have both been targeting biotech propositions such as Gilead Industries (earlier this year when the biotech firm's Remdesivir drug was touted as potential Covid-19 treatment and, more recently, vaccine makers such as Astra-Zeneca and BioNtech.

Such observations of global financial trends in health and beauty care have ramifications for dar-

■ This year's behavior shifts have been most clearly expressed by changed in the financial markets.

ing and risk-loving investors even when looking to identify opportunities in Lebanese manufacturing niches – despite the lamentable absence of relevant stock market information on health sector companies. Moreover, anyone with an economic sense should assume that understanding the value proposition of local pharmaceutical and personal care productions in this country matters a great deal at this very moment.

This is not just for the reason that securing the supply of medical drugs for domestic consumption is one of the country's core needs and that the importation of pharmaceuticals translates into a huge drain on funds – according to Ghassan Hasbani, the former deputy prime minister and minister of health, an avoidable drain of some \$500 million this year – under the current exchange rate subsidization policy. The value proposition of Lebanese capacity-building in the wider health sector is seriously under-acknowledged, if one looks closer at the national potentials and untapped opportunities in manufacture and exports.

“The healthcare industry in Lebanon, at least before the crisis, was quite advanced. It is one of the industries that can play a major role. [There also is] big potential for skincare and organic [products and exports] because of quality of manufacturing in Lebanon, quality of talent in pharma industry, and [the] relatively cost-effective R&D in the country,” Hasbani says.

THE ASTOUNDING VALUE PROPOSITION OF DOMESTIC GENERIC DRUGS

In terms of pharmaceutical drugs alone, local quality manufacturing capacity exists to cover the majority of domestic needs in both volume and value. “The total value of the [pharmaceuticals] market is about \$1.7 billion and of that total we are importing around \$1.3 billion of brand and generic medicines, [whereas] around \$350 million [worth] are locally manufactured,” Hasbani tells Executive. According to him, the output of Lebanese pharmaceuticals manufacturing companies has in recent years increased from satisfying about 7 percent of total market value to 19 percent, and 76 percent in terms of volume – the disparity between volume and value being so large because the generics made in Lebanon, while of high quality, are far cheaper than the imports.

Hasbani adds that under a recent plan of the Lebanese Forces (LF) political party that he is a

THE GLOBAL PHARMA MARKET

According to data published by the International Federation of Pharmaceutical Manufacturers and Associations, (IFPMA), the global pharma industry employs well over 5 million people (5.07 million in 2014), about 70 percent of whom are located in Asia, including Western Asia. The global pharmaceuticals market amounted to \$997 billion in 2014, representing a cumulative 8-year increase of approximately 53 percent when compared with 2006 according to the same source.

The industry's gross value added in the same year reached nearly \$453 billion worldwide, of which \$154 billion were generated in Asia. On the other hand, the market concentrations of pharmaceutical consumption were located in the developed countries of the United States and Europe. In 2016, of the estimated \$1.1 trillion global pharmaceutical market, \$613.5 billion, or ca 56 percent, were achieved in these developed countries, with overall upward expectations for pharma sales based on the combination of ageing populations in developed economies and market expansion in over 20 so-called “pharmerging countries” from China and India to Brazil, Mexico, Turkey and Saudi Arabia.

member of, the share of domestically manufactured medical drugs of the total market should more than double. “Now they are almost at 20 percent [of the market's value]. The objective is to take them up to more than 50 percent,” he says.

As one practical step to curb potential abuse of the old subsidy system and reign in the danger

of perverse incentives – which the international pharma industry has long been reputed to offer in various forms – by which physicians may be tempted to prefer imported drugs in their prescriptions, the LF plan for addressing the problem of unsustainable

■ The total value of the pharmaceuticals market in Lebanon is about \$1.7 billion, of that total, Lebanon imports \$1.3 billion worth of medicine.

pharmaceutical drug imports entails a suspension of doctors' authority to tick a “non-substitution” box when prescribing medicines.

In a stepwise approach to dealing with the wider supply and finance problems of the Lebanese pharmaceuticals market under the economic crisis, the vision promoted by Hasbani is to first switch from the current exchange rate subsidy, under which about 85 percent of pharma imports are sub-

Health care



sidized with about \$1 billion per year, to a subsidy process that is based on achieving the lowest possible subsidy cost while securing quality.


This would mean to prefer subsidizing imports of raw materials and, if not locally available, generics from reference countries. At the same time, the plan calls for allowing subsidies of imported brand drugs if no substitution is feasible at near or equal quality, while also lifting subsidies from certain over-the-counter drugs. “In this way we would have reduced the currency subsidy of imported medicines from the \$1 billion that it is today to just under \$500 million,” the former health minister explains.


In the longer run, however, the solution to the medical supplies problem – which according to Hasbani would address a humanitarian emergency, and thus, is not something that would be contingent on political reform agreements with the international financial community and multilateral institutions – could entail the creation of digital wallets for Lebanese families.

These wallets could serve as the 21st century version of social safety cards and be funded by \$2 billion [of foreign aid] annually as means of disbursement of healthcare and other essential needs subsidies to 55 percent of the Lebanese households to the tune of nearly \$300 dollars per household. “This method could avoid the use of reserves to subsidize imports. It would be more targeted and be using international aid to create a social safety net for vulnerable families,” Hasbani enthuses.

■ The output of Lebanese pharmaceutical companies has in recent years increased from satisfying about 7 percent of total market value to 19 percent, and 76 percent in terms of volume. The disparity between volume and value is due to generics in Lebanon being high in quality but cheaper to produce than imports.

As a positive side effect, such a solution would require the implementation of something that Lebanon’s economic policy stakeholders have vainly been waiting for since the end of the Civil War: a general census.

Barriers to such a solution of course exist by both anecdotal evidence and long standing patterns in the Lebanese system of fragmented self-interests. The interest of drug importers, for example, is substantial and well documented through lobbying of public influencers and decision makers. Interests more powerfully expressed, to this day, than the interests of the - not yet five years old - Syndicate of Pharmaceutical Manufacturers in Lebanon (SPIL). From a dysfunctional landline phone number on the syndicate’s website to total absence of relevant industry data on the site, and office staff that appear to deal with media inquiries by the “don’t call us, we will call you” method of communication destruction, the SPIL syndicate and the 11 individual companies comprising it, have by all evidence yet to mature beyond generic PR messages and “news” that al wazir visited this or that new manufacturing facility and “expressed his pride of the Lebanese pharmaceutical industry”. 



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Public health at risk

In Lebanon, as in virtually all other countries around the globe, health has in 2020 been catapulted to the top spot of social concern after the onset of the Covid-19 pandemic. To assess the correlation between the pandemic, national governance, the economic and liquidity crises, and the overall state of public health in Lebanon, Executive sat down with Dr. Walid Ammar, the director of the doctorate and research program in public health at St Joseph University and previously, up to the middle of this year, the director general of the Ministry of Public Health (MoPH).

E How would you assess the resilience of the Lebanese healthcare system overall, when considering all of this year's stresses, especially the Covid-19 pandemic?

Previously [in a 2018 interview] we discussed the elements of resilience in the Lebanese Healthcare system and the characteristics related to having a system of collaborative governance. Having a diversified system with multiple partners meant that when some [healthcare providers] were facing difficulties, the system could rely on the others, because [these partners] are working in a network with good collaborative governance. In principle, all the elements of the system [exist today] but I think we have a problem of governance at the ministry of health.

Additionally we have the financial crisis and the Covid-19 pandemic. But I would say that we have always operated in a context of crises. We were running different programs, such as accreditation and auditing hospitals, despite [living through] war time. We were conducting immunization campaigns in war times. What we are facing now is exceptionally difficult, but that is no excuse for us having this relatively bad performance in fighting Covid-19, compared to the first three or four months of the pandemic when we had an excellent performance. The situation also does not explain the very mediocre results in a recent immunization campaign [against polio, measles, mumps and rubella] in which we had on average 30 percent coverage. We did never have such low coverage; even during wars we were conducting campaigns then when we were not happy when we had 80 percent coverage because we wanted to exceed 90 percent coverage. Now it is 30 percent. This is of course a combination of many factors but I would say governance at the ministry is the problem.

E Everybody is talking about the stresses on hospitals and healthcare professionals because of the coronavirus. How is the situation with regard to treatments and coverage of non-Covid-19 diseases such as heart and diabetes and other chronic diseases in 2020?

Covid-19 has undoubtedly affected all the other services for other diseases. For a certain period this was done on purpose [in order] to have enough beds for Covid-19. So elective surgery and [procedures for treating] chronic conditions were postponed. We don't yet feel the implications of this on the population. I can say, however, that considering the economic crisis, patients for now have [held back] from demanding sophisticated treatments. Before, when a prosthesis was needed, people required the most sophisticated ones. Now we are not hearing people claiming this kind of service. I think that people's expectations, perhaps for the first time in the history of Lebanon, have really been lowered and are going down.

E *Is the increased cost and difficulty of obtaining imported medicines and equipment a factor in patients abstaining from requesting the most sophisticated treatments?*

I would say it is rather related to the mental situation and to the fact that people are depressed. Before we were using very expensive technologies, something which was disproportionate to our resources. People were requesting this. I think now there is a climate of depression and people are not enthusiastic anymore. They are losing hope.

E *In this context, how do you expect the healthcare system to perform in 2021 and going forward? Do you think that this depressed mode will persist? And how do you see potential treatments for Covid-19 impacting the Lebanese healthcare system?*

Everybody expects hard times in the healthcare sector. However, I believe that the governance issue is very important because the governance style of the health sector has changed lately. The system of networking [in collaborative governance] is not really functioning as well as before. Some programs have been disrupted for no reason. They were stopped and the staff is demotivated. There is a real problem of leadership.

E *Is this demotivation and disruption of governance happening also at the level of hospitals, or is it mainly at the level of the government or ministry?*

Anything that is related to providing services is there, but anything that is related to quality is not there anymore... Anything that is related to the information system and collecting data and indicators is also dysfunctional. The infrastructure is affected mainly because of the problem of governance.

E *So if we talk in terms of total number of hospital beds or primary care centers, what are the trends?*

Quantitatively, everything is still there. As you know, three major hospitals were affected by the [August 4] blast but they are starting to operate [again]. This was an incident. But the overall primary healthcare system and hospital system is still entirely functioning. The number of services decreased because of Covid-19 and for obvious [other] reasons but this is not where the problem lies. They will still be able to provide services. However, the quality will be significantly affected.

E *The syndicate of physicians recently referred to several hundred doctors and nurses migrating away from Lebanon in the last months. Considering that universities have been and still are producing new medical graduates every year and that our ratio of physicians per 100,000*

inhabitants is rather high, how severe do you see the impact of doctors' leaving the country?

I don't think it would affect the system because we always had [an] oversupply of physicians. In terms of medical practitioners and specialists, I don't think we will be having a problem. This is not the case with nurses – [as] we have always had a problem with shortage of nurses, so this is not recent. However, if you ask the president of the order of nurses, she will tell you that we have too many nurses who are still in the country and who are unemployed. The migration is an issue but it is not the main problem for the time being.

E *One question regarding the local manufacture of pharmaceuticals. You have been concerned over many years at the Ministry of Public Health with the issues of local production, pricing of medications, and things such as the lists of registered pharmaceuticals and substitution drugs and generic drugs. Do you think it's plausible to substitute imported medications with locally manufactured ones, and to what extent?*

I think we have a good capacity to manufacture good drugs in this country. This is a time when local production should be boosted. Of course the raw material is imported from outside but this represents only 30 percent of the production cost. This is not negligible

but [local drugs] can still be more competitive and [the manufacturers] have a good capacity to produce them.

It was indeed my assumption that there is a capacity to substitute many imported drugs for heart disease or diabetes and minor ailments with locally produced ones,

even if this means using imported ingredients and production under foreign license. While there were many reports of people stocking up on medications for chronic conditions, however, I did not read or hear any media or industry comments on how much capacity we have to substitute such imported medicines with Lebanese-produced ones.

This has to do with the mentality of people and their trust in local manufacturing. For example, a few weeks ago we had a big problem that Panadol is not available in pharmacies. We have similar locally manufactured drugs. Drugs of similar quality and half the price exist but people made a scandal that Panadol is not available. We have Paracetamol and all drug manufacturers in Lebanon are producing these kinds of drugs. This has to do with the mentality of people.

■ “We have a good capacity to manufacture good drugs in this country. This is a time when local production should be boosted.”

ALTERNATIVE MEDICINE SPIKES



Unexpected perks of 2020

Alternative medicine has been sitting in the shadow of traditional, Western medicine for some time in Lebanon: alternative medicine. Though it is not controversial, alternative medicine is still seen as a complement to traditional medicine. Long a fixture of the Lebanese traditional scene, with stories, and for some, memories of elder Lebanese concocting herbal remedies and using plants as alternative ways to treat disease, alternative medicine is not novel in Lebanon.

Nevertheless, the alternative medicine scene in Lebanon has mostly grown in later years due to the emergence of traditional or “Asian” forms of medicine, adding to the more traditional Lebanese remedies that were once more common. Results from a Lebanese national survey published by the Hindawi Publishing Corporation from 2015 reported that out of the respondent, almost 30% reported using Complementary and Alternative medicine in the past 12 months, defined as biologically based practices including substances found in nature,

such as herbs, dietary supplements, multivitamin, and mineral supplements.

In light of the difficulties faced by the health care sector in Lebanon, and the possible shortage of medicine due to Lebanon’s health care sector becoming more cash-dependant, it is worth considering the possibility that more will turn to alternative medicine to heal.

Broadly defined, alternative medicine is any practice that aims to achieve the healing process of traditional medicine but lies outside of medical science, and also aims to tackle emotional and psychosomatic (diseases involving mind and body) healing. It is often seen as fringe by medical specialists or considered unfounded. One of the many kinds of alternative medicine is traditional medicine, such as Chinese or Indian traditional medicine, which relies on plants and other practices, which were developed before the advent of modern medicine.

Alternative medicine, though practiced by

millions, has faced various criticism by the scientific community. According to Marcia Angell, a leading American physician and author, “there cannot be two kinds of medicine – conventional and alternative”, as she argues, the effectiveness of alternative medicine has not been proven by scientific methods, i.e. observation, hypothesis, and testing.

YOGA ASANA (PHYSICAL POSTURES)

The first of these alternative methods, and one of the most popular worldwide, is yoga. It is estimated that 36.7 million Americans were practicing yoga in 2016, according to a 2017 survey by Yoga Journal and Yoga Alliance. Between 2012 and 2016, the number of Americans practicing yoga grew by 50%.

Yoga, not being part of traditional medicine, is not regulated by the Lebanese Ministry of Health, therefore limiting available data on centres and practitioners.

It is evident, however, that the current economic crisis has reduced class attendance, due in part to financial limitations, but also, due to Covid-19 measures, which have caused centres to reduce capacity up to 40%, if not more.

Executive sat down with Sarah Jawad*, a New York certified yoga teacher, who taught yoga post post explosion. “Classes were a combination of group therapy, where people were given the space they needed to talk about what they had experienced,” she says, “While the other half, was teaching the yoga sequence of the day.”

Hala Okeili, founder of Beirut-based Sarvam Yoga, confirms the transformational power of the practice. “It’s you and the outer world,” she says, “It’s what you do and how you are with others”.

ACUPUNCTURE: CHINESE MEDICINE IN LEBANON

Acupuncture is a part of traditional, Chinese medicine, and is estimated to be over 800 years older than traditional western medicine. Since it is not part of the western canon of medicine, it is considered by many to be alternative medicine.

Acupuncture works by inserting a fine needle into the body, targeting meridians, or vital energy pathways associated with certain organs, in order to balance the energies in that organ as a way of healing, or curing, disease.

There is currently no recognized syndicate for practitioners of traditional Chinese medicine in Lebanon, despite the effort of practitioners such as Dr. Edmond Ibrahim, a Lebanese acupuncturist, for more than 20 years. Practitioners have no permits as medical practitioners, though Dr. Ibrahim,



having studied Chinese medicine in China, has had his degree officially recognized in Lebanon by medical authorities.

University Saint Joseph has been offering one year “Diplomas Universitaires”, though those are afforded to doctors (whereas in China, a minimum of five years is required to be a certified practitioner

■ In light of the health sector’s difficulties and shortages of medicine, more Lebanese may turn to alternative medicine.

of Chinese medicine). No law in Lebanon forbids its practice as a specialization, but its practitioners are not recognized as doctors. Therefore, such services are not reimbursed by private and/or public insurances as medical services, however effective the treatment may be.

In Lebanon’s current context, one might think that such services would be more restricted due to the current financial situation, but according to Dr. Ibrahim, this is not the case: since the beginning of the October revolution, the number of his patients has increased. “People care about the results,” he said. “And we did not change the prices of the sessions,” offered at his clinic, which has remained at USD 50 dollars (billed at 4000 LBP per USD).

The impact of Covid-19 has been heavy on the medical profession as a whole and acupuncture is no exception. Professionals have had to decrease the number of intakes and waiting rooms are organized to avoid patients mingling for fear of contamination. Could acupuncture and other parts of traditional Chinese medicine become a substitute to more traditional western medicine in Lebanon?

Dr. Ibrahim states that Chinese medicine will become cheaper compared to western medicine as it only requires needles, requiring less medical supplies, therefore buffering the devaluation of the Lebanese lira.

Health care

HEALING

Healing is defined simply in the same way as medicine, but with the idea that the body has a capacity to heal itself, and can be defined as the direct interaction between a healer and a patient in order to alleviate suffering.

Healing encompasses a wide variety of practices, including meditation, acupuncture, massage, energy healing and others, all in accordance to patients' specific needs.

According to Ramzig Azazian, a practitioner of healing with a clinic in Burj Hammoud, who has an Indian and Chinese background in the subject, healing is not a complete process but rather a complimentary one to accelerate healing. "Because of the acceleration of our lives, people are looking for faster and faster methods of healing", said Azazian.

Like other practitioners of alternative medicine in Lebanon, they are not regulated: practitioners have to travel abroad to learn their credentials. Azazian on the other hand is a licensed physiotherapist, but Lebanon does not regulate the practice of spiritual healing in itself. Healers do not receive payments via insurance, nor are their services covered by insurance. On the other hand, said professionals do not face the same hurdle in other countries such as the US, as acupuncture and other forms of traditional medicine are covered by insurance providers.

Will healing gain from a probable spike in the price of medicine?

Covid-19 has had a heavy impact on healing services. The prices of treatment have fallen, according to Azazian, while the number of patients has grown despite harsh financial conditions, which affects patients' ability to seek treatment. "People are more stressed," said Azazian, "so the number of patients has increased and the incomes have been reduced."

HOMEOPATHY

Homeopathy is a holistic form of medicine based on the principle that the body can cure itself, in which ailments are treated by minute doses of natural substances which will trigger the body's natural system of healing. Those natural substances, if taken in larger amounts, would otherwise produce in healthy persons symptoms similar to those of the disease being treated.

According to a report by Zion Market research in 2018, the global homeopathy products market was valued at approximately \$5.39 billion in 2017 and was expected to generate revenue of around \$15.98 billion by the end of 2024, at an annual growth rate of 16.8 percent.

An initial session includes going through the patient's history, checking for traumas, medical history, and even how the patient sleeps, to prescribe the most effective treatment. Critics attribute the successes of homeopathic treatment to the "placebo effect".


Homeopaths are traditionally doctors and there can be no certification as such without a three-year

■ The global homeopathy products market was valued at \$5.39 billion in 2017 and was expected to generate revenue of around \$15.98 billion by the end of 2024, at an annual growth rate of 16.8 percent.

specialization in medical school in western countries such as France. These doctors have studied the classic curriculum to become doctors and have completed this extra specialization. The University Saint Joseph used to offer this option, with courses offered as of 2010, but recently had to close it down

due to financing limits in light of the current economic crisis. Homeopaths are not recognized as such by the Lebanese Board of Medicine and the Ministry of Health, however, they are recognized for their other accolades, such as generalists or pediatricians (homeopaths are usually either in Lebanon). Homeopathic medicines are also not covered by insurance.

Most homeopathic medicines are imported and therefore not largely available in Lebanon. In light of the cash crisis, treatments for chronic diseases may become less and less sought after, as prices will most likely spike. On the other hand, the treatment for acute diseases is very short term and inexpensive, especially as there are pharmacies in Lebanon that fabricate homeopathic medicine, whose prices would not be affected.

In conclusion, though the treatment for chronic diseases might be affected, the treatment for acute disease will probably remain unchanged. 

**Name was edited to protect privacy.*

CAPITAL CONCEPT S.A.L.



STRATEGY - FINANCE - GOVERNANCE



FATE NOT MISFORTUNE

IDAL's new team is set on success

Over two decades of experience

The Investment Development Authority of Lebanon (IDAL) was established in 1994 with an economic vision to attract mega investments to the country. It targets foreign and local investors and provides them with services on three main levels: investment promotion, export promotion and startup support. IDAL grants incentives and provides facilitations to eight priority sectors that represent promising opportunities in terms of investment, and have an impact on socio-economic growth. These are agriculture, agro-industry, industry in general, media, technology, IT, telecommunication and tourism. IDAL is currently offering its services to more than 80 investors, and aims to reach double the number during the term of the new board of directors.

Executive talked to Dr. Mazen Soueid, chairman and general manager of IDAL, who shares about the initiatives of the new board, and the different programs and agendas that support large and small businesses, despite the difficult times that Lebanon is facing.

IDAL's new board

IDAL's new board of directors was appointed on October 10, 2019, which created a major strategic shift after 14 years of having the same board. "We instituted this board at a time that Lebanon is witnessing unprecedented changes and events, and we are working on rebuilding the institution," reveals the chairman.

The new board is composed of young members, with expertise in the Lebanese private sector. It is composed of Dr. Mazen Soueid (Chairman and general manager), Alaa Hamieh (Vice President), Simon Souhaid (Vice President), Me. Randa Dabiz, William Charo, Mohamad Al Mohtar, and Me. Rabih Maalouli. The board members are well known in the business, economy, real estate, entrepreneurship and law fields. "I was appointed chairman after long experience in both international and local policy making, and I came to IDAL with big ambitions," said Soueid.

Despite all the events that hit Lebanon, Soueid has high hopes in Lebanese investments. "I learned to look at crisis as a great opportunity," affirms Soueid, "The period of feeling down is behind us. We started to adapt and we are preparing many interesting ideas." He also points to the necessity of preventing citizens from losing faith in the country and providing them with motivation. "I understand my friends who packed and left, but I do not agree with them," Soueid said. "The country is not a hotel and I have to fight to make it a better place."

Encouraging investment

IDAL supports investors on different levels in the pre-investment, financing and licensing stages with various services. It offers a package that comprises fiscal, financial and non-financial incentives. The institution helps in getting investments exemptions from corporate income tax, reduction on land registration fees, the issuance of administrative permits and licenses as well as granting employees work permits. The service also provides information and data on different investment opportunities, in addition to legal and tax advice. IDAL ensures follow-up with investors after starting their operations for an opportunity to grow.

IDAL started building an initiative last December called The Business Matchmaking Platform. Soueid describes its role as "the bread and butter of what the investment promotion authority should do." He explains further, saying, "I wanted to channel large depositors, big investors and expatriates who can no longer access credits from the banks, into an investment opportunity. We invited many small, large businesses and SMEs at all levels to open their capital for investment in this very challenging time."

Through this platform, IDAL offers finalizing the due diligence and the high-level presentation for those wishing to invest or those wishing to increase/open their capital. However, the launch of the platform on the national level was postponed due to the Covid-19 crisis that was followed by the Beirut 4 port explosion.



IDAL affirms that many investors reached out to the institution early in the crisis, wishing to manufacture -in Lebanon- the imported products that are disappearing from supermarkets. So, the institution was able to support them in finding lands and zones with tax incentives.

"Investors come to IDAL to validate their investment idea because we have the market know-how, but they are not doing it initially to be incentivized or to get tax credits," explains Soueid. "They are doing it because they believe that a crisis is an opportunity and these are the people that we enjoy working with."

Exportation Agenda

As per law No.360 (16-08-2001), IDAL is entrusted in helping Lebanese producers identify new markets. It has three programs that work on promoting the exportation of products and services. It helps investors in branding, developing their business strategy and identifying the markets to which they can export, specifically in the fields of industry and agriculture. In addition to this, the authority funds the participation of investors in international fairs or events, and connects them with foreign distributors through B2B meetings, especially in the gulf countries.

"I went within three months of my appointment as a Chairman to KSA, UAE, Bahrain, Kuwait and Jordan, where I met with the heads of chambers, and discussed the importance of Lebanese products in their markets during this crisis," confirms Soueid. "We identify in every country the added value and the comparative advantage of Lebanese products depending on the interest." He added that many activities were postponed due to the hit of Covid-19, yet he aims to relaunch the initiative of connecting the Lebanese exporters directly to distributors in the gulf, once the Covid-19 vaccine is projected to be available in Spring 2021.

IDAL'S Chairman explains that the Lebanese private sector has been introverted for a long time, in the sense that there is high domestic consumption with minimal exportation. In this context, he says, "The company that cannot export cannot survive, because Lebanese purchasing power is significantly poorer than it was a year and a half ago. And thus, domestic companies cannot increase their sales, but the cost is increasing due to the rise in price of raw material." He also mentions that, "In order to export, investors need to become more productive, more competitive and more efficient."

Startup support

Supporting startups is very important at IDAL. "Part of my vision for IDAL is to focus on startups, the knowledge economy and the media sector, which will create the advantage of making Lebanon an outsourcing hub; especially

that investors will be working from Lebanon and get paid abroad: the money they will be making will be spent here," affirms Soueid.

"We have established the Business Support Unit (BSU), that is responsible for providing free services for people who have ideas, existing business plans or projects in the sectors we target," explains Soueid, "We help them run their business and provide them free legal, audit and tax advice. We also assist them in finding angel funds, accelerators or incubators in some cases through our chain of networks that we work with very closely."

Soueid views IDAL in a different perspective from other institutions. He explains the recognition of institutions, saying, "What is special about IDAL is that although it is a public institution, yet it works little with the public sector. It is an unusual public company that works with the private sector."

Exclusive announcement, setting the example for public-private partnerships

Chairman and general manager Soueid, revealed exclusively to Executive, the new initiative that IDAL will be launching in 2021. "We are going to launch a Private Sector Development Agenda," announced Soueid. "It is overreaching and ambitious, and it will be the best example for public private partnership. It will include how a government agency can work with the private sector in a transparent way to help it achieve its objectives," explains Soueid.

IDAL's chairman believes that it is the time to make the Lebanese private sector strong and easy to invest in, since it brings growth to the Lebanese economy. "We will work with the existing companies and businesses, to help them reform and reorient their operations towards export," he mentions, "Once the situation in Lebanon changes, by getting the IMF program, reforming the banks and the political clouds are gone, we will be able to attract many investments because the private sector will be ready."

IDAL is considered a crossroad between the private and public sectors, and is always open to collaborating with and between both sectors. The new board established a workshop to reform the institution's decrees - that were not updated for a very long time - and many ministers were invited to IDAL's premises to discuss future collaborations and projects. "We have to work all together as public institutions and ministries regardless of politics in order to provide the best service to the ultimate consumer which is the Lebanese citizen," says Soueid.

To step back to the macro level, Soueid views that it is crucial for the new government to be able to attract fresh funds to Lebanon because this will be the only way to sustain Lebanese purchasing power. "Without injecting fresh dollars into the economy, we will see the parallel rate depreciating, the purchasing power eroding and Lebanon will be digging deeper into the crisis," said Soueid.

Promise for youth and fresh graduates

IDAL offers the opportunity for all university students and fresh graduates to have internships on its premises. It makes sure to provide them with professional training and to link them with the network of investors that the institution works with. "IDAL is open to youth and fresh graduates at all levels, and is ready to provide guidance for startups ideas," the chairman explains, "We will help them on the macrolevel to work for a better Lebanon and advocate the right policies."

Projections for the new year

Soueid concluded by sharing his thoughts on the new year projects that will start coming to light in the first three months of 2021, saying, "If we can achieve excellent outcomes that shine in collaboration with the private sector, then I will say that I came to IDAL for a reason. In the most difficult time, it was fate and not misfortune."

"As a chairman and as a board, we are working to make IDAL in 2021, an exemplary public institution through our private sector agenda, to establish a hub of excellence that will remain after the tsunami recedes," Soueid emphasizes.

PANDEMIC CREATES SURGE FOR MENA FINTECH DEVELOPMENT

It's just beginning

The number of Fintech startups have surged in the last 10 years: tech ventures which are positioned to serve and disrupt financial markets and the associated knowledge industries in the Middle East and North Africa (MENA) region. As of November 2020, the region has around 425 Fintechs as per the Fintech Galaxy Marketplace.

Among ten different verticals grouped under the umbrella term “Fintech”, almost two thirds are found in three verticals: ventures in the “Payment, Transfers and Remittances” vertical take the lead with over 140 startups, followed by “Lending and Crowdfunding” and “Wealth and Finance Management” with 67 and 64 respectively.

A look at distribution of Fintechs per country shows the United Arab Emirates leading with 154, followed by Saudi Arabia (86) and Egypt (67). Bahrain, currently in fourth place with 40 startups by our count at Fintech Galaxy (noting that these numbers vary between different reports and methodologies), is pressing ahead with Fintech infrastructure initiatives such as the new Central Bank of Bahrain (CBB) digital lab FinHub 973. Launched in October 2020, the platform aims to stimulate open innovation and connect financial institutions in Bahrain to fintech startups from across the globe by offering an API environment, a global Fintech marketplace and digitized regulatory sandbox. Lebanon, by our research, is the home country of 28 Fintech startups in Q4 2020.

The surge in MENA Fintech startups began about seven years ago when 29 new startups were recorded in 2014. Although the 2020 cohort of MENA's new Fintechs - comprised of 21 in total - sharply dropped from 80 in 2018, primarily due to the uncertainties around the COVID-19 pandemic. However, new opportunities are now rising for Fintech players given the heightened need for digital banking services and increased customer sophistication.

I do not see a drop in passion for creating financial disruption in this region. And where there

is passion, there are investors. It's estimated that the Fintechs in the region will raise \$2 billion in venture capital (VC) funding by 2022 — and the sector only found footing in MENA three years ago.

MENA FINTECH ECOSYSTEM TRENDS

We have seen a paradigm shift in recent years as policy makers across MENA markets take steps to diversify their economies with a focus on making them less dependent on government spending and fossil fuels and more driven by innovation and sustainability. The financial sector, which has long been ripe for disruption, stands to play a key role in this shift, with demographics and financial inclusion being fundamental drivers. According to the World Bank, two-thirds of the adult population in the Arab world don't have a bank account, and SME lending is well below the global average. Indeed, fostering healthy Fintech ecosystems is seen as a leading pillar of economic diversification across member states of the Gulf Cooperation Council.

Fintech regulatory regimes started emerging in the region in 2017. The Middle East has since become a hotbed of regulatory development, with several jurisdictions competing to establish themselves as the leading Fintech hub.

Fintechs were initially associated with payment and lending solutions and a vast majority of MENA Fintechs are concentrated in the digital payments, transfers and remittance sub-sectors. But as the ecosystem develops, we see startups increasingly incorporate more advanced technologies like blockchain, machine learning, AI and big data into their services. These newer technologies allow Fintechs to mitigate risk and offer a more personalized approach to customers.

And Open Banking adoption in the region is just kicking off; this regulatory framework accelerates collaboration between traditional banks and Fintechs and has significant potential to transform MENA's financial landscape.

COVID-19 has served as a catalyst for digital transformation across a range of sectors, and this is particularly true for financial services and Fintech in the GCC. But it is worth noting that while the pandemic has served as a catalyst, this was a revolution that was already taking place. Between 2017 and 2019, the value of global Fintech transactions increased at a rate of over 18% each year, reaching over \$20 billion in 2019.

MENA FINTECH REGULATIONS

A changing regulatory landscape is the main catalyst for fintech growth in the MENA region. Almost all the countries in the Gulf region are trying to diversify their economies, moving towards knowledge-based economies where research and development, and innovation, are main drivers of growth.

Over the past few years, we have seen substantial efforts to design more diverse, competitive, and innovative economies. Government driven initiatives in several Arab countries have been taken to set up tech incubators, accelerator programs and regulatory sandboxes to support the growth of Fintechs. The central banks/ financial governing bodies in the UAE, Bahrain, Egypt, Oman, Lebanon, Jordan and Saudi Arabia have introduced Fintech related regulations and licensing frameworks in a variety of areas such as crowd funding and digital payment services. We're also seeing regulators launching initiatives around digital currencies and cryptocurrency.

Even though all countries in the region have a commonality in objectives, the approach towards regulatory initiatives and enforcement varies. In

some countries, the central banks have taken it upon themselves to do it while in others, economic free zones and different regulatory authorities have played the main role.

The governments across the region are also setting up sandboxes, meaning controlled envi-

ronments of somewhat relaxed regulations to make it easy for Fintechs to test their services. Some governments and regulatory bodies in the region have also teamed up with different regional and international players to launch Fintech accelerators and incubators.

■ Covid-19 has served as a catalyst for digital transformation across a range of sectors, and this is particularly true for financial services and Fintech in the GCC.

Both established players and entrepreneurs are seizing opportunities and filling market gaps across a multitude of sub-sectors.

As governments continue to implement favorable incentives and regulatory initiatives, opportunities will continue to develop, giving the region's Fintech industry the potential to elevate overall welfare of participating countries. We are also seeing government action and investment in this space (eg. Saudi, Bahrain, Egypt, UAE) intent on creating job opportunities, as well as greater financial independence. Investment varies greatly across MENA, but I think we'll start to see this trend expand across the region as there still are many pain-points along the journeys of Fintech startups.



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GAMING IN LEBANON SERIOUSLY HIT



Whatever happened to fun and games?

Despite the Central Bank's (BDL) circular 331, which allows venture capital firms and banks to finance startups with less risks by guaranteeing investments up to 75 percent, Lebanese tech firms are casualties of the country's economic woes. Between capital controls that restrict payment capacities abroad; the exile of talent fleeing Lebanon; and the sorry state of the electrical and internet infrastructures, Lebanon's application, or "app", creating firms are facing harsh difficulties.

Existing gaming developers in Lebanon have targeted a worldwide audience, with the bulk of their downloads in North America and in Arab countries with developed gaming culture like Jordan, Egypt, Saudi Arabia and the Emirates, according to Lebanon Nader, CEO and co-founder of Game Cooks.

MENA gaming app developers have created popular content, with apps such as Tarneeb Masters (4.5 rating on Google Play Store with over 10,000 reviews), Domino Hit, Conqueror of the Realms and others. In 2020, gaming startup Yayy's games, a Beirut-based gaming publisher and developer that has developed

games such as Conqueror of The Realm, Domino Hit and Mess It Up, have had over 100,000 monthly active users. The gaming industry, once seen as promising in Lebanon, has seen the recent shutdown of Arab Arcade, an initiative that had launched to support the development of gaming apps in Lebanon.

From a business-model perspective, the gaming industry is divided into two primary seg-

ments: one, developers who create the gaming application, and two, publishers who promote the application on various outlets. Due to the

current economic crisis, developers in Lebanon are facing a set of difficulties that are not only related to the crises of 2020, but also to Lebanon's infrastructure as a whole.

For instance, GameCooks managed to establish an office in San Francisco in two days, online. "It took us 30 days to create a company in Lebanon,"

■ "We saw a huge boost in the entertainment business, streaming, gaming, etc."

reminisces Nader, lamenting the state of the regulatory framework.

Ziad Talge, founder and CEO of Yayy, is clear on the difficulties that app developers face due to high electricity costs and unreliable internet.

Ironically, the Covid-19 pandemic did provide a small boost for the gaming industry, with many people working from home and in need of distraction. As a result, according to Talge, gaming applications have been heavily downloaded ever since the start of the pandemic. According to Games-industry.biz, the first three months of this year marked the largest quarter for mobile game downloads ever, with more than 13 billion installs across the App Store and Google Play.

“We saw a huge boost in entertainment business, streaming, gaming etc.” says Hussein Hajo, Chief Operating Officer at YallaPlay, a Beirut-based gaming developer that has developed games such as Tarneeb Masters. According to him, the boost in gaming applications downloaded, including his main application, Tarneeb Masters, is equal or slightly less than the growth in downloading of work applications developed worldwide as a whole.

In some cases, the covid pandemic actually hurt game developers’ business. Game Cooks, for example, has developed a niche in virtual reality (VR), which unlike other games, requires going to a virtual reality arcade to wear a VR mask - unless you have your own equipment. GameCooks’ games are linked to arcades around the world, and they obtain a percentage fee on every game played that is developed by their company. As a result of the Covid-19 pandemic, virtual reality arcades worldwide have been hit hard and many forced to shut down, slashing GameCooks’ profits.

CAPITAL CONTROL STRIKES AGAIN

Capital control laws have made it difficult for venture capital firms to invest in developers due to the economic insecurity of Lebanon. Additionally, funding would primarily be used for international payments, payments that are no longer possible. This spending would typically cover marketing, software services, and staff and talents abroad, according to Hussein. “This affected us in executing our plans,” Hussein says, “Especially in marketing as you have to spend real dollars abroad”.

The Lebanese regulatory framework is also not seen as VC-friendly. “We live in the ice age with regards to regulation,” says Hussein. “We start paying taxes on our first day.” Gaming developers need time to register profits, and the lack of adequate



subsidies does not encourage the development of applications in Lebanon.

To add, the internet in Lebanon is among the slowest in the Middle East. According to Speedtest, Lebanon ranks 159th out of 177 countries for internet broadband speeds. “We need a stable internet connection,” says Hussein, “We try to overcome that issue with our house algorithms and

coding, but it is definitely an issue”. The work-from-home model also means that there is less bandwidth available for gaming per household.

While access to funding had been encouraged by BDL Circular 331 in 2013, the circular did not

■ Lebanon ranks 159th out of 177 countries for internet broadband speeds; a major hurdle for internet-dependent sectors.

address shortcomings outside of the purview of the Central Bank such as the regulatory framework, the legal structures, and the ease of doing business. According to Doingbusiness.org, Lebanon’s worldwide rank is 143 with regards to how easy it is to do business, with 15 days to start a business and the average number of procedures needed at 22. Also, Circular 331 facilitated funding via banks, which are cautious by nature and less willing to take risks than venture capitalists, for example.

A once-promising venture built on Lebanese talents is facing threats. With the impossibility to pay for servers, publishers, or talent, while obtaining little to no funding, the gaming industry in Lebanon might possibly be contemplating its twilight. ■

STARTUPS ACTUALLY

A selection of 2020's best

Success is a perfect measure of life. Yet this perfect measure is never in itself perfect. Money, knowledge, passion, experience of gain, learning from failure... All can be successes and each can be a tremendous hurt that changes life's trajectory. It depends on our objectives and circumstances.

Success of entrepreneurial startups and young tech enterprises in the 2020 setting of abysmal politics and their economic havoc, can be as wide as learning from failure and keeping the Lebanese entrepreneurial spirit despite everything, to a new idea that has become viable exactly because of the major changes 2020 has presented.

The year has been a pivot-point worldwide, changing the conditions that shape digital and tech entrepreneurship. E-commerce and gaming are teeming with market potential, boosted by new limitations of physical mobility that have seamlessly translated into increased digital mobility, shopping, and social interaction.

The changes reverberated into retail - as brick and mortar vendors were rattled by the realization that they need full digital presence to compete. This may well have sparked a sudden demand for digital services and construction of e-commerce shopping platforms that qualifies as demand shock.

Such a shock will quite predictably have upward distorting effects on formation of tech startups with aspirations to tackle this market for building and managing the digital real estate that is now under development - but it nonetheless is a boon for tech ventures, which already have experience in this realm and a hope and opportunity for new startups in a tech entrepreneurship ecosystem such as the Lebanese one.

Change drivers on the meta level of financial markets globally are continued disruption of traditional banking and credit; the emerging acceptance of digital currencies by central banks (at least in conceptual terms and as far as they themselves can create those central bank digital currencies, or CBDCs); consumer acceptance of cash-free and cardless smartphone payment solutions (exemplified in the huge demand to buy into China's Ant Financial

/ Alipay original initial IPO proposition of a \$34 billion flotation that was halted in November); and last but not least the diversification of the regional fintech startup scene and rise of Middle Eastern fintechs (see comment by Mirna Sleiman).

In medicine, apps in telemedicine are thriving worldwide, far beyond the spike of Covid tracking; and in education, the digital transformation of the classroom has also been flying high internationally. From early in the lockdown days, investor and user interest alike has naturally zoomed in on communication and connectivity providers. All in all, it seems that the year 2020 could go down in history as the year when digital living acquired its virtual wings.

CHALLENGES AND ADVANTAGES OF COVID INDUCED GLOBAL CHANGES

Set against the background of global economic uncertainty and local economic misery, the Lebanese environment for tech entrepreneurship is first of all that what it always was - a small ecosystem, equipped with a laboratory-sized native market and enticing regional opportunities, but nowhere near able to emulate the market mass that startups would find themselves surrounded by in Europe, the United States, or the Far East.

However, players in this ecosystem can latch onto the global opportunities of this entirely atypical period in the global economy and thus transcend not only the traditional restraints of the small local market (as has been every successful startup's vision since the conception of the entrepreneurship ecosystem in the early 2010s), but also the heavy chains of the country's confounded economic crises that are ongoing and must be expected to last for years.

The mounting risks for entrepreneurs are impossible to ignore. Fintech startups in particular, while needed and in principle better positioned than ever in the distressed Lebanese context of finance and banking, seem to not only - like everyone in the entrepreneurial landscape - have to fight the exchange rate and local ecosystem's funding problems, but moreover still face uphill mentality battles and

regulatory cliffs of restrictive public thinking when they even want to incorporate advisory services.

This all means that global and regional markets are today the saving hope for the entrepreneurs of Lebanon. To cite one example from the cluster of new export-oriented ventures in the organic cosmetics realm, the past few months of Covid-related challenges appear to have actually enlarged market opportunities in the Gulf.

As Neelam Keswani, co-founder and managing director of Dubai-based online fashion and beauty online store Glambizle.com, tells Executive, she saw her customers shift from purchases of appearance-enhancing makeup to spending their money on organic cosmetics such as hair, nail, and skin care products from indie and clean beauty brands.

Her 2015 e-commerce startup, which experienced the typical trajectory of fast initial monthly growth followed by a plateau phase after three years, saw a serious growth spurt in 2020 – because customers focused on pampering themselves with organic cosmetics. “In 2019 we took a flight up and 2020 was exuberant. People had a lot more time for developing a skin care and clean beauty routine,” Keswani says, attributing her venture’s exceeding of sales targets by double-digit percentages all throughout this year to the changes of lifestyles that were triggered by the corona virus crisis.

HARD-EARNED BUSINESS SUCCESS

Also Ayman Demachkieh, chief commercial officer of digital agency Webneoo in Lebanon (a maturing startup, see profile below) tells us that the

company witnessed its results and its turnover go up by double-digit percentages over the course of the past 12 months. “Focusing on our e-commerce projects and not digital projects in general, there has been an increase of at least 15 to 20 percent comparing 2020 to last year. Covid-19 played in my opinion a huge role in raising awareness with every business owner of the importance of their digital presence,” he tells Executive.

The 2020 cohort of new Lebanese startup successes is certainly not large in number (it never really has been and is even smaller than average this year) but large in entrepreneurial spirit nonetheless. Among them, Executive’s entrepreneurship radar picked up hopeful pings from two enterprises that are engaged with the ecosystem – Potion Kitchen

just graduated from the SMART ESA accelerator and Cloud Sale recently signed on with the Nucleus Ventures startup support – and two standalone startup enterprises that this year have not directly been involved with

■ The cohort of new start-up successes is not large in number, but large in entrepreneurial spirit nonetheless.

the ecosystem, Webneoo and The Good Thymes.

For this snapshot at the end of the year, we bring you these four examples of entrepreneurial spirit that succeed against depression, capitalize on local products, monetize new solutions and regional opportunities, or are embarking with unbridled determination on finding the new opportunities hidden in crises.

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Entrepreneurship

THE GOOD THYMES



Year of incorporation: 2018

Activity brief: Production, marketing, local sales and direct e-commerce sales of own niche brand products based on thyme and sumac, two spices native to Lebanon. Supply chain entails local sumac and thyme, plus importation of ingredients such as fruits and nuts used in proprietary product mixes.

Current markets: Lebanon, limited US presence, Kuwait and Dubai

Founder(s): Fady Aziz

Team size: 7

Economic targets and markets of expansion:

US, Saudi Arabia, Qatar, and European markets

Business model: B2C with some B2B

Funding stage: Bootstrapping

Current funding target: Not applicable

The Good Thymes is the 2017 brainchild of entrepreneur and designer Fady Aziz. The 2018-incorporated company has carved out a niche with its stylish products, which enabled it to have a year that begun hard, but then turned to be “not very good, but good,” as Aziz tells Executive. Exports are happening, to Kuwait, the United Arab Emirates and the heavily Lebanon-affine state of Michigan in the United States.

Export incomes are allowing the firm to currently operate under a strategy of selling at or occasionally below cost in the Lebanese market.

Locally, the company relies on select presence at 80 points of sales, third-party online retail platforms and seasonal stands to enhance its brand awareness.

Fortuitously, Thymes was e-commerce ready with its own platform when the crisis hit and sales via this channel in the past quarter reached an estimated 30 percent of total sales.

“It was in small quantities but we started exporting our products; this helps us to have balance from a financial perspective,” says Aziz.

The existing narrow but logical export niche in the US state of Michigan is by the company’s strategy slated for expansion into the wider American market. Regional targets are Saudi Arabia and Qatar.

POTION KITCHEN



Year of incorporation: 2018

Activity brief: Research and development, production and marketing of natural skin care and slow products in clean beauty niche. Patents for formulas are under preparation. Supply chain is composed of own production of essential oils and hydrosols, in addition to imported materials.

Current markets: Lebanon via e-commerce and resellers, expanding sales through proprietary e-commerce platform

Founder(s): Rafa Hojeij

Team size: 4

Economic targets and markets of expansion:

Near-term growth through exporting to West African markets beginning with Ivory Coast and Senegal

Business model: B2C

Funding stage: Looking for angel investors

Current funding sought: \$65,000 to develop exports

Establishing Potion Kitchen was Rafa Hojeij’s life-long dream. “Since I was a child I used to draw up skin care products, design labels and formulate them in our kitchen.”

Rafa has been changing her lifestyle to be as natural and healthy as possible. “I switched to a vegetarian [diet] and started to slow down my habits of consumerism,” she explains. This need to slow down and be more mindful fed her brand, leading Hojeij to create a slow beauty brand that cares about the environment and is opposed to mass production and consumerism.

The strategy of Potion Kitchen is to be a clean beauty indie brand that is affordable to the middle class consumer in Lebanon and export markets, beginning with West Africa, where Hojeij can rely on family networks.

“I wanted to create something affordable for people who are aware and have consciousness about their health, but don’t have such options available to them amongst imported brands that are very high in price.”

The venture sources some of its essential oils and hydrosols by extracting them under own supervision in her home village but imports other ingredients.

Sales channels are functioning well and include resellers as well as a proprietary e-commerce platform that became operational at the end of 2019.

Having been accelerated at Smart ESA as part of the 2020 startup cohort, Potion Kitchen is looking for an angel investor.

CLOUD SALE



Year of incorporation: 2018

Activity brief: Online wholesale platform and e-commerce enabler. Digital services include four pillars: content development, branding, digital marketing strategy, and technology.

Current markets: Pilot operation in Lebanon

Founder(s): Mohamad and Hani el-Hoss

Team size: Two founders plus three part-timers

Economic targets and expansion markets: Francophone and anglophone countries in Europe

Business model: B2B

Funding stage: Obtained seed funding

Current funding target: To be determined

Cloud Sale graduated from the acceleration program of Flat6 Labs in Beirut, and pitched for investments at the second Flat6 demo day in fall of 2018. Commencing operations in January of 2019, the marketplace according to founder Mohamad El-Hoss, achieved turnover of more than \$260,000 over the course of the year – up to the month of October.

With heavy concentration of its hospitality sector client base in the trendy Gemmayzeh district of Beirut, the startup encountered a first wave of difficulties when the combination of social protests in the thawra and the mounting inability to set prices for imported supplies due to the sudden fluctuations in the exchange rate impaired the rising business.

In response, the startup pivoted away from its B2B marketplace business model to a B2C model in the hospitality sector. Financing and operations were already becoming increasingly challenging throughout the first half of 2020. The ultimate blow came with the physical destruction of most restaurants and pubs in Gemmayzeh on August 4.

The startup decided to reinvent itself from running marketplaces with a hospitality sector focus, to become an e-commerce enabler. Cloud sale enrolled in the Nucleus Ventures program, obtaining perspectives of seed funding and potential matching funds via the Nucleus network and its Lebanon Enterprise and Employment Programme (LEEP) partner program from the UK.

Cloud Sale has just designed its manifesto of the digital services that it is going to offer. The new main target market is Europe rather than the GCC, which according to Hoss are crowded with competitors from the Indian sub-continent and the Far East. "We will position ourselves for the European market," Hoss tells Executive.

WEBNEOO



Year of incorporation: 2012

Activity brief: Software company, provision of e-commerce advisory and platform building

Current markets: Clients in Europe and Lebanon

Founder(s): Michel Achkar and Nour Fakhoury

Team size: 8

Economic targets and expansion markets: Be a global player in facilitating communication between digital services providers and their clients

Business model: B2B

Funding stage: Bootstrapping


Current funding target: To be determined

Webneoo is the most mature tech venture in our list of interesting startups at the end of 2020. The company has achieved business growth in terms of turnover and results this year and used the virus factor to its favor, chief commercial officer Ayman Demachkieh tells Executive. The coming years in his view will see continued growth in the demand for building of e-commerce platforms, advisory on digital strategy, and provision of digital management of social media.

"All businesses that have physical shops and cannot sell online discovered that they have inventory that they could not move under the crisis. They realized the importance of having digital presence and online market action," explains Demachkieh who says he joined Webneoo because he found it to be a digital agency that combines a startup culture with a highly professional way of doing things.

He was not authorized to disclose revenue or profit information but volunteered to say that "the company is doing well, especially this year."

Having launched a new line in 2019 that is in the domain of digital applications, the company is strategizing for further expansion and ultimately global presence by offering "a custom designed application to make communication and work easier between any digital agency and their client. We actually target international clients, the whole world. However, we are currently focusing on building our portfolio in the GCC," Demachkieh adds.

Webneoo is not currently engaged with fundraising but is contemplating to launch a new round of equity seeking in the second or third quarter of 2021. 

FINDING SCARCITY



The search for entrepreneurial opportunity among Lebanon's perfect storms

Executive visited with Naji Boutros, a Lebanese economic mind whose expertise and passion spans from investment banking and identification of opportunities in venture capital (VC) and private equity, to nurturing entrepreneurship in Lebanese agro-industry, viticulture, and hospitality.

E *You have been involved in a wide spectrum of local entrepreneurship in non tech-dependent ventures, which as you tell me range from cultivation of high-end cuisine and restaurants, to the facilitation of micro-entrepreneurs who use local recipes and ingredients in baking very tasty Lebanese cookies. A few months ago, you tackled entrepreneurship in tech as the chair of Nucleus Ventures, the early-stage seed program and entrepreneurship support enterprise that evolved out of the UK Lebanon Tech Hub. In light of seeking an economically sustainable future, how do you describe the situation after Nucleus Ventures has been in operation for a few months?*

One thing that these guys [at Nucleus Ventures] are focusing on now is education, making technological education accessible to all, because the

best way to get somebody out of poverty is to teach them in the most efficient way the skills [they need]. We are involved with Steve Wozniak (co-founder of Apple), in education in Lebanon and that is what Nucleus will roll out now, [an education program]. Another subject that they are working on and that we see a lot more of is e-commerce, assisting Lebanese companies sell overseas. In today's environment, this makes so much sense.

E *How much do you trust the infrastructure for doing such things out of Lebanon, especially when looking at uncertainty of electricity supply or internet stability, etcetera?*

I don't think that it is anymore a big problem [with regard to electricity and the internet]. The Lebanese have adapted and are making do with the infrastructure that they have, [such as] payment gateways, internet speed, etcetera. They know when to turn the generator off, what window has a better reception, [and] who to talk to regarding global payment gateways. The percentage of [entrepreneurial] energy that they have used to adapt to this environment could have been better

used elsewhere, but they have adapted to [infrastructure shortcomings by] mainly relying on networks and family connections and community support.

E *Without talking politics, how do you evaluate 2020 economically from the experience of a Lebanese investor and an individual passionate about this country?*

It is the year of perfect storms. I am involved in many sectors in Lebanon, in logistics, in food production, in technology, in wine-making and hospitality. Lebanon got hit with so much and I don't need to enumerate it, because you lived through the [blast], through the revolution, [and through] the banking crisis which cost tremendous liquidity. I believe that the winners [will be] those who have a marathon attitude, those who are able to go through this period of uncertainty and adapt to it. Almost every company that I am involved with has opened bank accounts outside, lines outside. [Many a company] has [been successful in] obtaining financing of accounts receivables from non-Lebanese entities, so this is in a way really good for them because their business model has become much more resilient. So when you look at the Lebanese sector overall, [companies] have gone outside of Lebanon, so their business models have become more resilient. That is very good because it will help them weather the next storm.

E *Can Lebanon still become a hub for startup listings and be a conduit for financing of knowledge economy ventures?*

I think that the financial industry has been dealt a very hard blow and will not recover from it for a very long time. As you know, the foundation of business, especially when it comes to custodianship of money, is trust. Trust has been shattered. So if I were running a Lebanese bank and would have benefited from years and years of profitability and high interest rates, I would have brought the money - or at least a big chunk of the money - back to Lebanon and reinjected it in the Lebanese banks. This is a long-winded way of saying that the main support base of Lebanese financial institutions and trust has been shattered. I do not believe that anything reliant on them will succeed any more. It will be a long time before you see that. On the other hand, reestablishing a parallel platform with new players, preferably with some kind of European sponsorship, could go a long way to reestablish this capital markets platform.

When it comes to the startup scene, you have two parts. You have the human element, [such as

entrepreneurialism], creativity etcetera. This [human element] until now has been reliant on Lebanese institutions - academic institutions - and I think the Lebanese will continue succeeding in this.

Because of their DNA. But one thing was taken away

from them, and this is the finance at the seed level and VC level. This will need to be reinvented. What we need to think of very seriously is some kind of a tokenization of the remittances and funds inflows from Lebanese expatriates [and] take it "over the counter" to a level where every Lebanese expat [can be in-

involved]. Lebanon has always survived because of the [expats], through their remittances. We need to re-think or re-engineer their remittances to make them reconnect with the products in Lebanon, whether these products are something they eat, something they consume intellectually, or startup financing.

■ "The foundation of business, especially when it comes to custodianship of money, is trust. Trust has been shattered."

E *Would you mean doing something like a diaspora cryptocurrency? Or perhaps a digital currency that is not organized and managed by the central bank?*

I don't know if I would use the term cryptocurrency. The term needs to be a bit romantic, because [what] appeals first and foremost to the Lebanese about their home country is romance. It is nostalgia. But I absolutely feel that [there should be such an electronic tokenization system] - and definitely not run by the central bank. I fault the central bank - and I don't want to get into the politics - in a major way. Two major problems of Lebanon today are that we are occupied - let's face it - and [that] our allegiances are not for the benefit of Lebanon.

E *Tokenization might not be the most sexy term for such a project but is what you are talking about basically a digital layer of financial communication?*

I think we need to have a trusted global marketplace, one that brings everybody together, all the Lebanese expats with the Lebanese users that share the need [for a tokenized marketplace].

E *Would that be run by the World Bank or a multilateral agency of that global sort or an entity like an NGO, or a Lebanese bank?*

Perhaps it will be several NGOs but certainly not Lebanese financial institutions or the central bank.

Entrepreneurship

E *With the future of Lebanese entrepreneurship in mind, what is your view on the utilization of national assets through a public asset management company, as envisioned in the government's proposal, a fund such as the Government Debt Defeasance Fund concept of ABL (Association of Banks in Lebanon), or comparable designs proposed by several economists?*

I am tempted to say the best asset of Lebanon is the diversity of the Lebanese and their intelligence. I think that is certainly something that Lebanon can bank on, because at a time of shifting global allegiances Lebanon can be friends with everybody. That is certainly something [of great value] but that is unfortunately also a movable asset, because you can take the Lebanese out of Lebanon - and then Lebanon will be left without them. So when we think of Lebanon we must not think of a place but we must think of a nation. It is almost a state of mind. But the one immovable asset that Lebanon has - and that I firmly believe and have invested a lot of money in - is the Lebanese nature. It is [the diverse natural environment] with 24 climatic zones.

This means we can be almost self-sufficient when it comes to the most important staple foods and exotic foods. You can have the bananas on the coast, the apples on the mountains. This is also very important because this is the foundation of eco-tourism. We need to pay attention to this. But when you think of the Lebanese food industry, whether it is the wine that we are making at Chateau Bellevue or the chickpeas and hummus that we are making... or the jams - everything can come from Lebanon. The benefit of [producing locally] is to take [food] out of the commodity scene. So when we talk about digitization, we need to get what is called in this industry traceability of the product, identifying a product that comes from Bikfaya as a unique peach or a karaze from Hammana as a unique cherry. That is what people pay a premium for. Lebanese expats will pay a premium for a Lebanese product.

E *Would something like the McKinsey plan - Lebanon Economic Vision (LEV) - have been adequate to address these opportunities if implementation of this plan had ever been achieved?*

I remember, [from discussions related to the LEV], thinking: "What is this?" People talked about the benefits of medical Cannabis - [although] I am all for this. Then [they were

talking] about gas and oil - I am not really for that because I think the perception of the wealth created by gas and oil is bad for the work ethics of our people. For me gas and oil will have almost no economic benefit going forward; the only real economic benefit of it being our own usage of gas and oil so that we reduce our import bill. For me the groovy thing is around the next corner, meaning the plot of land where you can plant olives or grapes or bananas or chickpeas or whatever for your local production.

E *It sounds like your approach to the use of productive land would imply a lot of entrepreneurship. Am I correct to assume that, if done right, such an entrepreneurial use would not be only farming?*

It is value-added farming.

E *This reminds me of an interview where you spoke about the principle of scarcity, at that time referring to real estate on the island of Sardinia. The concept of scarcity referring to anything of high value and limited in number, be it real estate or nature. Do you think the concept of scarcity has been internalized and capitalized on in Lebanon?*

Not yet. Exactly, Lebanon has not internalized this yet. The most expensive hams come from Parma, or [Spain, as] jamon de Serrano. People still talk about Iranian caviar although the quotas are so limited now. Or Balik salmon, which is made at a specific [location] in Switzerland and based on an old Russian recipe that [was used in the smokehouses of] Czar Nikolas [II]. Lebanon can do the same. We need a big marketing vision for the country, and I think this [vision] has to be based on the scarcity [principle].

There needs to be a major study about scarcity. [We have to study] what is unique about Lebanon and market the heck out of it. But polish it. None of the guys that have run [consulting studies on] Lebanon have thought about this. All they have been wanting to do is import a model made outside of Lebanon, into Lebanon. That is wrong. It is not adapted to our country. [We need to be] digging deep and polish the diamond that is called Lebanon. That is what the Italians did with Sardinia.

■ "[We have to study] what is unique about Lebanon and market the heck out of it.... [We need to be] digging deep and polish the diamond that is called Lebanon."

E *So sitting here in Bhamdoun on a very sunny afternoon in late 2020, are you depressed about the Lebanese short-term outlook?*

No. I am depressed that there is a [harsh] short-term outlook because people have lost so much - especially when I see old men at the banks. It breaks my heart to see this. But I am extremely hopeful for Lebanon because the puss has been brought out of the wound - the shit has hit the fan as they say in colloquial English. The Lebanese now understand that it is not all groovy and dandy as they have been told before, and that this [collapse] is here - and kudos to economist Toufic Gaspard who I, 20 years ago, heard talking about this collapsing Ponzi scheme. We must go back to the original Lebanese hard-work ethics, respect for each other, care, and faith. Because if you don't believe that you are going to get out of it, that is very depressing.

E *Talking in the short term, and especially with regard to entrepreneurial finance, it seems that a few companies in the knowledge economy have been able to mobilize international investments, but compared to what Lebanon would need, this does not seem to be enough for mobilizing new economic growth. What are the chances that any entrepreneurship project or startup would gain investor support and access to finance in the intermediate term, let's say between now and mid-2021?*

The foundation [of investments in the knowledge economy] has to be the judicial system. At this current moment, nobody trusts the judicial system. I do not expect money coming to Lebanon to finance projects, whether from donor agencies and governments or individual Lebanese [in the diaspora]. That is not going to happen until you get rid of the mafia ruling over Lebanon. Nevertheless, there is a lot of money trapped in banks in Lebanon, and that money is looking for a home outside of banks. To the extent that you can get a project financed with dollars, or local Lebanese dollars, or Lebanese pounds, I think you can find a lot of money.

E *If I name a few sectors of entrepreneurial activity, would you give me very brief yay or nay evaluations if investing in these sectors would be interesting?*

Okay.

Let's start with Fintech. Would this sector have potential

E *in Lebanon?*

Yes. By the way, on Fintech, one of our iSME (the entrepreneurship fund associated with the Lebanese Kafalat loan guarantee corporation)

entities was just sold to a Hong-Kong based player. Fintech is definitely interesting.

E *Even Fintech made in Lebanon?*

Yes, because the Lebanese are working globally in financial institutions. It is not the archaic Lebanese system that taught them this way.

E *How about networking or social media startups, like TikTok? Would you invest?*

No.

E *Home office operations, remote work organization etcetera. Do you think Lebanon has an edge in developing any solutions?*

Yes. I do, [when considering] hardware plus software. We are doing well in this and [cloud computing infrastructure company]. Multilane is one example.

E *Gaming industry?*

Absolutely.

E *Online media and content of high journalistic quality?*

I am tempted to say yes but you would know more about this than I do. But along perhaps the same line I definitely think that online education and adaptability of foreign curriculums to the Arab world is huge and keeps growing [as opportunity].

E *Any specialty in e-commerce? Online shopping*

malls, direct from producer to consumer, intermediary platforms and marketplaces?

I think we definitely can be leaders in e-commerce. For example if you think of luxury fashion, that is something that we are good at. Taking that regionally and perhaps even globally, you need a mart, some kind of a mall. Lebanese food, taking Lebanese cuisine globally. It could have the same impact as pizza had in America after World War II, when GIs came back after tasting Italian pizza. Lebanese food will become a big hit in the US, and in Europe too, I believe.

E *Corona awareness apps?*

No, we don't take it that seriously.

E *Any other sector where you would feel that Lebanese startups will have a natural edge or would be attracting you immediately?*

I think we covered most of it.



FUNDING FOR LEBANESE START-UPS THREATENED



2020, where things stand

Eager to capitalize on the tech-savvy population, high education rate and entrepreneurial spirit, Banque du Liban's (BDL) Circular 331, released in 2013, paved the way for the creation of dozens of startups in Lebanon, in addition to accelerators and incubators. Despite this support, events of the past few years have put a stop to the generous investments in startups.

Circular 331 was meant to incentivize local banks to invest in the local tech scene to turn Lebanon into a start-up nation. The circular encouraged banks to allocate up to 3 percent of their capital in startups, incubators, accelerators and venture capital funds by a mechanism that would guarantee reimbursement in case of failure of the said venture up to 75 percent of direct startup equity investment or indirect support entities. Local banks would be authorized to obtain a seven-year loan from BDL with zero interest, in exchange for investing it in Lebanese Treasury Bills with an interest rate of 7 percent, in return for the banks committing to invest in the knowledge economy with BDL guaranteeing the

investment up to 75 percent and sharing the profits with the banks at 50 percent.

The structure of the initiative allowed for more guarantees. In 2014, this allowed for an injection of \$400 million in the Lebanese knowledge economy. According to Bassel Aoun, program manager at Kafalat for the Innovation in Small and Medium Enterprises (ISME) program, a project supported by the World Bank, the major source of startup funding has come through Circular 331 subsidies. Banks are the main suppliers of funds through Circular 331, so the current banking crisis has resulted in this money drying up overnight.

"Most of the funds came from the banks", says Fadi Bizri, a partner at B&Y Venture partners. Indeed, in the absence of well-developed capital markets in Lebanon, the attempts to reach international investors have been lukewarm, and the ecosystem has been resting mostly on BDL's shoulders.

Nevertheless, in light of Lebanon's financial woes, and due to regulatory hurdles and other shortcomings of the Lebanese economy, the support mechanism established through Circular 331 have stalled.

Due to the current financial crisis, and to capital controls, it has been difficult to get investments from abroad to local startups, and trying to attract such investors is, according to Aoun, "counter intuitive". "Capital controls are affecting the performance of our companies," Aoun continues.

Indeed, startups in Lebanon are being barred from wiring money abroad to pay for marketing, software, ads, and foreign talent, which is having an adverse effect on their financial standing. "It's a nightmare" says Fadi Bizri, taking into account that the value of a startup is heavily related to the value of its software (hosted on servers such as Amazon Web Services), data and cloud management, all of which require international payments to be maintained.

To add, startups are no longer able to hire talent from abroad, and are even losing talent to emigration. "Between the *thawra*, capital controls and Covid-19, there is a lack of trust from abroad in the local economy and therefore very little to no investment," says Nicolas Rouhana, general man-

ager at IM Capital, an initiative funded by USAID which provides capital and support to companies through early-stage investors like angel investors, venture capital funds, accelerators and incubators .

Efforts to mobilize international investors have had little to no tangible result, most finance experts say. Consequently, many startups are considering moving abroad to re-incorporate in a different jurisdiction. Start-ups are also being pushed to relocate by investors, who are nervous about the current situation and Lebanese judicial regulations, as Lebanese commercial laws are deemed too rigid for the corporate structures needed in venture capital. Also, the relocation of these start-ups abroad would allow them to raise capital from different pools of investors, in jurisdictions where money would be more easily accessible.

Nevertheless, initiatives to channel foreign money into Lebanese startups have not fully dried up. IM Capital, for example, to help provide relief for affected SMEs in light of the August 4 Beirut port explosion, recently launched the “heartfelt support to Beirut” - initiative supported by USAID to help channel 2 billion LBP through its companies across four sectors: education, housing, food and water, securities and business platforms. The money will be used to provide relief packages to clients and beneficiaries who have been affected by the port explosion.

HAVE START-UPS TRIED TO CHANNEL SOME OF THE LOCAL DEPOSITOR MONEY?

Startups would, in principle, be seen as attractive investments to local depositors worried about capital controls and talks of haircuts on deposits. “We have witnessed this trend”, says Aoun, mentioning investments in local dollars - “lollars” - in startups, “though it has been minor for early stage startups”.

Nevertheless, for startups less dependent on foreign money, Rouhana believes that this could result in a mix of “fresh” dollars and local dollars as an investment tool in the near future. Such a mix of local and international dollars, according to Fadi Bizri, would not depend so much on the startup’s industry, but more on how mature the company is. Mature companies wishing to pay higher salaries, for example, or needing to transfer money abroad, would be less interested in the use of local dollars.

Other ways to circumvent the difficulty of accessing capital and sending money abroad is the use of crypto-currency and crowdfunding. The use of crypto in Lebanon is not obvious as such tokens

would have to be converted to hard cash - and buying them would prove difficult due to capital controls. Regarding crowdfunding, there have been minor initiatives but they have been made on a small level. According to Bizri, “You have small initiatives from people abroad who want to help”, but those happen mainly for companies with exportable (or potentially exportable) products who are in need to import things like raw materials or machinery, and that can repay investments with ‘fresh’ dollars, which is not the case for most startups in Lebanon who are engaged in the local production and distribution of services.

“The last 14 months have been challenging in abnormal ways for any entity across Lebanon” says Mouhamed Rabah, Chief Executive

Officer of the Beirut Digital District (BDD), a privately-funded community space that hosts startups, incubators, accelerators and funds. According to him, startups are look-

■ “The last 14 months have been challenging in abnormal ways for any entity across Lebanon.”

ing for international funding, but this comes with a requirement to reincorporate abroad. He argues that two elements are driving these companies to reincorporate: the drying up of funds for startup investments in Lebanon, and a loss of trust in the government and institutions due to the August 4 explosion. Indeed, the latter seems to have been the breaking point for many talents, who do not see the need to risk their lives or their childrens’.

“We are seeing an increase in demand from [foreign] companies wanting to set-up their back office in Lebanon due to a more competitive financial cost and this could help Lebanon transform into an added value outsourcing hub, building on the yearly graduating talents” says Rabah. For example, a Saudi company is opening up their engineering office in Lebanon at BDD to profit from these now more affordable talents. More of these examples can be found at BDD, according to Rabah.

As local funds dry up, startups can turn to their networks in the diaspora, as incorporating outside of Lebanon doesn’t necessarily mean to pack bags and leave. Indeed, reincorporating abroad can mean setting up another legal structure and bank account for cash management outside of Lebanon, but does not imply leaving the Lebanese market as a whole or moving out completely. ■

Banking sector 2020 overview



What's left to bank on?

Where does one even begin? From the inability to withdraw deposits, to the depreciation of the Lebanese currency, and the default on the Lebanese Sovereign Debt (held in big part by the banking sector), Lebanese banks' balance sheets have suffered a blow, in addition to self-imposed capital controls on withdrawals.

The future of the Lebanese banking sector is puzzling: mandated or voluntary mergers of commercial banks, bankruptcies, restructuring, haircuts on deposits... All of these proposals have been put on the table in 2020, though discussions with the International Monetary Fund have been halted on the side of the Lebanese Government. What appears as a financial crisis has a strict political component: it is difficult to separate economics from politics in Lebanon.

CAPITAL CONTROLS AND BANK RUNS

As soon as the October revolution began, panic hit Lebanon. The Lebanese rushed to banks to retrieve their deposits. The October revolution shook whatever remaining confidence people had in the Lebanese economy. The turning point can be said to be August 2019. A Fitch report downgraded the rating of the Lebanese sovereign debt to CCC, a term signaling that the country is currently vulnerable and dependent on favorable business, financial, and economic conditions to meet its financial commitments. During this time, the US State Department's Office of Foreign Assets Control (OFAC) also listed Jammal Trust Bank, a Lebanese bank, on the US Sanctions list - signaling

that the bank was sanctioned by the State Department for allegedly providing support to Hezbollah. These events helped erode confidence in the Lebanese banking sector. In fact, since early 2019, Lebanese commercial banks had recorded a higher than usual series of outflows, highlighting a lack of depositor confidence.

Due to Lebanese banks' lack of available liquidity, supplying the Lebanese with their money held as deposits proved impossible. Deposits are held as loans, investments and deposits at the Central Bank of Lebanon (BDL). Immediately then, banks had to impose controls on withdrawals, and depositors could only retrieve a portion of their savings.

The situation is close to bank runs occurring in different countries over the years (such as Iceland and Cyprus), and reminiscent of the bank run that had hit Intra Bank (the largest Lebanese Bank in the early 1960s) in 1966. This has cast doubts as to the amount of liquidity available in the banking sector as a whole. Depositors since then have been wondering whether they will ever see their money again.

Under the Basel III requirements set up by the Basel Committee On Banking Supervision, banks must maintain a certain liquidity ratio, calculated as sufficient high-liquid ratios over total net liquidity outflows occurring during 30 days. According to Nassib Ghobril, Chief Economist at the Bank Byblos Group, liquidity ratios vary according to banks, with some having a higher level of liquidity than others prior to the crisis, and it is therefore misleading to not look at individual instances in the sector. With 80% of deposits being in foreign

currencies, mostly dollars, the dollarization rate of the Lebanese economy is extremely high. "It's a psychological result of the experience of the 1980s," says Ghobril, referring to the rapid depreciation of the Lebanese Pound in the 1980s and the beginning of the daily use of US dollars for transactions (as the Lebanese Pound was depreciated in the 1980s, the Lebanese started to transact in dollars, deemed a safer currency).

In most bank runs, the sense of panic is such that there is not enough liquidity to cover a higher than average withdrawal demand. A typical solution in this situation is for governmental authorities to impose temporary limits on withdrawals: capital controls. Such a measure has until now, not been taken by the government and had added to pressure on banks, to handle the crisis on their own.

"Definitely there is a need for official capital controls, since September 2019," says Ghobril. "We are not the first country to have a bank run, and not the last". In 1966, within a week of the liquidity crisis of Intra Bank, capital controls had been imposed, only to be lifted about one month later which helped banks resume normal operations and restore confidence. For Ghobril, the lack of trust in the financial sector can be blamed in part on inaction on the part of the government. Had a capital control law been enacted at the start of the crisis, he argues, accusations regarding the flight of capital since October 2019 would not have occurred.

The need for a capital controls law has been a key demand of economists and various politicians. Lack of such law could result in various lawsuits from depositors, and this has been happening lately as many Lebanese alpha banks (top Lebanese banks with more than \$2 billion dollars in deposits) have been sued by foreign depositors unable to withdraw deposits.

As a result, trust in the banking

system has been severely hit, with many fearing that their deposits are mere accounting entries. Depositors have been channeling money into real estate since November 2019 and for most of 2020, but also into consumer goods such as cars, watches, paintings, statues, and others, due to the fear of a haircut, especially after the government defaulted on its foreign obligations and issued its financial plan. Very little of this money, according to Ghobril, was channeled into investments such as agriculture and industry. With regards to pre-crisis deposits in USD, these dollars can only be withdrawn at an e-board rate (currently of LBP 3,900 to one USD) and in limited quantities.

Some banks have prioritized liquidity and asset quality over the expansion of their balance sheet over the years according to Ghobril, who stressed the need not to generalize with regards to the health and outlook on the banking sector. Overall, the real health of the banking sector will be better assessed in February 2021, as it would have reached a milestone: compliance with BDL circulars regarding the need to recapitalize banks at 20 percent, and the need to insure a minimum of 3 percent of liquidity to equity. At this moment, banks that would have been able to recapitalize would be known as those that are safer, while others will probably not reach that milestone, and will have to face the possibility of halting operations.

NON-PERFORMING LOANS

The issue of non-performing loans has also been at the forefront. With a depreciation of the Lebanese Pound and the poor economic climate, many activities do not reward investors with high or even any yields, and many companies facing severe

difficulties, threatening the health of banks' loan portfolio.

According to a World Bank report dated December 1, 2020, there is a sharp deterioration of credit performance at Lebanese banks, reflected as a measure of non-performing loans (NPLs). These NPLs are estimated at 30 percent of total loans, of which 50 percent of NPLs to total loans are related to contracting and construction. If true, this would be a heavy drag on the banking sector, as banks are required to take provisions equal to the value of these NPLs.

For Ghobril, there are many question marks, as the World Bank report has a distinct anti-banking flavor, and, in his opinion, is indifferent to the plight of the banking sector. Since October 2019, the fear of a haircut on deposits has resulted in a rush to buy real estate and land, which in turn,

■ On May 8, 2020, Lebanon cross-defaulted on its Eurobond obligations, a first in its history. It massively affected banks' liquidity, as \$11 billion worth of Eurobonds are held by local banks.

has resulted in benefits for companies in the construction and real estate sector. Consequently, many have settled their loans before maturity, and the level of NPLs has been brought down in these sectors. The report, on the other hand, mentions a spike in the NPL ratio between October 2019 to June 2020, from 13.3 percent to 28.3 percent - hence Ghobril's doubt as to the validity of the report.

EUROBONDS CROSS-DEFAULT

On May 8, 2020, Lebanon cross-defaulted on its Eurobond obligations (sovereign debt labeled in US dollars), a first in its history. This default resulted in a complete stop in payments by the Lebanese Government to debt holders, and it massively af-

Overview

affected banks' liquidity, as \$11 billion worth of Eurobonds are held by local banks. As these payments were made to banks, the default highly affected the latter's liquidity, adding pressure on the sector.

The decision to default in itself was controversial. Lebanon defaulted on a \$1.2 billion issuance due March 16, 2020, but the government could have avoided a default had it agreed on restructuring terms with coupon holders prior to the non-payment. This would have required the approval by vote of 75 percent of holders of each Eurobonds series.

In principle, Lebanon could have requested such a negotiated default by entering into negotiations with the holders of this issuance to reschedule and/or restructure it without affecting the other payments of issuances. In this case, failure to act in time resulted in a cross-default that affected all Eurobonds issues.

As a result, Eurobonds are currently trading on average at 15 cents per dollar, in default mode, and have heavily hit the balance sheet of banks: according to International Financial

Reporting Standards (IFRS-9) published by the International Accounting Standards Board, banks have to take provisions on such issuances according to their market value. Also, these payments of Eurobonds were a main source of liquidity for banks, and such default resulted in limiting liquidity available for banks.

According to Khalil Toubia, a political consultant and activist, the decision was premeditated. "The whole scenario is premeditated, and it is the same as the vacuum from 2014 to 2016," related to the election of current President Michel Aoun, which was the result of the Free Patriotic Movement and Hezbollah willingly boycotting the presidential election session in parliament and avoiding a quorum to be held, therefore making it impossible for an election to take place.

Eurobonds do not constitute the whole of sovereign debt, as T-Bills (sovereign debt labeled in Lebanese Pounds) are also auctioned and held

by banks and qualified investors. Unlike Eurobonds, T-Bills are labeled in Lebanese Pounds and therefore less potentially subject to a default, as the BDL can print the currency and reimburse creditors (at the risk of greater inflation).

Many accusations have surfaced on the consequences of the Eurobond default, with many considering that this has resulted in cutting Lebanon from access to financial markets. On the other

■ Restoring confidence could help attract foreign deposits and investments to Lebanon. This was the norm before Hezbollah's interference in both the Syrian and Yemeni civil wars.

hand, prior to this cross default, Lebanese Eurobonds were trading at 40 cents to the dollar. This was already a signal that Lebanon may default due to its worsening credit rating and fears in regards to its ability to service its debt.

To date, negotiations with the IMF have been halted since August. According to Ghobril, the government's disorderly default on its foreign obligations has been "a historical mistake, as the entire economy has been suffering from it". In addition, according to him, "the executive branch has not taken a single decision since the start of the crisis to restore confidence or to stop the deterioration of socio-economic and financial conditions", signaling paralysis on the level of government and the lack of political will among major political parties.

How would Lebanon be able to access international markets again and repay Eurobonds Holders? It would be feasible to restart negotiations with the IMF and to agree to restructure the dollar-denominated sovereign debt: at this stage, BDL Circular 567 requested banks to set aside amounts



equal to 45 percent of provisions on the Eurobonds. According to IFRS-9 auditing standards, provisions should be relative to the trading price of such debt: eurobonds are as of December 21st, 2020, trading 15 cents to the dollar, and so in principle provisions should reach an 85 percent level.

CERTIFICATES OF DEPOSITS

The main issue that might affect banks in the long run is the treatment of certificates of deposits (CDs) held at the Central Bank. The accounting for certificates of deposits is in itself complicated: they are mentioned as assets on the balance sheets of banks, and have not matured yet, with first maturities starting in 2022. The BDL in fact, in its Intermediate Circular 567, dated August 26, 2020, has asked banks to take provisions on certificates of deposits at a much lower rate than for eurobonds, and does not consider them to be in default. Nevertheless, from October 2019 to August 2020, BDL lowered interest rates offered on banks' LBP and USD deposits by 556 and 553 basis points (5.56 percent and 5.53 percent) respectively, signaling a lack of liquidity.

Starting in 2016, there was an increased desire by banks to deposit money at the BDL, in part due to attractive interests offered by the BDL, and BDL's balance sheet accounts for \$108 billion of financial sector deposits (\$72 billion and the rest in Lebanese pounds). Then again, each bank had its own strategy, according to Ghobril, with some having chosen a more conservative approach and maintaining higher levels of liquidity. CDs also have long maturities (6-8-10 years) and it is therefore difficult to assess their financial soundness.

This rush to deposits at the central bank was also a consequence of changes at the regional level: starting in 2013, with Hezbollah's entry in the Syrian civil war, inflows from the Gulf countries started dropping, and from 2011 until now, with the exception

of 2016, Lebanon's balance of payment has been negative. A negative balance of payment usually results in depreciation of a country's currency. In order to defend the peg and attract dollars to Lebanon, the BDL launched its financial engineering in 2016, by which banks were lured into depositing their money held abroad in correspondent banks to the BDL in exchange for attractive interest. This resulted in a bigger concentration of deposits held at the BDL in general; not taking into account certain banks that had been more skeptical of the move.

The balance sheet of the BDL as of December 15, 2020, reports \$108 billion as financial sector deposits (in USD and LBP), of which 72 billion are estimated to be in dollars. On the assets side of the balance sheet, the BDL reports \$17.5 billion as reserves. Overall, this results in a net negative financial position of around \$54 billion. This negative position reflects badly on the financial soundness of the CDs. Though the BDL does not publish income statements, it is difficult to assess how this negative position came to be, and it has been estimated that a lot of this money has been used to defend the peg of 1,507 LBP to the dollar, for example on transfers to Electricite du Liban (averaging \$1.5 billion per year in the past 15 years to import fuel for electricity plants).

At this stage, it is difficult to assess how, with such a negative financial position, BDL would be able to repay the CDs to banks. One way would be to reimburse them in LBP, but with the depreciation of the latter, even if CDs were to be reimbursed at market rate, this could result in more inflation and therefore a haircut on deposits.

Restoring confidence could, in theory, help attract foreign deposits and investments to Lebanon. Such attraction was the norm before Hezbollah's interference in both the Syrian

and the Yemeni civil wars. As a result, a political decision was taken by Gulf countries authorities, amongst others, to restrain from such investments in a show of non-confidence towards Lebanese authorities. Such an attraction of investments and remittances from the Gulf amounted in billions annually, and such inflows to the Lebanese banking sectors in the form of deposits could help bolster bank liquidity, according to Toubia.

IMF NEGOTIATION AND POLITICS

According to the December 1st, 2020, World Bank report, net losses for the banking sector are estimated at \$44 billion. Inflation, cross-default on dollar-labeled sovereign debt, bankruptcies, and other factors, make it necessary to reach out to the IMF for financial support to put Lebanon on the path to economic recovery. In the case

■ Many banks might consider merging to strengthen their equity and reduce operating costs.

of the banking sector, February will be an important milestone, as it will be known which banks have been able to recapitalize and which have not.

Consolidation of banks will be necessary and has been mentioned in a report by the World Bank. Though many banks will avoid being merged, having already limited their exposure to the Central Bank, sold foreign assets (for example, Bank Audi is in the process of selling its Egyptian operation for a reported \$600 million) and/or recapitalized. Nevertheless, the fact is many banks might not be able to reach the necessary milestones. In this scenario, many banks might consider merging to strengthen their equity and reduce operating costs (by closing down certain agencies and reducing their workforce).

Overview



Many banks are currently in the process of closing down regional agencies and reducing their workforce. However, there is a lot of uncertainty and it is not clear which banks have been able to strengthen their equity.

This restructuring of the banking sector cannot occur outside of clear macroeconomic solutions. The situation of the banking sector cannot be separated from the cross-default on sovereign debt, its exposure to BDL, but also from the much-needed negotiation with the IMF. Negotiating with the latter would help provide much-needed foreign liquidity that could help stabilize the LBP and unlock a series of reforms that would bring Lebanon back on the road to economic growth.

The situation with the IMF is nevertheless not so much economic as it is political. According to Toubia, the government's decision to default was part of Hezbollah's plan, as any reform engaged with the IMF would result in reforms aimed at ameliorat-

ing transparency, fighting corruption and downsizing the state of the public sector, objectives that are not necessarily in Hezbollah's interests.

Any reform package agreed on with the IMF would include reforms of governance of ports, the airport and customs, taking into account that Hezbollah has been accused of profiting from smuggling into Syria. In Toubia's view, President Aoun and the current government are protecting Hezbollah's interests, a view that has been echoed in diplomatic circles and foreign media. Hezbollah spokespersons have mentioned in the past that Hezbollah was open to negotiations, but under certain conditions, as long as it would not harm "national interest", according to Hezbollah Secretary General Hassan Nasrallah, in a televised speech on March 10, 2020.

Hezbollah is not the only party accused of helping stall the negotiations, as civil society activists are more prone to consider that reforms are not welcome by most of the political class, which they deem corrupt. French President Emmanuel Macron even mentioned being "ashamed" of the Lebanese political class, accusing Lebanese politicians of "collective betrayal". In addition, any IMF negotiation package would entail an application of four United Nations Security Council resolutions (resolutions 1559, 1595, 1680 and 1701) related to the dissolution of all militias and border controls, according to Toubia.

In conclusion, the banking sector's future rests on foreign aid that would allow for economic reforms in Lebanon, but also on a much-needed restructuring that could include mergers and even a possible haircut on deposits (akin to the case of Cyprus), or even a possible bail-in (an exchange of depositors' money for shares in their bank).

Lebanon as a whole cannot exist without a well-functioning and effective banking sector, where trust is an important element. Re-

■ In conclusion, the banking sector's future rests on foreign aid that would allow for economic reforms in Lebanon. This could include mergers, a haircut on deposits, and/or a bail-in.

storing the banking sector from an economic standpoint may appear the easiest, but trust will need to be rebuilt.

Such trust is cross-sectorial and depends on much-needed reforms related to governance and integrity on the part of the political establishment. ■

NEW INTERIOR

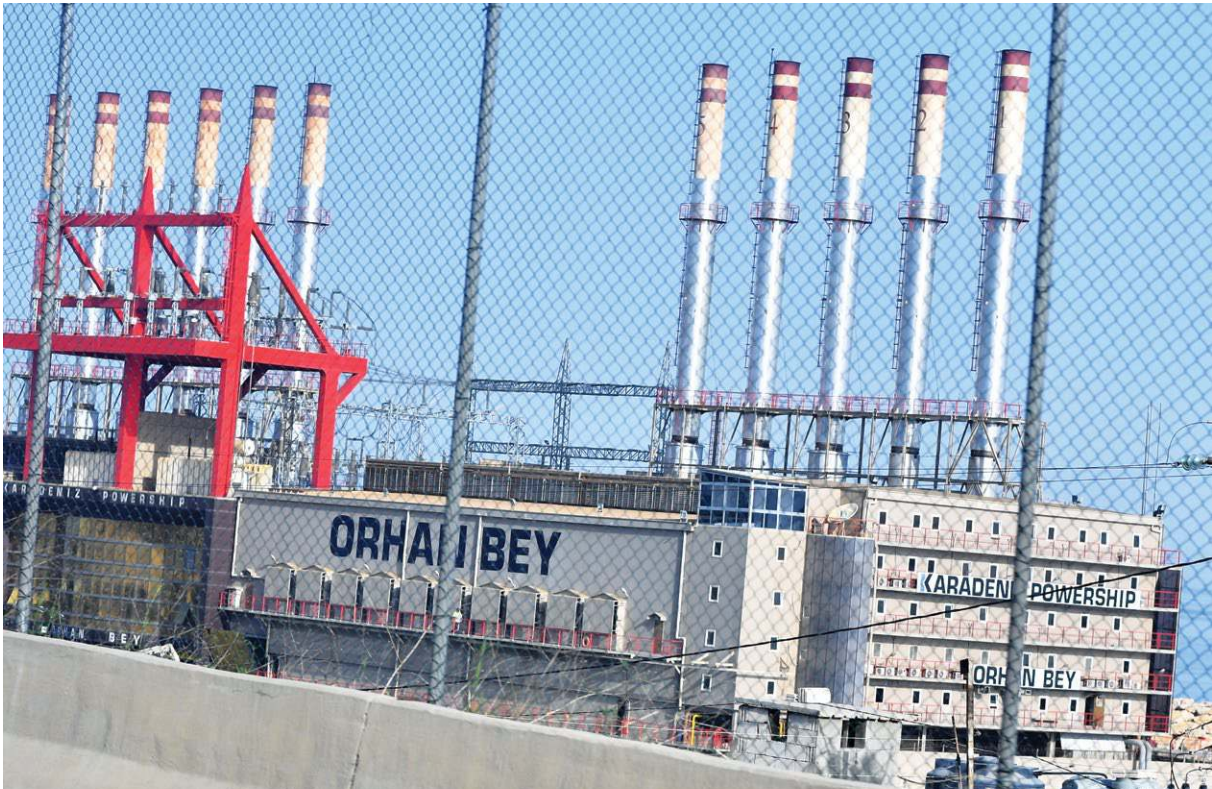


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How long will the lights stay on?



The electric state of the energy sector

The current state of the energy sector in Lebanon is worrying.

Daily power cuts coupled with Electricite du Liban (EDL)'s chronic budget deficit, which has contributed to more than half of Lebanon's public debt, makes it clear why reforming the sector is a top priority for the international community, and why it cannot be separated from the macro-economic reform package being negotiated with the International Monetary Fund (IMF).

The reform of the electricity sector rests on two pillars: improved governance and the transition to sustainable, efficient and clean power production. Given the central bank's

dwindling hard currency reserves that make the long-standing subsidies of electricity impossible to maintain, the main challenge for the current government is keeping the lights on.

ENERGY PRODUCTION

Annual transfers from the government to EDL have averaged 3.8 percent of Lebanon's gross domestic product over the last ten years, amounting to half of the annual fiscal deficit. Over the last 10 years, the annual subsidy from the government to EDL to support fuel purchases has averaged \$1.5 billion. Despite these heavy subsidies, which aim to lower the price of electricity for the Lebanese population

as a whole, the combined average cost of electricity for consumers is estimated to be approximately 18.8 cents, USD, per kW (kilowatt) - compared to 22 cents per kW in France, and 11.1 cents per kW in Jordan, due to the fact that electricity needs are largely being met by private diesel generators. Indeed, EDL has until now only managed to supply between 55 and 64 percent of Lebanon's electricity needs according to a recent World Bank report published on December 1, 2020.

According to the "Electricity Sector Reform Notes" published by Bank Audi on June 27, 2019, energy supply is currently insufficient to meet demand, with a shortage of 1.5

Gigawatts (GW), with peak demand in 2018 reaching 3.45 GW, and power generation only reaching 2 GW. This gap is filled with diesel-fired private generators charging on average 30 cents per kW according to the World Bank report. The total cost of electricity is estimated at 21cents/kW per hour for every kW sold, while the tariff remains unchanged at EDL since 1994 at 9.5 cents/kW.

Lebanon only produces around 2GW, of which approximately 390MW are being supplied by rented barges owned by Turkish company Karadeniz, 850MW by the two power plants in Zahrani and Deir El Ammar, 220 MW by the new Zouk and Jieh power plants, around 800MW by old and obsolete plants in Zouk, Jieh, Tyre, Baalbeck, and 200 MW split between some hydro plants and purchases from Syria. In 2018, the average cost of production to EDL stood at around 14 cents per kW. When administrative costs and maintenance costs and losses on the grid, EDL's cost of electricity exceeds 21 cents/kW; explaining the huge loss on electricity supply incurred on a yearly basis.

EDL sells each kW at a loss. The high cost of production is a combination of high fuel costs due to the usage of heavy fuel oil (HFO) and diesel to power its fleet, and to high network losses in theft and technical losses on the grid. With peak demand at 3,450 Megawatts (MW), the gap on average is between 1,400 and 1,500 MW, resulting in significant daily electricity cuts being filled by costly and polluting private generators.

By 2030, electricity demand is forecast to increase to 4,700 MW, taking into account yearly growth of 4 to 5 percent with population growth; and up to date, no plan has been put in motion to meet this demand. The situation has been aggravated due to the devaluation of the Lebanese Pound (LBP) and the lack of dollars for fuel imports, which may threaten to plunge Lebanon into darkness.

MISSED PAYMENTS AND DEVALUATION

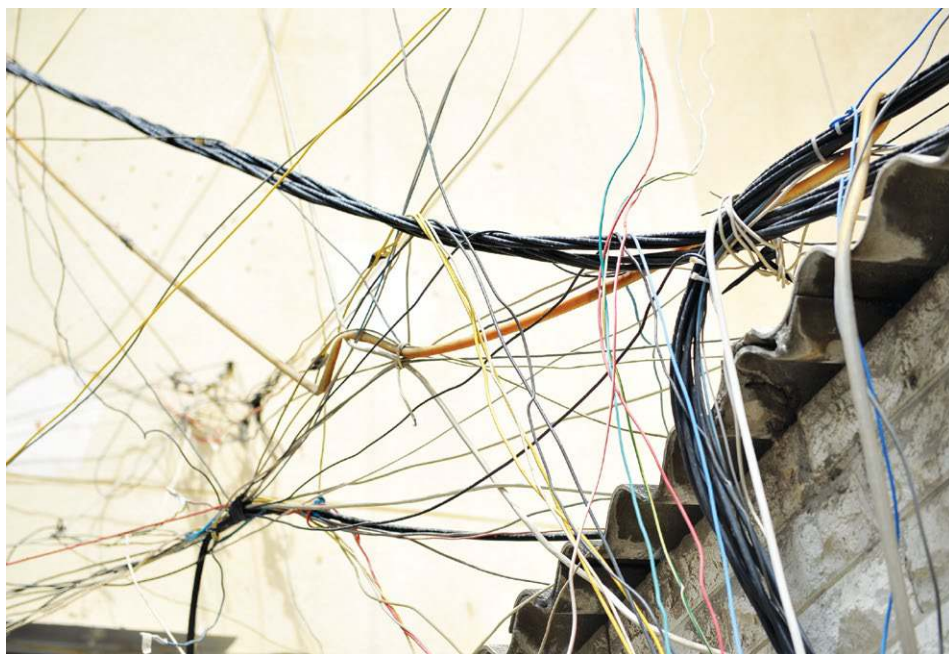
The LBP having fluctuated at rates exceeding 7,000 lira to the dollar in late 2020 (as of December 17, it depreciated to 8,400 LBP per USD) devalued to 8,400 to the dollar at black market rates on December 17th, EDL has to rely on the support of the Central Bank to meet its dollar commitments – mostly for imports. These include: 1) purchase of fuel oil; 2) payment to the rented barges (Karadeniz); 3) payment to the maintenance contracts of the power plants; 4) payment to the Distribution Service Providers (DSPs), the last two relying on imported equipment to maintain the generation and distribution assets. While the Central Bank has been procuring the necessary funds from its thinning reserves for fuel oil, it has stopped payments towards other obligations (see list numbers 2, 3 and 4). The unpaid amounts exceed \$300 million to date.

EDL owes around \$175 million to Turkish company Karadeniz, which is refusing to be paid in Lebanese pounds, while the Lebanese government is not able to access dollars without great cost. For the moment, the Turkish company is still providing electricity according to the contract, which covers around 11 percent of

■ Lebanon may lose 3 hours of electricity per day if EDL fails to pay the \$175 million it owes to the Turkish company, Karadeniz; the contract covers around 11% of Lebanon's current energy usage.

Lebanese's current energy usage, but with no extension being discussed for the latter, Lebanon may very well, before the end of their contract in 2021, lose around 390 Megawatts of electricity - losing around 3 hours of electricity per day in Lebanon as a whole.

In addition, EDL owes around \$110 million to the electricity sector



distribution service providers, due to the latter having to import spare parts and cables. Due to the devaluation of the currency, providers are threatening to shut down their activities. Lebanon as a result could fall victim to more power cuts.

The government in 2017 had managed to cap the billing by private generators at 30 cents per kW. Private generators rely on imported diesel which is currently subsidized, but a small part of the billing is related to spare parts that have to be imported and are not subsidized. Prices for the consumer have gone up due to the devaluation, as private generators have to obtain dollars on the black market in order to import said parts.

EDL's deficit is already growing: with a fixed average tariff of 9.5 cents per kW, the devaluation has hit EDL's budget as it charges its prices to consumers at a rate of LBP 1,500 to the dollar, and so by taking into account

■ EDL owes around \$110 million to the electricity sector distribution service providers, due to the latter having to import spare parts and cables.

the devaluation, EDL is effectively billing consumers less than 2 cents per kW, for a total cost of electricity exceeding 21 cents per kW. Though most of its costs (a large part being fuel) is at the moment subsidized by central bank reserves, the lifting of

subsidies is approaching every day and may threaten the continuation of EDL's operation.

According to Carol Ayat, head of Energy Finance at Bank Audi, the solution is not limited to the sector itself, but to the economy as a whole, and dependent on macro-economic reforms. "You need to rebuild trust and confidence and stabilize the economy to attract the needed investments in the sector."

The creditworthiness of the Lebanese government following the default on its Eurobonds, as well as the convertibility and transferability of the currency have become real impediments to any new investments in the country. These impediments can be overhauled with the negotiation of an IMF package, which comes with a list of prerequisites and reforms at the government level, and second with the appointment of the Electricity



Regulatory Authority (ERA), which has become a key prerequisite of the international community. Law 462 envisioned the creation of an independent and autonomous Electricity Regulatory Authority to provide regulation and oversight over the electricity sector in Lebanon.

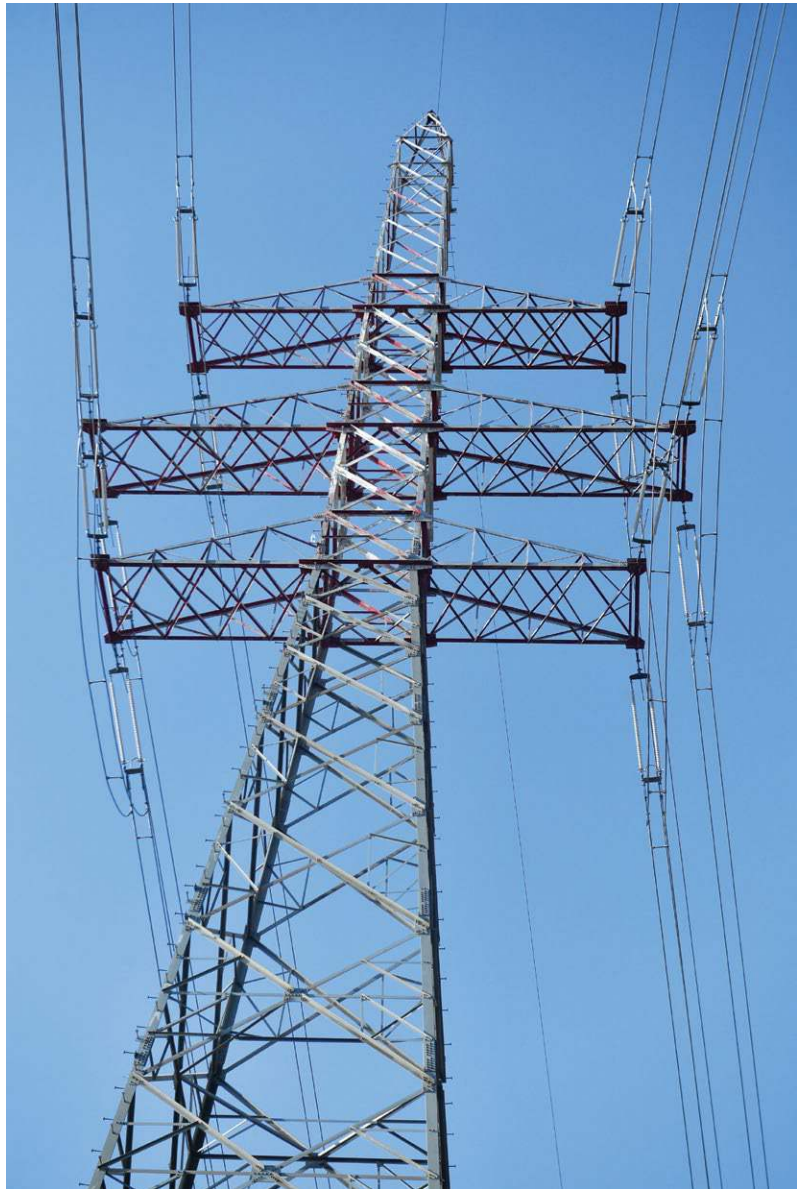
The IMF deal would also ensure that government finances are placed on a sustainable path forward. Once confidence is restored, this would unlock the funding from the international community and CEDRE donors to the sector. This also includes the rebuilding of the damaged EDL assets such as the National Control Center, the Achrafieh substation and the EDL building following the August 4 blast.

ENERGY SECTOR GOVERNANCE

The Ministry of Energy and Water (MEW) proposed amendments last year to law 462 for the formation of an independent regulator. Said amendments, according to the World Bank, would limit the regulator's independence by requiring them to be part of the ministry. This, according to the World Bank report, "raises questions as to the regulator's ability to maintain its administrative independence". The same report highlighted the need to appoint the members of the ERA in a transparent manner that would send a signal as to the independence and transparency with regards to energy sector regulation.

TARIFF REFORM AND INCREASED GENERATION

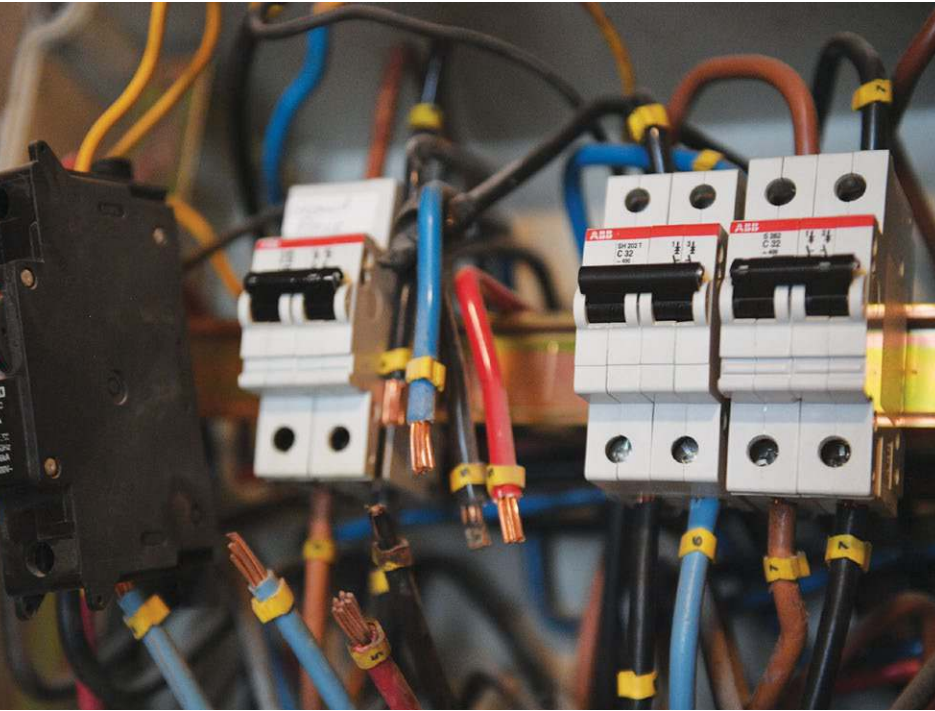
The other necessary reform is to restore EDL's financial stability. With electricity tariffs at an average of 9.5 cents per kW, unchanged since they were set in 1994, compared to a cost of electricity exceeding 21 cents per every kW sold by EDL, the electricity sector is in clear deficit. Indeed, according to the Bank Audi report dated June 27, 2019, when added, the losses from the uncollected bills, the



tariffs barely cover a third of EDL's operating costs.

In order to ensure the financial viability of EDL, it is imperative that the tariff structure is revised, and becomes cost effective. This tariff revision would need to be paired with the reduction of the cost of electricity supply with the switch to natural gas. In addition, it is necessary to reduce network losses, and provide for a social safety net to protect the most vulnerable population from price hikes. According to the MEW

■ The IMF deal would also ensure that government finances are placed on a sustainable path forward.



electricity reform plan in 2019, the average tariff was forecast to increase to 14.4 cents/kW in line with the increase in generation to rebalance EDL's financial viability. This would come with the elimination of the private generator bill, resulting in a decreased cost to the consumer.

Analysis also indicates, according to the World Bank, that at least 1500-2000 MW of additional capacity is needed just to eliminate or at least minimize Lebanon's reliance on diesel-fueled private generators.

Increasing generation capacity is by no means easy. It is therefore necessary to immediately launch tenders (the procedure by which offers by private contractors are evaluated) for thermal power plants to produce 1800 to 2000 MW, to bridge the gap in electricity generation, taking into account that the barges will be disconnected in the near future. The size and choice of plants, according to Ayat, need to be based on a "least-cost generation plan," which would ensure the plants are built in the most cost-effective manner. At this stage,

the government owns available land in Deir El Ammar and Zahrani to host new power plants.

A third power plant in Selaata may be needed, especially if it is in replacement of the old and obsolete plants like the old Zouk and Jieh (costly from financial and environmental perspectives). The choice of this site would need to adhere by the least cost generation plan. These plants are also critical to provide the base load power required to manage the additional stress on the grid from the increased share of renewable energy.

High losses in transmission and distribution are also a drag on the financial soundness of EDL, amounting to 34 percent in 2018, which are split between technical losses of 17 percent and non-technical losses of 21 percent.

Technical losses are standard in electricity generation and therefore cannot be completely eliminated.

According to Ayat, reaching a level of around 10-12 percent of technical losses would be in line with international benchmarks. On the other hand, non-technical losses are mostly due to theft and uncollected bills, and can be reduced with the installation of smart meters coupled with a strong political decision and support to disconnect the contraveners.

The original government plan, which had been reviewed last in 2019, mentioned the installation of 1 million units of smart meters by 2021 by the DSPs to facilitate better collection, but for the moment, this has been put on hold. According to the World Bank report, to date, billing lags approximately 12 months in some areas, and cash receipts for 2016 and 2017 reflect a collection rate of 74 and 66 per cent respectively.

SWITCHING TO NATURAL GAS

In light of cost and environmental concerns, Lebanon would have to reduce its fuel cost by using natural gas. According to the World Bank, it is estimated that switching from liquid fuels to natural gas would save the electricity sector up to \$200 mil-

■ According to the World Bank, at least 1,500 - 2,000 MW of additional capacity is needed just to eliminate or at least minimize Lebanon's reliance on diesel-fueled private generators.

lion a year, given the significance of fuel to EDL's operating costs. At the moment, Lebanon imports diesel and heavy fuel oil to power its generation plants. "Gas is less polluting" says Ayat. "It's more efficient in terms of cost and the environment".

The transition from fuel and

diesel-powered stations to gas-powered is not without hurdles, but is very feasible if a plan is put in place. 60 percent of EDL existing power generation assets can be switched immediately to natural gas.

Such gas procurement can be obtained via a Floating Storage Regasification Unit (FSRU), which is a Liquid Natural Gas (LNG) storage stationary marine vessel that has an onboard regasification plant capable of returning LNG back into a gaseous state and then supplying it directly into the power plants.

According to Mona Sukkarieh, a political risk consultant and co-founder of Middle East Strategic Perspectives, there are two main ways to import gas: via pipeline or in liquefied form as LNG. "Lebanon is connected to neighboring countries via one pipeline, the Arab Gas Pipeline (AGP)," Sukkarieh explains. "But there are obstacles that stand in the way of importing gas via the AGP to Lebanon." This is because the AGP passes through Syria, and the Lebanese Government has had difficulties until now dealing with the Syrian regime.

Egypt has expressed the desire to export gas to Lebanon, which could either be in liquefied (LNG) form, which would require special facilities such as an FSRU, or via the AGP, which is sensitive due to the difficult relationship with the Syrian regime. Overall, according to Sukkarieh, reaching a decision with Syria is a political issue, which will depend on the policy a Lebanese government would adopt towards Syria. In addition, to import LNG, Lebanon would need special terminals, the FSRUs, which it does not have at this stage.

Another possibility would be to import natural Gas in a compressed form directly from Egypt via ships, a solution defended lately by member of Parliament Neemat Frem after a meeting on July 20,

2019 with the former Minister of Water and Energy, Nada Boustany. Nevertheless, there are questions with regards to the feasibility of this option according to Sukkarieh. As to date there is only one project using this technology, in Indonesia, according to a World Bank report.

Questions arise regarding the possibility to use Lebanese gas, should any be discovered. At this stage, Lebanon has not made any gas discoveries, and it would be difficult to assess when and if a commercial discovery will be made, according to Sukkarieh.

RENEWABLES

"There is no more denying that the future of energy is green, and we need to invest in the future. Lebanon is blessed with strong solar, wind and hydro resources," affirms Ayat, head of Energy Finance at Bank Audi SAL. "Prices of solar panels have dropped by more than 90% in the last 10 years, so much that solar is today more competitive than thermal power in many parts of the world."

Once perceived as an environmentally friendly initiative, today, renewables provide undeniable benefits. The first round of wind farms in Lebanon were priced at 9.6 cents/kW and the first round of solar farms in the Bekaa at 5.7 cents/kW. Both tariffs are well below the average cost of production of EDL at 14 cents/kW in 2018.

In addition, these electricity generation costs are fixed, and do not fluctuate with the price of oil, offering clear advantages in terms of price stability and security to the country.

The wind farms project, which would procure about an additional one hour of clean electricity to Lebanon per day, had received financial approval by the European Investment Bank "EIB" on November 14, 2019, but the disbursement of the loans

was halted following the crash of the Lebanese economy. The funding is still pending, its disbursement resting on the same conditions highlighted above: improved governance and the transition to sustainable, efficient and clean power production.

Renewables are also environment-friendly, capital intensive, bring developmental benefits and create more jobs than thermal energy. Once Lebanon adopts a least cost generation plan, the share of renewable energy in the energy mix will have to be substantial. Lebanon has already committed to the Paris Agreement to generate 30 percent of our energy production from renewable energy by 2030.

To help the government reach such a target, the private sector

■ "There is no more denying that the future of energy is green, and we need to invest in the future."

can play a significant role. Due to the high cost of electricity supply in Lebanon stemming from the reliance on expensive private generators, the private sector is highly incentivized to invest in decentralized solar power. Such solutions provide a cheaper, cleaner and more efficient source of electricity. This however would require the enactment of certain regulations and laws to allow for peer-to-peer trading of electricity and net metering with EDL.

Overall, Lebanon is at risk of plunging into the dark as early as February 2021, should the government fail to initiate macroeconomic reforms, electricity reforms and negotiations with the IMF. Such reforms primarily need political will to be put in place, and one can only hope that they are initiated imminently due to the urgency of the situation. ■

Vivisection of a trade heart



Resurgence of a shocked and atomized sector

The short story of Lebanon's vital trade of 2020 has three chapters but no resolution at the end. The tragic and dramatic lead character of the story is the Beirut port, which is revealed throughout the year as, in a succinct synopsis of this ballad, the open secret and potential epitaph of the Lebanese economy in its overwhelming dependence on external trade.

In the story's first chapter, external trade was hit by the worst economic headwinds that stakeholders in Lebanon's trade have experienced in years, due to severely restricted imports and port activity. The second chapter of the story starts out bloody and brutal, opening with one port warehouse's gigantic explosion on August 4. The immediate fallout of this unimaginable catastrophe was a perfect storm of an elite-induced humanitarian and economic emergency, and the people's justly outraged response; a cataclysm that

has swept away a – by that time already shockingly ineffective – 20-member government that had been in office for 202 days but was never truly in power. The yearlong narrative's third chapter overlaps with the existential pain felt by the myriad direct and indirect blast victims in the latter part of the year but, from the perspective of trade and container operations at Beirut port, actually constitutes the resilience part of the story. The narrative's conclusion, however, is a cliffhanger of unanswered questions and tensions leading into the next year.

THE OPENING CHAPTER

In the first six months of the year, activity at the country's existential point of entry for goods and gateway for exports – the Port of Beirut – saw a 47 percent contraction of imports. Already in the prior year of 2019, the port had seen a modest weakening of its business, but “2020 is the first real contraction and it is a drastic

one” in the experience of Samih El Zein, marketing manager of shipping industry stalwart Mediterranean Shipping Company (MSC) Lebanon, part of the five decades old Europe-based MSC shipping empire.

As Zein told Executive in an interview in the second half of July, the worrying contraction in the number of standard containers – the so-called twenty-foot equivalent units or TEUs – processed at Beirut Port between January and July was overshadowed by the risks of misfortune that would befall Lebanon's vital imports if there ever was a systemic breakdown of crucial port equipment, especially of the huge Chinese-made gantry cranes that have been working 24/7 as the physical backbone of the port's container terminal for the past two decades. “We are at risk of losing everything that the industry built over many years,” he said.

Both, the contraction of shipping activity in the first 6 months of 2020 (by over 50 percent when compared with the port's longer term performance over the same periods in the past four years), and the perception of excessive risk if crucial equipment failure would occur, were unsurprisingly rooted in Lebanon's economic meltdown and the debilitating restrictions on transferring funds abroad.

As a side note to the problem, the outlook for the global logistics industry in the middle of the year appeared momentarily uncertain and gloomy, exacerbated by the coronavirus lockdowns in various countries and the supply chain and logistics disruptions of spring. Whereas cargo arrivals to Lebanon from the distant manufacturing hubs of China in the first half according

to Zein were mere “ghosts of the past” and container shipment flows already reflected changes in Lebanese consumer behaviors and prioritization of basic necessities, cheaper goods and shorter international supply chains by importers, Zein expected inflows of containers through Beirut port to continue at reduced levels but not to dry up in the remainder of the year. The paramount concern on his mind, before the blast, for the near-term horizon was the specter of the Beirut port becoming unable to pay for equipment repairs due to transfer restrictions in combination with the rapidly weakening Lebanese lira.

THE EPIC DRAMA

While the global shipping and logistics industries were adjusting their ways to the global trade realities and emitted first signs of returning freight volumes and profits by the beginning of the year’s third quarter, the second chapter of the 2020 Lebanon trade story unfolded on a sunny Tuesday evening in Beirut. Out of the blue, first a fiery roar, then a fireball, and then a devastating blast-wave raced through the streets and buildings of Beirut in neighborhoods near to the exploding, ammonium-nitrate filled warehouse of the centrally located port.

In itself, this part of the port’s story was as short as it was destructive. This “Beirut Blast” was reported extensively in the hours following the catastrophe. The human cost, traumatic stresses, medical and survival needs and livelihood impacts on hundreds of thousands have been recorded and the responses documented over the following months. In parallel to those valid human interest stories, much has been opined, analyzed and speculated about everything and everyone who was ostensibly involved or morally responsible for the catastrophe, so much so that it does not need to be repeated here.

In the context of the Lebanese trade story, the explosion’s dramatic

chapter of humanitarian needs and amazing human solidarity does not have the central role. Therefore, just one encouraging recent piece of information might be noted: the latest update (No 15) in the regular situation reports by the United Nations Office for Coordination of Humanitarian Affairs, (OCHA) that covers the Beirut port explosion and aid responses, the UN flash appeal for relief funds has lately been revised downward to \$196 million and was noted to have been funded to 80 percent.

This is notable for both the important funding success of the flash appeal and for the downward reassessment of emergency needs by almost 45 percent when compared with the appeal issued at the end of August (an even earlier iteration of the appeal on August 14 contained an estimate of \$566 million in total need, covering eight needs categories from food security and shelter to medical and education. The December 2020 situation report by OCHA thus can be read, among other things, as testimony to the amazing international and local solidarity with the people of Lebanon – notably, it bears repeating that the volunteerism and solidarity among the people of Lebanon excelled over months after the catastrophe – that has made considerable strides towards healing the city.

While this human narrative wrote itself, the economic story of trade continued developing and did so, as usual in the Middle East, inclusive of regional and political overtones. Firstly, detailed numerical analysis of first-half and nine-month container traffic at Beirut Port showed that altogether, import shipping operations by the top five shipping companies and freight forwarders – which handle close to 80 percent of goods moved into Lebanon – through the port reached 110,033 TEUs in the first nine months of 2020, a 48.8 percent

drop from 215,011 TEUs in the same period of 2019. The announced revenues of Port of Beirut clocked in at \$84.8 million over the nine months, which shadowed the drop in activity through a contraction of 44.5 percent when compared with the same period last year.

The Lebanon This Week publication of Byblos Bank further noted that by the end of Q3, 2020, the five largest shipping companies Mediterranean Shipping Company (MSC), Merit (CMA CGM), Maersk, Gezairy Transport, and Tourism and Shipping Services handled 35,569 TEUs (13%), 28,606 TEUs (10.3%), 20,339 TEUs (7.3%), 14,104 TEUs (5%) and 11,415 TEUs (4%), respectively. These five shipping companies and freight forwarders furthermore accounted for 89 percent of exported Lebanese cargo and 18 percent of the total export freight market, including transshipments through Lebanese ports. Maersk registered a year-on-year increase of 15 percent in export shipping in the first nine months of 2020, the highest growth rate among the top five companies. Indicative of the volatile exporting situation, the companies’ export-shipping operations increased by 70.8 percent in September 2020

■ Shipping activity in the Beirut port contracted by 50 percent in the first 6 months of 2020 when compared to the port’s performance over the same periods in the past four years.

from the previous month, following a decline of 25.4 percent in August 2020.

For the political and strategic angle of trade in the eastern Mediterranean, the news of rapprochements between various Arab countries and Israel was the autumn period’s defining news. No wonder that the question of competition between Lebanese and Israeli ports was occupying local minds in Lebanon. With Beirut

port still in transition from arrested managers to their replacements and being consumed by investigating the blast, making repairs, and clearing up many messy questions over political responsibilities, operational negligence, possible terrorist implications, old-fashioned stupidity, destructive self-interests and handy scapegoats, attention for a while turned to the Tripoli port and its capacity.

With regard to the Tripoli port's utilization in short term substitution of the Beirut port, analysts recorded year-on-year increases of shipping volumes for the month of August. Those were reported as 55 percent increase in the number of vessels that called at the port and 79 and 99 percent increases in total shipping volumes and importation of goods, respectively. However, the number of TEUs processed at the port rose by a less spectacular 23 percent and analysts pointed out that Tripoli's very modest container terminal cannot serve as a sustained alternative to Beirut.

As far as the question if the port might be at risk of losing business to Israel's Haifa port under a changed political paradigm of commercial ties between some Arab nations and Israel, the Tripoli port director Ahmad Tamer responded that he has no fears of the Haifa port competing against Lebanese ports, on grounds that Lebanese ports would be able to count on the support of the Arab states to Lebanese exports. "We are not afraid [of such competition] since our ports have a distinguished geographical location. Besides, the Arab always stand with Lebanon and its exports," he tells Executive.

However, Elie Zakhour, the head of the International Chamber of Navigation in Beirut, sees the competition of the Haifa port as a serious concern. "The Haifa port is not only



a competitor to its Beirut counterpart but also to the Suez Canal." This view is based on buzz, first created in mid 2019, over creation of rail links between Israel and the United Arab Emirates and Saudi Arabia and also on the signing of a memorandum of understanding between the UAE's Jebel Ali Free Zone Authority and the Israeli chambers of Commerce, a move aiming to build new partnerships and allow data exchange. Zakhour further pointed to agreements between Dubai Ports Authority and

port – the "cave of Ali Baba and his 40 thieves" was a hit – the resilience chapter of the port's return to operations and facilitation of imports and exports must be accounted for in the year's trade narrative.

Contrary to the initial cries of alarm that the people in the city and country would be largely derived of bread and all existential goods, which could no longer be off loaded at the devastated port, the operational recovery of the port's trade heart – the container terminal with its towering cranes that have been defining the Beirut seaside since the beginning of the century – was achieved by August 10, the start of the next workweek after the devastating explosion.

Situated between 1.3 and 2.3 kilometers from the warehouse where the irresponsibly stashed store of ammonium nitrate had blown up, the damages to the all-important container terminal ranged from destruction of a spare parts warehouse containing 100,000 items to far slighter damages to the most distant equipments and facilities, including the quayside cranes. Several department heads in the management team of the Beirut Container Terminal Consortium (BCTC), the public-private partner-

■ The operational recovery of the port's trade heart was achieved by August 10, the start of the next workweek after the devastating explosion.

Israel to revamp the ports of both countries, something which he considered as posing large competitive threats to the Beirut port.

THE RESILIENCE TALE OF THE BEIRUT CONTAINER TERMINAL

While pundits chase catchy labels for the problems of the Beirut

ship (PPP) company that has been operating the concession for the terminal and yard under a 15-year contract that actually expired in 2020 and was put up for a new tender in March, recounted their experiences in the days after the explosion in a meeting with Executive.

The first hours were filled with shock and implementation of evacuation plans in the operation that numbers 650 employees and has about 150 on shift at any time of day and night. Safety, quality, and efficiency, in that order, are the three top priority objectives of procedural management that govern BCTC operations at any time, explains Terminal Manager Sarah Haidar. The safety, evacuation, and emergency response plans at the container terminal – a district in the port that is in a tight customs enclosure – thus were implemented within minutes of the blast. Search for employees on the ground commenced. Combining their efforts, uninjured managers and employees from all departments soon were heading to the hospitals all over Beirut's conurbation, checking for injured colleagues. Phone trees were implemented to verify the safe whereabouts of every employee in the chaotic first two days after the blast. The team of BCTC suffered 10 fatalities and 42, partly major, injuries. The last two missing bodies could be found and recovered only after a week.

The next action steps included setting up an outdoor emergency operations node in the parking lot, checking the integrity of containers with dangerous materials, finding of temporary electricity solutions for hooking up containers that depend on refrigeration in the heat of the Lebanese summer, retrieving one existential piece of equipment from the BCTC administration building – the server – and starting to sort through the debris, all in organized and orderly fashion to the extent possible.

Making a really long story short,

the 99 percent Lebanese workforce of BCTC, returned the container terminal to partial operating functionality by August 7 and resumed the terminal's activity on August 10, following safety checks of the port area and basins by the Port Authority and Lebanese security agencies. Up until the end of November, operational capacities were further recovered in increments.

AND THEN WHAT?


If the past year has reinforced any trade knowledge, this must be the knowledge that external trade is inseparable from the economic success of this country. For a century, there have been and still persist man-made challenges for the geographic edge-and-transit country of Lebanon; these will not vanish until the global neighborhood of the Near East finds, if not outright peace (we dream of it, along with dreams of good national governance and 24-hour electricity, etcetera), but contractual and orderly coexistence which pays non-war dividend.

The Tripoli port is a fine example. According to its director Ahmad Tamer, one week of Beirut Port closure saw 4,000 containers rerouted via the northern gateway to Lebanon, translating into temporary increases of general cargo volumes by 50 percent and containers by 10 percent during the period. But the real significance of the Tripoli port and development ideas for locating maritime transport hubs away from Beirut is the stunted regional gateway potential of such facilities. "The Tripoli port's main aim is to serve external trade, but unfortunately the transit routes through Syria were closed when the civil war began in this neighboring country," Tamer says, pointing furthermore to the border closures between Syria and its other Arab neighbors.

The self-interests of countries in the Mashreq region and the impediments of ongoing conflicts are not

the only barriers that constitute historical challenges to greater cross-border economic utility of Lebanese ports. In any case, Israeli-Arab rapprochement or not, it stands to reason that ports located on the eastern and northeastern Mediterranean and the Red Sea and Gulf/Shatt Al Arab coasts will have to compete for business in the wider Middle East where transportation infrastructures and emerging sea-land bridges are bound to re-shape the long-term equations of economic transit between Europe and Asia.

In the short term, the Beirut container terminal operation is far from a comfortable situation because of the stresses on the economic equation that are caused by capital controls, need to maintain the expensive equipment, and downside risks on Lebanon's importation volumes. As the concession for operating the terminal has this year been renewed in piecemeal extensions of three months at a time, question marks loom over the operation and the today very questionable proposition to reach another multi-year concession agreement with a qualified operator. This all endangers what in the words of BCTC general manager Ziad Kanaan was the successful creation of an industry. He tells Executive enthusiastically, "This project has in our opinion been the most successful PPP project in Lebanon."

One could easily argue that any further deepening of the past year's economic policy and financial liquidity problems besetting Lebanon's external trade can only be detrimental for the future trans-regional and international trade position of Lebanon if the ongoing challenges for finding better governance and national maritime coordination among Lebanese ports remain unsolved. The last two decades of gains in the utilization of the well-managed Beirut container terminal are an asset that must not be eroded. 

Retail on the run



Consumer landscape redefined

From the perspective of consumer markets in Lebanon today, there are two classes of people: 1, those who can no longer carry out basic transactions in a consumer economy, and 2, those who are lucky enough to still go shopping, without knowing how long their luck will last. The large and growing first group includes those residents who depend to varying but overall increasing degrees on food aid, and those store keepers who have been forced by the economic crisis to shutter their small stores. The number of destitute families today is innumerable in exact terms but assumed to be in the hundred thousands; the store shutdowns by many estimates are reaching up to 10,000 points of sales, numbering between one third and 40 percent of

traditional retail outlets. Their retail experience is existentially nil.

The second group, those who are still in luck of having access to printed paper currency (the perception these days is that of paper, more than that of currency) still includes many city dwellers in Beirut and elsewhere, judging by the visual evidence of crowded streets, socially distanced holiday fairs, and supermarkets in the Christmas season of 2020.

However, from a perspective of retail shopping as the quintessential modern activity in pursuit of economic satisfaction, the experience of the shopping class today is a rather sad mixture of opportunism – a combination of bargain-hunting and hoarding of basic food and household items in bounded rationality – and frustrations, from

the sudden disappearance of brands and items that used to be abundant on the shelves to having to frantically calculate costs and compare prices against the available real budgets. Those personal wallets after all look deceptively large in lira amounts but have next to no purchase power when compared to the relative stable purchase power of the last 5 or 10 years. Ergo, the average retail experience this year is either absent or, in the fortunate case, a mixed bag of pains and excesses.

From the vantage point of profit-seeking retailers, consolidated retail turnovers have posted a sharp decline in the past 12 months, between third quarter of 2019 and third quarter in 2020, with all sectors of retail witnessing a “continued – and even worsening deterioration”, as stated by retailers and trade analysts in statistical documents that are rife with very disturbing numbers. The Beirut Traders Association – Fransabank index of retail activity in Lebanon (BTA-Fransabank Retail Index) in this regard paints a picture of steady erosion of retail volumes over the ten years between the beginning of 2011 and the third quarter of 2020.

THE RETAIL INDEX

The index fluctuated from the starting line of 100 points in the first quarter of 2011 – a quarter that predated the Arab Spring unrest and recurrent malfunctions of the political system and top institutions in Lebanon. By third quarter of 2019, the nominal index had receded to 49.57 points and the inflation-adjusted index to 45.04 points. While seriously worrying, both the nominal and inflation-adjusted index readings

at this point in time one year ago were comparable to the two previous quarters in 2019 and also the first two quarters in each of 2016, 17, and 18 when the index had dipped below the 50 points mark.

Over the four following quarters – Q4 2019 and the first three quarters of 2020 – however, the index fell off the cliff, dropping to less than 40 points (nominal) in the fourth quarter of 2019, then deteriorating successively further to 31.5 (Q1), 21.8 (Q2), and 21.9 points by the third quarter of 2020. While the nominal index thus suggests a near stabilization at low-level between the second and third quarter of this year (20 retail categories were still shown as receding quarter on quarter by between 5 and 90 percent, but the three retail categories of stationary/office supplies, used vehicles, and medical equipment reported increases when compared to the second quarter), the inflation-adjusted index number collapsed to 5.52 points in Q3 of 2020, down from 33.96 points a year earlier. In combination with the failures of negotiations and absence of government action except for valiant attempts to stem the rise of Covid-19, the report's wholly cheerless opening line was that the third quarter of this year for Lebanon "was catastrophic in all aspects".

Khoury Home, confirmed to Executive not long ago that the chain adjusted to the challenges of 2020, even before the full extent of the crises could be anticipated. The company of then 450 employees, according to its chairman Romen Mathieu, decided to downsize in the summer of 2019, shift more into e-commerce and change the retail model. "It was hard to let go of about 200 employees at the time, closing over five showrooms, and right-size the administration. But every single employee got his full benefits at the time, with

commitment to every employee that they would have the first right to re-join the company if it were to expand again. When the thawra started, our competitors had big issues because they had large expenses [at a time of] slow business. We were already up to speed in e-commerce and terms of organization and flexibility," he says.

"After the thawra, the economic crisis and the failure of the Lebanese lira, the banks, the Beirut blast etc, we have been sustaining a very good business adapted to the situation and ready to pull up again – not like before, the business model will be different to not only cover Lebanon but hopefully also a number of countries around Lebanon, with the knowledge that we have developed," he tells Executive.

TRADITIONAL VS MODERN

One changed reality appears to be that modern retail and traditional retail have been thrown into a new dynamic, one that is reducing the role of traditional players in favor of more professional operators. The sudden death of so many small retailers in Lebanon – think "traditional retail" to be represented by a standalone shop or small family-owned network – is a huge problem for Lebanese society.

About this, even the country's largest supermarket operator, the Grey Mackenzie Lebanon Group that owns Spinneys, is adamant. By the destruction of 10,000 or 15,000 retail points of sales in Lebanon, "we will create oligopolies and monopolies. This is exactly what nobody wants. We have talked about free competition and having as much competition as we can, and this was working before all of this started. Now, due to inflation and [because many tradi-

tional retailers were] not making all the right decisions, or being forced not to make the right decisions because the circumstances are extreme, everybody as a sector is looking at traditional trade to make sure that they are able to survive. We hope that

■ By the destruction of 10,000 or 15,000 retail points of sales in Lebanon, "we will create oligopolies and monopolies. This is exactly what nobody wants."

we can help," says Hassan Ezzedine, the chairman and general manager of Grey Mackenzie.

For big players in modern retail – think chain stores or supermarkets – the crisis forced them to work much harder to keep their shelves filled with goods that the consumers would accept and could somehow still afford. But the changing retail landscape also means that there are opportunities for the swiftest and best capitalized players to acquire market share and expand, where, before the crisis many expansion attempts had been unsuccessful.

The challenge now is to reinvent Lebanese retail paradigms, as behavior changes have been forced on consumers and as the country is by necessity shifting towards more rational solutions of modern retail at the expense of cherished shopping habits. New business models with inclusion of salient online and offline strategies and considerations of exports (including brands of agro-foods that are really produced in Lebanon and not just packaged or labeled here) will indubitably be challenging to implement from the tiny Lebanese market base, but the retail crisis of 2020 does not preclude that some groups will convert these challenges into platforms of growth. ■

By Thomas Schellen

2020: Spinney's successes, challenges and outlook



Q&A with Hassan Ezzedine,
Executive Chairman
of Gray Mackenzie

The Gray Mackenzie Retail Lebanon group took over the local supermarket chain, Spinneys, three years ago next spring, acquiring the brand from Abraaj Capital in the United Arab Emirates. Today, the group portfolio includes 16 Spinneys super and hypermarkets, 5 discount stores under the Happy brand, and 11 convenience marts under the Grab'n'Go label. Sitting down with Executive for an extensive conversation, Gray Mackenzie Executive Chairman Hassan Ezzedine describes how the group has been handling the economic crisis of 2020 and is positioning itself for the future.

Due to Covid-19, according to Ezzedine, the supermarket has become a one-stop destination for shoppers, who expect to find everything they could possibly want in one place. In response, the Mackenzie retail group is now working on developing as many consumer categories as possible. This includes the introduction of food courts and the development of online delivery to plans for cross-border expansion as well as production and exports of new food brands.

Before the inflation of 2020, supermarkets in Lebanon had a lot of competition, and price wars drove down the price of goods. Now, that the Lebanese pound has devaluated so fast, from 1,500 L.L. to above 8,000 L.L. in Q4 of 2020, consumers are facing a new reality: prices are going up fast.

There has been great stickiness to traditional retail [think family-owned business] in Lebanon. Modern retailers [think hyper and super markets] have not taken more than a third of the market. How is the split between traditional and modern retail looking today?

Traditional trade has shrunk. Today, according to many of our suppliers, and Nielsen Data also shows this shrinking of traditional retail, we are at 50:50 [between modern and traditional]. For some [suppliers], it is 60:40, but this also depends on the supplier. Modern trade has definitely taken a big chunk out of traditional trade during the economic crisis. Inflation has not helped traditional trade, or wholesalers, and increased the size of modern trade. Now it is up to modern trade to decide how to take this further. As I told you earlier, if I am looking at tier two and tier three [regions, further distant from the main coastal population centers] and start going up into these areas, then we will take an even bigger chunk. I think there are huge opportunities for modern trade in these [rural] areas.

Would you disclose how much of the market you have in terms of volume?

Pre-economic crisis, according to Nielsen we were 7 percent of the total trade, modern and traditional.

By volume?

By value at the time [when the

group took over Spinneys]. We made a few improvements and one year and a half after we acquired, we improved two [percentage] points. I thought that was a very good achievement that we made. The changes that we made bore fruit. During the crisis I think that we reached 30 to 35 percent of modern trade, if we used to represent 20 percent of modern trade. This is based on numbers that we have seen from our suppliers when they share with us how much we represent from their turnover.

How has the overall import quota of things on the shelves of your average Spinneys shifted between mid-2019 and mid-2020?

It depends on the category. There are categories that have lost demand, let's say imported water, to give an example. Because the price of the [imported] product has increased, the quantity [of that product] decreased. The price of Perrier increased 40 percent, the volume decreased 40 percent. The category, however, has either maintained its level or has grown [as buyers switched to other, cheaper brands]. So, as a total per category, continuing with this example, there was not a contraction of sales of bottled mineral water.

Has there been a major shift from imported to local items of daily consumption?

Definitely, in areas where Lebanese are in this category.

Take wine and cheese as two of my favorite digestive exercises.

Let's start with wine. Two to three years ago, I decided that the wine category at Spinneys needed a total renovation. We did a type of [joint venture] with Vintage and we took

[our wine selection] down from 2,000 references to 200. We depleted the old stock that we had, and we worked on certain price points for each type of wine and what values we were getting. When the inflation happened, everything obviously went down the drain, all price points were blown out of proportion. With the inflation, we still had a consumer that wanted our wine, but we also had great demand on Lebanese wine, because the price suddenly was more attractive. Lebanese vineyards have good wine. In certain years, great wines.

E *How much of your turnover in red wines is in Lebanese wines versus imports, compared to one year ago?*

[The ratios] have totally flipped. If it was a 70:30 [in favor of imports before], it today is at 30:70. If it was two to one, it is two to one to the other side now.

E *How is the situation with imported cheese such as French cheeses versus Lebanese cheese?*

We cannot compare between French cheese and Lebanese cheese. We always had a huge reliance on foreign cheese. We can make Halloumi and similar but we don't have the capacity to make all the cheeses like Brie, Roquefort, and all the rest.

E *How did the employee headcount develop over the past year?*

We are stable. At the end of the day the number of shops that we have [determines the headcount]. However, we had a lot of changes at the beginning from the management perspective. Many left us, but the main core [members] of the company are here and have more responsibility today.

E *You had renovations and re-designations of stores in the last 24 months. Did you open any new Spinneys stores in that period?*

We opened Signature in the Beirut Souks. That was TSC before and



we called it Signature [because] we opened something above what Spinneys had [in terms of upmarket targeting] and we will go with this concept into other parts of the world.

E *More affluent locations, you mean?*
Exactly.

E *The location in the Beirut Souks was impacted in the blast but Signature has reopened?*

We are open. The blast has affected us in five stores and one warehouse. The team was able to fix everything to make it operational within two days. Tilal [located in Furn el Hayek, Achrafieh] took several more days because it was hit harder than others.

E *The Grab'n'Go in Gemmayzeh?*

It was totally destroyed. We got it back. All of our stores are back. We lost one employee in [Spinneys] Mar Mitr in the blast. It was terrible but it brought us even closer together. We helped each other out.

E *Has the payroll of your 2,200 employees been maintained at nominal level?*

First of all we [each employee an amount equivalent to half their salary] as bonus about five months ago. Then we are distributing every two to

■ “During the crisis... we reached 30 to 35 percent [of Lebanese market share] of modern trade. This is based on numbers that we have seen from our suppliers.”

three months a voucher that is equivalent to 22-23 percent of the payroll, which employees can spend at Spinneys or Happy. We have done this three times and are doing it again at Christmas. In January or February we are looking to do an increment for the whole company. The level has to be studied. The problem is that we cannot tell right now what level of turnover we are going to be working with.

E *Can you say something about how your bottom line profit margin compares today to what it was a year ago?*

We maintain it, but if you correspond it to the real dollar value, it is divided by eight.

E *So it has dropped?*

The emphasis this year has been on two things: maintaining our working capital and [reducing] our payable days [target for paying invoices].

Q&A

Spinneys had 90 payable days; today it has 30. We were able to pay our distributors and suppliers to make sure that they stay afloat. We were able to pay bonuses. Today, it is time to survive and the main concern in January is that we cannot hold back any longer. We need to increase salaries, it is not enough to give food vouchers. We are helping as much as we can but people have lost their purchasing power and we have to find ways to bring it back.

E *As you have mentioned, this year has been full of hiccups - sometimes overnight a supplier announces that they can no longer supply Spinneys. Is there a lot of pressure on the management team, such as your procurement and branch managers?*

There is, definitely. But we have a super team.

E *How many persons are in the management team?*

Let me put it this way: we have 70 people that steady the ship from the operational and commercial perspective.

E *If, hypothetically, there were an international investor who would want to acquire the group and offer you what you paid for the company plus a 20 percent premium on the acquisition, would you sell?*

No, because I feel there is a lot more potential in this company. We have many plans to expand it whether at home or in Syria and we have created brands that we want to take outside. Also, you become an addict to retail and FMCG. I think I found my calling. It would be very hard to lure me away from it.

E *How has your platform for e-commerce and home delivery been performing in 2020 and how are you planning to work on it?*

We renovated the whole platform. We still have a few areas to tackle. We renovated how the platform is perceived by the consumer, but there are many things that have to be done in the background. We still have a few logistics issues that we want to fix.



E *Do you have a key performance indicator for the group on what your delivery time should be?*

We are working on time slots. So that means that whenever you pick a two-hour time slot, we have to be there. If you choose a time slot like 8 to 10, 10 to 12, etcetera, we have to be there within that time slot. Today we are being late by 20 minutes or half an hour, but we are working on it.

E *Will you seek to corporatize the home delivery into an independent unit that would also serve third-party delivery needs from other stores or restaurants?*


What we are trying to do – and we are following this model for Grab'nGo, Happy and Spinneys – is that each concept has to make money on its own. All these stores are using the purchasing power of the group, and online, we will be able to use that purchasing power to create the margins required [for every entity to function individually]. But it has to make money as an entity itself before we expand and drown ourselves with investments that are not giving us any return. What I see is that Amazon is converting to brick and mortar. So what has happened is that both cannot live without each other. As brick and mortar I need my online platform and the online platform needs brick and mortar.

E *Did the covid lockdowns generate a spike in online delivery?*

In the first lockdown that happened in [spring] we did not yet have our new platform ready. So we saw an increase, but if you want me to compare it to what our brick and mortar was selling – and [that is the case] even with the new platform when we got the new lockdown in November and sales were comparable [to those from March and April], the representation of online in comparison to what the brick and mortar was doing, was negligible. That does not mean that we will not enrich this channel and enhance it as much as we can.

[Delivery] will grow slowly and gradually with time, there obviously is demand for it. Through Grab'nGo we will go for fast deliveries, and through Spinneys, we will be creating a full marketplace. But we would like to perfect our logistics, our dark stores, do everything so that when we fully engage the consumer, they get the best experience that they expect when they come to Spinneys.

E *But it will be a Spinneys platform, not branded differently under some corporate identity?*

It will always be Spinneys. We believe Spinneys is a great brand name in Lebanon, it has the equity and the trust of the consumer, and we would like to develop and build on it. 



EXECUTIVE ECONOMIC ROADMAP

- DRAFT 4.0 -

FOREWORD

Lebanese have finally abandoned voyeurism. The heart-breaking extent of the successive catastrophes of 2020 triggered a collective awakening from denial. It is time to face our demons and inhibitors. Each and all are concerned, anxious and angry.

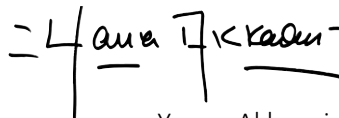
“Something’s got to give.” For years, this is what we thought and wrote about at the magazine. We certainly did not imagine that everything would give at the same time. The pandemic, the economic collapse, the August 4 blast. Month after month the pain remains acute as we cling to what is left, and reclaim what has been embezzled - our dignity, livelihood, and hope.

We are more conscious than ever of the toxic complexities that riddle our political, security and military realities. The euphoria of the promise of a different tomorrow has eased and realism has matured. Today’s discourse promises agreement and negotiation, both necessary for an elevated reflection over possible alternatives.

The Economic Roadmap 4.0 complements the emerging political will, doctrine, and resolve, which centers Lebanon’s well-being and future. At Executive, we have re-committed to our purpose and promise.

We invited diverse, great minds to examine in-depth topics like corruption, poverty, labor, entrepreneurship and healthcare, and elevated and updated corresponding policies and measures.

The outcome is collective and collaborative; and when the time comes, we hope that this rigorously researched, in-depth Roadmap will serve as an action plan for Lebanon’s deliverance.

A handwritten signature in black ink, appearing to read 'Yasser Akkaoui'.

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This year's roadmap recommendations owe substantially to a series of four roundtables organized by Executive magazine in collaboration with the United Nations Development Programme (UNDP) in September 2020, to produce a special report on corruption. The panellists on these roundtables were:

Atallah Ghacham Celine Moyroud Dayana Al Baba Ghassan Beidoun Ghassan Moukheiber Inaya Ezzedine	Jason Reichelt Jessica Obeid Khalil Jebara Lara Saade Martin Walecki Mostafa Hunter	Rania Uwaidah Rima Adhami Samuel De Jaegere Yara Nassar Zaid Al-Ali Ziyad Baroud
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EXECUTIVE'S Economic Roadmap 4.0 was produced with the support of Konrad-Adenauer-Stiftung



"The measures in the combat corruption section have been updated on the basis of four webinars organized collaboratively by UNDP and Executive Magazine in September 2020. Webinars available online."

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INTRODUCTION

The Economic Roadmap 4.0 was developed at the end of 2020 to provide stakeholders with a salient update of Executive Magazine's definite opinion and consultative working platform for advancing the Lebanese economy. Building on the first version published in the December 2018/January 2019 issue of Executive, and a second version published with an additional 261 measures and three entirely new national priorities in February 2019, Executive presented Roadmap 3.0 at the end of 2019 in the hope that it would accelerate the discussions that swept across Lebanon after the events set in motion on October 17, 2019.

Sadly, the year 2020 was instead inundated with political uncertainties, the unimaginable disaster of the August 4 Beirut port explosion and the resulting humanitarian emergencies, a global pandemic and the fears it generated, a depreciating currency, destruction of employment, and exploding poverty.

This tsunami of detrimental developments notwithstanding, the Lebanese people have held on to their dreams that powerfully manifested themselves at the end of 2019 in what has entered the national annals as Lebanon's civil thawra (revolution). The past year saw many of their demands being discussed further and a select few reflected in legislation such as the adoption of the law against illicit enrichment in May or the law to penalize sexual harassment and the decree to suspend banking secrecy that were adopted by the Lebanese Parliament in December. The highly controversial Bisri Dam project was removed from the national agenda.

As laudable as these responses to the people's expressed will were, they have been far too late and too little for putting the country on a productive track. The central reform and economic policy decisions have not been taken. When assessing the many fateful policy indecisions and the deterioration of the public and private economy over the year 2020, the task of elevating the discussion to one that can generate a sustainable and healthy productive economy is actually more urgent than ever.

At the same time, there are vital and complex tasks at hand that are screaming for rapid implementation. The road ahead in this sense has turned into a maze that contains many more dead ends than viable paths. In recognition of the truth that it will not only be impossible to implement all of the roadmap's desirable measures or set them into motion on any rational timeline but that the most urgent measures must not be ignored any longer by procrastinating parties, Executive has selected 39 Roadmap measures as urgent recommendations that need to be tackled and achieved in 2021. These milestone targets have been added to the front of the Roadmap 4.0 document under the title "Emergency Recommendations".

As in the previous Roadmap iterations, there was little or no disagreement among Executive editors on the inescapable need and order of priorities for moving Lebanon to safe economic ground. Whereas many needs of the Lebanese economy had not been met since we published Roadmap 2.0 and 3.0, however, new priorities have arisen. Implementing social safety nets, restoring the people's health, and controlling corruption are emergency needs that Executive Magazine has covered in 2020 Special Reports on corruption, poverty, and health care with the support of highly reputable international partners, namely the United Nations Development Programme and the Konrad Adenauer Stiftung Foundation.

Emergency recommendations for 2021

EXECUTIVE editors and staff have compiled the most salient points across the four sections of the Economic Roadmap to create a succinct path forward for Lebanon's recovery in 2021.

Measure 1.1.5

Adopt digital tools to ease tax compliance and make taxation processes, including tax rates, more transparent, and inclusive of all economic sectors by 2021.

Measure 1.1.7

Review, expand, and ameliorate existing proposals on achievement of greater tax efficiency and justice (unified income tax draft law) and an automatic income tax declaration by 2021.

Measure 1.2.1

Stabilise the exchange rate thanks to the unlocking of foreign help and the establishment of measures to attract foreign direct investments.

Measure 1.2.13

Enact a capital controls law in accordance with international standards applied in countries who have faced banking crises in the past.

Measure 2.1.6

Use data to build nation-wide crisis-management plans, to aid in efficient distribution of goods and services

Measure 2.4.7

To bolster the private sector, address capital control regulations to allow businesses of all sizes to maintain and grow their operations, allowing for international transactions when necessary, to keep Lebanon's industries, services and products relevant

Measure 2.5.7

Use PPPs to deliver financial capacity, purchasing power, and liquidity

Measure 3.1.4

Evaluate all holdings and assets of the state to identify and better allocate the use of these resources. Identify the most rational state asset fund structure among the several competing models that have been circulated in 2020. Legislate and implement a viable, well-governed, transparent and fully accountable state asset fund.

Measure 3.1.5

In the context of overhauling the civil service, examine options for early retirement packages to reduce staff bloat and redundancies of workers, particularly in quasi-public entities providing public services. Examine the options laid out for rationalization of public service payrolls and benefits that have been put on the table in 2020 and implement a socially least-destructive solution as early as possible in 2021.

Measure 3.2.1

Examine the allocation of ministries and ministerial portfolios under economic and governance perspectives, align reform measures with international preconditions for receiving financial aid, eliminate political power distribution as a reason for ministerial appointments, and condense the number of ministries to be more in line with international standards.

Emergency recommendations for 2021

Measure 4.1.3

Integrate the principle of immovability of judges into current practices.

Measure 4.2.4

Limit immunities of heads of state, ministers, legislators, and other public officials through the empowerment of the appropriate institutions under Article 80 of the Constitution of the Republic of Lebanon.

Measure 4.2.8

The Supervisory Commission for Electoral Campaign should obtain more funding, more personnel for it to execute its missions and to issue recommendations. This should be accompanied by prerogatives in order to issue sanctions.

Measure 5.1.1

Based on the lessons learned from the liquidity and deposit management crises in the financial sector of Lebanon, implement forensic audits of all financial institutions, state and commercial. Revise and strengthen public transparency and regulation of all financial actors. Review measurements of risk exposure of banks, modernize the legal framework of credit guarantees and debt recovery procedures, and improve the credit system.

Measure 5.1.8

Fully implement Law 28 (2017) on access to information and coordinate a national plan for combating corruption; Implement the national corruption commission legislated in 2020. Design and empower regulatory frameworks that facilitate the definition and recapture of illicit gains by politically exposed persons and public servants on all levels.

Measure 5.1.10

Review regulatory frameworks in the spheres of environmental protection and climate change mitigation. Adopt regulatory frameworks that support achieving global climate objectives.

Measure 6.1.6

Pursue new international agreements and expand existing agreements for university exchange programs, to create opportunities for Lebanese to pursue learning abroad despite capital control measures.

Measure 7.1.3

Establish an autonomous regulatory agency that collaborates with the MoPH to regulate the pharmaceutical sector, with its main objectives being to ensure high standards, fair competition, and equal access, and to incentivize import substitution of medicines with locally manufactured medication.

Measure 7.1.4

Prioritize substitution of imported medicines with locally produced generic drugs and reduce unwarranted subsidies of non essential over-the-counter drugs. Engage with the Order of Physicians to introduce sanction mechanisms regarding the handling of medical malpractice lawsuits or complaints.

Measure 7.1.5

Digitize personal medical records, starting with first contact at primary healthcare centers, to be used at secondary and tertiary medical facilities.

Measure 7.3.1

Enhance the provision of healthcare services and in particular essential and new coronavirus vaccines, to families and individuals who are threatened by poverty in light of the crisis in Lebanon

Measure 7.4.4

Economic and pandemic conditions could be addressed by increased integration of public hospitals into national policy, better governance of public healthcare overall, audits of patient records, and greater focus on prevention.

Measure 8.1

Secure financing from the IMF and other institutional bodies in order to obtain the necessary short-term financing required to guarantee payment to foreign suppliers in order to avoid massive electricity cuts.

Measure 8.3

Improve governance in the sector through a consistent regulatory and procurement framework, limiting the monopoly of any entity and promoting healthy competition and transparency.

Measure 8.10

Conduct a full audit for EDL and all institutions operating within the sector and prepare financial statements for previous years by 2021.

Measure 8.18

Issue and implement a renewable energy and energy efficiency law by end of 2021, which would provide the MoEW with a framework for mainstreaming energy efficiency and renewables management in Lebanon.

Measure 8.19

Launch process to privatize generation plants.

Measure 9.1.6

Reassess citizens' water needs and shortages post port explosion, taking into account citizens' stumped purchasing power and liquidity, revising distribution and access strategy to maximize reach.

Measure 10.1.4

Develop frameworks organizing commercial transport and integrating all Lebanese ports and airports into advanced digitized traffic management systems and modern, durable traffic networks. Build more resilient port capacities, enforce supervision and increase safety precautions in the freight sector.

Measure 12.1.2

Immediately expand coverage and effectiveness of existing social safety nets such as the National Poverty Targeting Programme, accounting for the rapidly growing number of newly poor families.

Measure 13.1.3

Adopt and support the effective implementation of legislative amendments that

Emergency recommendations for 2021

modernize the country's system for the declaration of wealth by public officials to make it more efficient, and ensure that the declarations are submitted periodically, made more comprehensive, and are able to be audited for completeness and correctness.

Measure 13.2.3

Finalize and adopt the law on conflict of interest, including the establishment of a national committee that reviews existing and proposed legislation and sets limits and regulations of potential conflicts of interests.

Measure 13.3.8

Implement, in negotiation with the IMF, a full and transparent audit of the Central bank and of public agencies, including ministries within the end of 2021.

Measure 13.3.9

Continue engaging in discussions with foreign partners to launch an international investigation into the causes of the August 4 explosion.

Measure 14.3.4

Enforce laws protecting historic buildings and natural sites, specifically neighborhoods in Beirut that were impacted by the 2020 Beirut Port catastrophe but also other sites throughout the country, and introduce more barriers against the demolition of historic buildings and natural sites. Prevent predatory development practices of land buying and property destruction in the area impacted by the Beirut Port explosion;

Measure 15.2.1

Set up a committee grouping public and private sector representatives by the end of 2021 to develop a two-year and five-year plan (mise-à-niveau programs) to improve competitiveness by identifying targets and performance indicators.

Measure 16.3.2

Create a one-stop-shop portal for MSMEs and startup entrepreneurs to access information and inquire about financial support and other incentives for startups, which would help reduce the burden on companies with regards to administrative formalities, obtaining permits, registration property and others.

Measure 17.1.1

Restructure and strengthen the mandate of the National Employment Office to rapidly and efficiently collect information from Lebanese residents and Lebanese returning from abroad, as well as Syrian and Palestinian refugees, and create a file for each applicant.. Institute state partnership with foreign donors and international financial institutions (IFIs) in design and rollout of financial aid and lending programs for the protection of payrolls and jobs at SMEs in the formal economy.

Measure 17.2.4

Review and, if necessary, revise financial inputs to, and benefits packages of, work-related social insurance systems. Support the establishment of remote work in both national and cross-border contexts through tax breaks and other incentives.

• • •

Build & reform

Agenda Priority 1

BUILD FISCAL POLICY

In the fourth quarter of 2020, the issues concerning Lebanon's fiscal performance and public debt outlook have become challenges of economic survival. The March default on the country's Sovereign Debt has only accelerated this trend. This new urgency only adds to the importance that has been enshrined previously in Article IV reviews for Lebanon by the International Monetary Fund (IMF). The IMF has repeatedly alerted officials that the debt burden could be the prime risk source compromising financial stability, and renewing talks with the IMF on a clear basis, around a credible recovery plan for the economy, is today a matter of survival.

Many contend that under the conditions observed since the end of 2019, it will not suffice to stabilize the debt-to-GDP ratio and gradually decrease it with growth-oriented policies, as was done during the first decade of the millennium. The necessity to negotiate with stakeholders in full transparency needs to be addressed in order to stabilise the debt to GDP ratio in light of the economic contraction suffered this past year. Overall, the Lebanese economic crisis will further reduce the country's capacity at servicing its national debt, and the default on sovereign debt, if not addressed, will result in Lebanon being a pariah in international markets. These and other historic local and global factors deserve study, but in the immediacy of 2021 it has become paramount for the Lebanese state to reform and develop fiscal measures. Lebanon needs to establish a 2021 budget consistent with a macroeconomic and debt sustainability framework negotiated with current holders of sovereign debt. Further inevitable is a re-examination of the banking sector, its ability to support the government, private companies, and households, and the ways in which to implement financially sustainable policies at Banque du Liban (BDL), Lebanon's central bank. In order to obtain IMF and CEDRE funds, genuine structural and institutional reforms are needed at all levels.

Fiscal reform must introduce new instruments that are able to increase social justice and sustainability as well as incentivize private investments and greater economic activity. In addition, fiscal reform needs to be flanked by a proactive approach for aligning and developing the monetary policy and capital markets regime under the auspices of BDL, with the fiscal policies produced and implemented by the Ministry of Finance (MoF). In addition, no effective fiscal policy can be implemented without addressing the need to restructure the banking sector, as the latter has long been the biggest provider of tax revenues for the state in the corporate sector. The financial crisis has paralysed the banking sector, which is in need of recapitalisation in compliance with the IMF's recommendations. A restructuring of the banking sector would further alleviate pressure on banks and depositors, and help restore confidence which, in turn, would alleviate pressure on the Lebanese Pound. This should be accompanied by a long-awaited capital controls law which would shield banks from possible legal repercussions and help stabilise the Lebanese Pound.

The fiscal reform policy must be contextualized, with measures that increase the primary surplus and rationalize expenditures; introduce institutional reforms to improve credibility, transparency, and planning; and initiate structural reforms to increase competitiveness and economic growth.

Build & reform

Agenda Priority 1

POLICY PRIORITY 1.1

BUILD FISCAL POLICY

Main Challenges

- Research tax base, enhance tax incidence, and strengthen progressive/direct taxation
- Update tax instruments improve tax compliance, and penalize tax evasion, including income tax and value-added tax
- Rationalize (long-term) debt instruments
- Fulfill reform pledges linked to the CEDRE process and other commitments of the government

Proposed Measures

Measure 1.1.1

Improve deliberation and adoption of state budgets. Implement budgets with strict control, not to exceed spending targets, beginning with the 2020 budget. Commit to public consultations for future budgets, as prescribed in the MoF Citizen Budget 2018.

Measure 1.1.2

Expand comprehension of the size of the Lebanese tax base and incentivize participants in the informal economies to enrol in the formalized economy and pay taxes.

Measure 1.1.3

Improve tax collection and educate citizens on the benefits of taxation.

Measure 1.1.4

Disincentivize tax evasion and smooth the transition from tax evasion to tax compliance with help of grace periods and bridging measures.

Measure 1.1.5

Adopt digital tools to ease tax compliance and make taxation processes, including tax rates, more transparent, and inclusive of all economic sectors by 2021.

Measure 1.1.6

Launch work on a new, progressive tax policy and remove tax loopholes for offshore companies.

Measure 1.1.7

Review, expand, and ameliorate existing proposals on achievement of greater tax efficiency and justice (unified income tax draft law) and an automatic income tax declaration by 2021.

Measure 1.1.8

Achieve greater transparency of fiscal expenditures and use of tax revenues by making disclosures of fiscal allocations and tax usage mandatory for all ministries and state agencies.

Measure 1.1.9

Introduce new modelling techniques at the MoF that enable better forecasting and evaluation of the impacts of tax measures, in collaboration with the IMF in order to better forecast Debt to GDP ratio. .

Measure 1.1.10

Streamline the issuance of new debt instruments and provide the citizens with clear information about new debt needs and measures.

Measure 1.1.11

In the medium term, help smooth out the debt burden through stronger activation of the secondary market. Publicly list all new debt instruments on the Beirut Stock Exchange (BSE) and/or Electronic Trading Platform (ETP).

Measure 1.1.12

Diligently pursue all structural reforms that relate to the improvement of the fiscal performance of Lebanon under existing commitments.

Measure 1.1.13

Carry out good-faith negotiations with the IMF to unlock technical assistance and financial support, around a credible economic recovery plan.

POLICY PRIORITY 1.2***FISCAL POLICY ALIGNMENT WITH MONETARY STABILITY PRESERVATION AND A SOUND EXCHANGE RATE REGIME*****Main Challenges**

- *Adjust exchange rate regime in accordance with policy needs.*
- *Embellish monetary policy in the form of interest rate and inflation targeting*
- *Refine the relationship between BDL and the MoF*
- *Increase the depth of capital markets*

Proposed Measures**Measure 1.2.1**

Stabilise the exchange rate thanks to the unlocking of foreign help and the establishment of measures to attract foreign direct investments.

Measure 1.2.2

Establish a process for regular reviews of macroeconomic conditions in Lebanon, focusing on growth and stability.

Measure 1.2.3

Provide more disclosure of the decision and rationales used by BDL for their monetary policy, interest rate decisions, and inflation targets.

Measure 1.2.4

Streamline the procedure for interactions between BDL and fiscal policy-makers, to make the decision-making processes and outcomes more transparent.

Build & reform

Agenda Priority 1

Measure 1.2.5

Align fiscal policy with the stated objective of deepening capital markets in Lebanon through the incentivization of capital market operations. Encourage participation and investment in the Lebanese economy through usage of the new capital markets tool, the ETP (under design).

Measure 1.2.6

Encourage public listing of family-owned conglomerates and large businesses on the BSE.

Measure 1.2.7

Incentivize the floatation of young companies and startups, as well as small and medium enterprises, on the ETP.

Measure 1.2.8

Increase transparency and awareness of the mandate of the Capital Markets Authority in Lebanon.

Measure 1.2.9

Increase provision of technical support and fiscal incentives for the different classes of companies seeking to be newly listed.

Measure 1.2.10

Mandatory for all companies benefitting from public funds to be listed on the Beirut Stock Exchange with a 51 percent float.

Measure 1.2.11

Incentivize companies to list their private debt on the ETP to allow for foreign currency investments to encourage exports.

Measure 1.2.12

Engage in discussions with the IMF and the banking sector in order to advance in the much-needed recapitalization of the banking sector through a strengthening of their balance sheets, equity injections and optional mergers.

Measure 1.2.13

Enact a capital controls law in accordance with international standards applied in countries who have faced banking crises in the past.

• • •

BUILD CAPACITIES

Lebanon faces the challenges of a fast-moving globalized economy, but at the same time has a backlog of lost development in economic capacities, brought on by decades of internal and external conflicts and state inactivity; these losses have only been compounded by the crises of 2020. While partial changes to the code of commerce were legislated in 2019, what remains to be overhauled is legislative infrastructure for the public and private economy and the ease of doing business. Processes and potential pitfalls of privatizations of state-owned or state-affiliated enterprises need to be examined. The data foundations for economic and social planning need to be determined, and productivity in the public and private sectors also needs improvement.

There are experts and professionals with the work ethic and know-how needed for public service, and capacity building is an urgent priority to improve the collection, analysis, and usage of data for public policy formation, fiscal modeling, and social programs. Also necessary is the development of public sector capacities to support productivity and improvements in all sectors, as well as the alignment of public and private entities through completion of public-private partnership (PPP) legislation. Public sector employees must be trained in governance, assistance, and supervision so that they can not only support the PPP processes that were legislated in 2017, but also achieve proper governance within public institutions. Lebanon continues to lack proper statistics, upon which the formulation of economic policy must be based. So far, efforts to build a statistical database have been sparse, uncoordinated, and insufficient, hence the need for a master plan with the objective of building a long-term database.

The principal objective of privatizing state-owned enterprises is to promote growth and modernize the economy, not to generate revenues. Privatization, which can take several forms (e.g., build-operate-transfer, management contracts, full or partial sale, partnership with strategic international investors, etc.), remains the main bridge that is expected to transform and modernize the Lebanese economy. Privatization, however, should be considered on a case-by-case basis.

PPPs can offer a reliable alternative in many instances, and are especially important now as public infrastructure, like the central bank and electricity providers, fail to meet citizen needs.

While restructuring state-owned enterprises and legislative development—including the introduction of a competition law and regulatory authority—remain a prerequisite to any successful privatization program, the government must fully commit to the privatization option and announce its intention to resume this program.

Privatization should not be considered as an option to generate revenues to meet short-term fiscal needs, but must instead be viewed as a process that will yield dynamic economic benefits in the long run. It should be noted that a precondition for successful PPPs is a thorough supervisory and regulatory framework.

Build & reform

Agenda Priority 2

POLICY PRIORITY 2.1

DEVELOP CAPACITIES FOR DATA COLLECTION, ANALYSIS, AND USE

Main Challenges

- Empower the Central Administration of Statistics (CAS)
- Devise and implement a census
- Develop a statistical master plan
- Coordinate between CAS projects and other stakeholders in the public administration and private sector
- Use data as basis of crisis management

Proposed Measures

Measure 2.1.1

Review the CAS' capacities and invest in development of underpowered areas at the organization. This includes recruiting and training qualified statisticians and staff, and investing in data collection capabilities and software needed for analysis.

Measure 2.1.2

Legislate a census for Lebanon.

Measure 2.1.3

Implement the census.

Measure 2.1.4

Assist the CAS in developing a statistical master plan, and implement any agreements with foreign institutional counterparts. Integrate public and private sector stakeholders into the development of the statistical master plan for participation in its implementation.

Measure 2.1.5

Engage private sector stakeholders to supply anonymized data for statistical analysis needed for policy-making, and provide businesses with access to assist private sector decision-making.

Measure 2.1.6

Use data to build nation-wide crisis-management plans, to aid in efficient distribution of goods and services

POLICY PRIORITY 2.2

ENHANCE CAPACITIES IN THE PUBLIC SECTOR

Main Challenges

- Create an adequate human capital base of technical experts
- Create an adequate human capital base of governance and competition experts

Proposed Measures

Measure 2.2.1

Assess the level of technical competencies and gaps in public sector ministries and agencies, as well as the number of unnecessary or overlapping bodies.

Measure 2.2.2

Devise a plan to train or hire workers to fill identified gaps and determine the associated costs, in parallel to moving or reducing the number of workers in undefined and unnecessary roles.

POLICY PRIORITY 2.3
INCREASE PRODUCTIVITY

Main Challenges

- *Create an adequate human capital base of technical experts*
- *Create an adequate human capital base of governance and competition experts*

Proposed Measures**Measure 2.3.1**

In collaboration with commercial banks, financial intermediaries, capital market stakeholders, and Banque du Liban (BDL), Lebanon's central bank, establish various funds and capital markets instruments that will boost access to equity, credit, and investments, finding ways to navigate existing credit control

Measure 2.3.2

Incentivize international joint ventures and technology transfer alliances by improving intellectual property rights protection, offering fiscal incentives, and removing non-tax barriers to businesses.

Measure 2.3.3

Invest in the institutional capacities and human capital of regulators that are deemed productivity boosters in financial markets, public services, and the real economy.

Measure 2.3.4

Encourage the attraction of FDI by upgrading investment agencies with more human capital and larger budgets for marketing and advertising in foreign jurisdictions, and increase incentives for inflows of FDI that contain technology transfer components.

POLICY PRIORITY 2.4
ENABLE THE BUSINESS AND INVESTMENT CLIMATE

Main Challenges

- *Update legislation*
- *Facilitate trade*
- *Streamline interactions with the state and remove red tape*

Proposed Measures**Measure 2.4.1**

Further modernize existing laws pertaining to competition, anti-dumping, intellectual property, antitrust, small- and medium-sized enterprises, quality-enhancing, bankruptcy and insolvency, code of commerce, and the building code.

Measure 2.4.2

Create legislation that would allow for small debts recovery.

Measure 2.4.3

In the interest of improving trade facilitation, evaluate existing assessments, such as the World Bank's Doing Business report and similar international benchmarks on practices and barriers in Lebanon—act to address issues raised.

Measure 2.4.4

Introduce e-government solutions and improve omni-channel access to governmental procedures, such as customs, to reduce red tape on import and export trade procedures.

Build & reform

Agenda Priority 2

Measure 2.4.5

Introduce a government-backed export program with an added mandate of educating companies on how to export.

Measure 2.4.6

Create a trade and finance program and restructure all trade debts.

Measure 2.4.7

To bolster the private sector, address capital control regulations to allow businesses of all sizes to maintain and grow their operations, allowing for international transactions when necessary, to keep Lebanon's industries, services and products relevant

POLICY PRIORITY 2.5

MAKE PRIVATIZATION WORK

Main Challenges

- Remove barriers to privatization of state-owned enterprises
- Complete and empower PPP framework
- Increase public sector understanding of privatization and PPP
- Improve oversight structures and mechanisms

Proposed Measures

Measure 2.5.1

Complete and implement PPP legislation and empower independent oversight bodies that can contribute to the efficient delivery of services of PPPs, including the judiciary, regulatory bodies, and civil society.

Measure 2.5.2

Make state-owned enterprises market ready to operate as private sector entities.

Measure 2.5.3

Determine public good priorities to be met by privatized entities.

Measure 2.5.4

Activate capital markets in the context of privatization of state-owned enterprises.

Measure 2.5.5

Review privatization proposals on a case-by-case basis, and implement solutions to provide the services of privatized companies aligned with social and public interests.

Measure 2.5.6

Intensify existing nascent training of municipal, provincial, and national agencies to enable them to evaluate and manage PPP projects and procurements.

Measure 2.5.7

Use PPPs to deliver financial capacity, purchasing power, and liquidity

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BUILD STATE INSTITUTIONS

The institutional backbone of the Lebanese state, long noted for conditions that impair crucial state institutions, has been exposed to further stresses in the collated crises of 2020. The building of solid state institutions and autonomous public institutions is now a matter of survival for the Lebanese state. Public administration in Lebanon more than ever before must adhere to meritocratic standards and meet paradigms of work ethics and efficiency. To achieve structural reforms and migrate to a healthy public administration, it is of utmost importance that elected authorities reduce the size of the public sector and implement lawful and transparent hiring. In the short term, this is an essential precondition for any assistance provided by multilateral financial institutions and foreign governments. Beyond immediately required institutional reforms in the public administrations, a civil service revamp on the national level should further reduce and as much as possible eliminate inefficient, budget-draining programs, departments, and agencies, continuing steps initiated in autumn of 2019. State institutions should be augmented by the creation of autonomous and accountable public institutions and the empowerment and activation of such autonomous institutions that have been dormant. On the sub-national level (regional and municipal administrations), the aim should be to decentralize decision-making, utilize new technologies, and increase productivity. Prerequisites for decentralization include: reformation of the legal and institutional setup of control institutions (e.g., public audit, civil service board, and central inspection); establishing a digital and transparent system for budget control and management; and restructuring districts according to economic parameters aimed at social cohesion. A merit-driven public administration would be the key to attracting foreign investment, creating jobs, and restoring confidence in the local economy.

POLICY PRIORITY 3.1

MODERNIZE THE CIVIL SERVICE

Main Challenges

- *Tackle decentralization*
- *Overhaul the civil service*
- *Eliminate corruption and dead-end careers*

Proposed Measures

Measure 3.1.1

Develop new legislation to consolidate previous draft laws for decentralization at the municipality level.

Measure 3.1.2

Improve legislation for determining responsibilities and decentralization structures for levels beyond the municipality.

Measure 3.1.3

Decentralize decision-making and institutions by empowering local governments (i.e., with resources, enforcement capabilities, and financial autonomy) and creating regional offices for service ministries.

Build & reform

Agenda Priority 3

Measure 3.1.4

Evaluate all holdings and assets of the state to identify and better allocate the use of these resources. Legislate and implement a viable, well-governed, transparent and fully accountable state asset fund.

Measure 3.1.5

In the context of overhauling the civil service, examine options for early retirement packages to reduce staff bloat and redundancies of workers, particularly in quasi-public entities providing public services. Examine the options laid out for rationalization of public service payrolls and benefits that have been put on the table in 2020 and implement a socially least-destructive solution as early as possible in 2021.

Measure 3.1.6

Redesign and rationalize incentives including overtime allowances and non-monetary incentives for civil service employees.

Measure 3.1.7

Enhance institutional oversight and accountability bodies with the aim of reducing corruption and improving public sector productivity (more policy targets and measures on combating corruption can be found in Agenda Priority 12).

Measure 3.1.8

Ensure the implementation of whistleblower protection legislation and adequate mechanisms for reporting infractions.

Measure 3.1.9

Align institutional development with a roadmap for e-government, and adjust organizational charts of public entities to comply with an e-government roadmap.

Measure 3.1.10

Restore the sole authority of the Civil Service Board as the oversight body for the examination and hiring of public sector employees.

POLICY PRIORITY 3.2

REFORM MINISTRIES AND AGENCIES

Main Challenges

- *Remove redundancies in the ministerial space*
- *Rationalize the interaction of state fiscal and monetary agencies*
- *Develop a financial constitution and system of state institutions that includes resilient autonomous institutional components*
- *Align political and economic objectives in distribution of public administration units*

Proposed Measures

Measure 3.2.1

Examine the allocation of ministries and ministerial portfolios under economic and governance perspectives, align reform measures with international preconditions for receiving financial aid, eliminate political power distribution as a reason for ministerial appointments, and condense the number of ministries to be more in line with international standards.

Measure 3.2.2

Implement and expand the consolidation of agencies with overlapping authorities and functions as proposed in the October 2019 governmental rescue plan (such as the Council for Development and Reconstruction, the Council of the South, the Displaced Fund, and the Higher Relief Committee) and expedite consolidation process.

Measure 3.2.3

When warranted by economic needs, establish new institutional competencies. For example, independent agencies for export promotion or diaspora relations.

Measure 3.2.4

Ensure the independence of the Special Investigation Commission and appoint a chairman who is independent from, rather than head of, the central bank.

Measure 3.2.5

Improve the disclosure processes of draft legislation and enable greater public participation in the drafting of legislation. Attendance records of all parliamentary sessions and the voting records of parliamentarians should be made easily accessible to the public.

Measure 3.2.6

Institute a credit bureau that has a governmental mandate of collecting information and ensuring adherence to contracts and agreements.

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Build & reform

Agenda Priority 4

JUDICIAL REFORM

Lebanon's current judicial system has been in place since the country's independence, but this longevity belies the judiciary's manifold weaknesses. At the very least, we have realized that independence does not necessarily mean sovereignty, and the first step to sovereignty is a strong and independent judiciary. The main points of concern are over weak independence and inefficiency of the judiciary, especially in the time lag on judgments achieved in judicial proceedings. A key demand in this regard is the strengthening of judicial independence. According to the Arab Barometer (2019), 91% of Lebanese citizens report corruption on the institutional and administrative levels as a problem. Another aspect of concern is that confessional considerations have influenced the judicial selection process. Military conflicts in Lebanon in the second half of the 20th century affected the political system and the independence of the judiciary, eroding citizens' confidence in both. Critics of the judicial system in civil society cite interference in the courts, particularly internal interference by judges in the Higher Judicial Council (HJC), as "commonplace." These critics argue that every citizen needs to feel protected by the courts, regardless of their sect or standing in society. The current system does not provide this guarantee. In the wake of the failure of the nomination process of independent and competent judges, it has become imperative to guarantee judiciary independence.

Barriers against the possibility of holding public servants accountable for their actions, and possible infractions, have to be removed. Provision of immunity from legal repercussions for all public servants, including ministers, must be examined and, if necessary, amended to improve judicial accountability.

Incentives for judges to avoid engaging in corrupt activities must be developed. The executive branch has significant influence in the selection process of the HJC, which is a violation of the democratic principle of the separation of powers. Structural problems may also arise from the HJC's authority to transfer judges between posts without the judge's consent. Civil society activists note that judges are appointed as consultants for various administrations, again blurring the lines of the separation of powers. This, moreover, becomes a way to bribe judges, as salaries increase for each additional consultancy position.

In an independent judiciary, the principle of the immovability of judges is an integral factor. A judge's qualifications, impartiality, and experience should be the basis for promotion. Currently, judges operate with little oversight, as no evaluation mechanism is in place to monitor effectiveness and competency after appointment.

POLICY PRIORITY 4.1**INCREASE THE ABILITY OF JUDICIARY
TO FUNCTION INDEPENDENTLY****Main Challenges**

- *Improve access to judicial records*
- *Institute merit-based evaluation mechanism for judges*
- *Improve judicial independence*
- *Build resilience to corruption*
- *Align standards for Lebanese judiciary with international standards*

Proposed Measures**Measure 4.1.1**

Pass the draft law on judicial independence and transparency as a concrete measure toward building a strong judiciary.

Measure 4.1.2

Adopt periodic evaluation of judges and create a personnel file for each judge to track performance. Establish an objective criteria as a basis for appointments and promotions, and ensure that promotions are based on merit and competence.

Measure 4.1.3

Integrate the principle of immovability of judges into current practices.

Measure 4.1.4

Improve recruitment of competent, quality judges by increasing impartialities in the entrance exam and limiting the weight of the oral exam in the final grade as this assessment is more vulnerable to the examiner's biases.

Measure 4.1.5

Review the judiciary system of the military court and ensure that civilians are treated under civil jurisdictions.

Measure 4.1.6

Strengthen judiciary mechanisms to ensure compliance with international conventions, such as the UN Convention on the Rights of the Child and UN Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment.

Build & reform

Agenda Priority 4

POLICY PRIORITY 4.2

IMPROVEMENT OF JUDICIAL INSTITUTIONS

Main Challenges

- *Reform the Higher Judicial Council*
- *Legislate and facilitate the inclusion of officials*
- *Enhance integrity and transparency*

Proposed Measures

Measure 4.2.1

Restructure HJC to ensure representation and independence of different categories and grades of judges.

Measure 4.2.2

Remove conflict of interest issues by addressing the practice of judges working as consultants for governmental administrative entities.

Measure 4.2.3

Adopt laws to ensure the complete financial and administrative independence of the judiciary.

Measure 4.2.4

Limit immunities of heads of state, ministers, legislators, and other public officials through the empowerment of the appropriate institutions under Article 80 of the Constitution of the Republic of Lebanon.

Measure 4.2.5

Embellish the framework for easing citizens' access to non-court arbitration procedures, for example, by creating the position of ombudsman to support citizens' pursuit of justice.

Measure 4.2.6

Digitize all court records and proceedings, and provide access to these records where warranted.

Measure 4.2.7

Create a mechanism by which NGO's, civil society organizations, and trade unions could seize the constitutional council in the event they would wish to contest a judgement as being against constitutional principles.

Measure 4.2.8

The Supervisory Commission for Electoral Campaign should obtain more funding, more personnel for it to execute its missions and to issue recommendations. This should be accompanied by prerogatives in order to issue sanctions.

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BUILD REGULATORY FRAMEWORKS

Legal and regulatory frameworks provide assurance to markets, offering a level and competitive playing field to businesses in an increasingly globalized and complex environment. A healthy legal and regulatory environment is one that continuously adapts local and national practices to international best practices. In Lebanon, designing balanced and transparent regulatory frameworks is of added importance and urgency for the national ability to achieve new levels of productivity and international competitiveness. Existing frameworks have in many cases not been kept up to standard, leaving regulators and the private sector to operate in uncertain business environments, less able to compete in the global economy. In order for the private sector to operate within a steady business environment that also enforces relevant laws and rules, Lebanon must appoint or re-mandate regulators that independently govern their relevant industries. Lebanon should develop alignments with global regulatory standards, adopting global best practices in frameworks for financial standards and state procurement processes.. Financial intermediation, online privacy, cyber-security and digital currency frameworks need to be updated and made more accessible. Climate and environmental regulatory frameworks are of even greater importance than financial regulatory frameworks for facing the emergent third decade of the 21st century. Productive and services industries should lobby for regulatory frameworks that will allow corporations to embed cultures that are adaptive to change. Beyond these frameworks, buy-in and reinforcement of regulations are key to the success of their implementation.

POLICY PRIORITY 5.1

MODERNIZE REGULATORY FRAMEWORK

Main Challenges

- *Modernize the legislative framework against money laundering and hot money*
- *Assess and improve the enforceability of anti-corruption regulations*
- *Upgrade regulatory frameworks and incentives for small and medium enterprises*
- *Improve regulatory frameworks and incentives for startups, green projects and instruments*

Proposed Measures

Measure 5.1.1

Based on the lessons learned from the liquidity and deposit management crises in the financial sector of Lebanon, implement forensic audits of all financial institutions, state and commercial, including all ministries. Revise and strengthen public transparency and regulation of all financial actors. Review measurements of risk exposure of banks, modernize the legal framework of credit guarantees and debt recovery procedures, and improve the credit system.

Measure 5.1.2

Appoint, rejuvenate, and empower the Telecom Regulatory Authority, the Lebanese Petroleum Administration, the Insurance Control Commission, and the Electricity Regulatory Authority to further empower independent regulatory institutions.

Build & reform

Agenda Priority 5

Measure 5.1.3

Reinforce the role of the Capital Markets Authority and provide it with the necessary resources to go beyond monitoring and assessing the markets to a market development function. The CMA should be responsive, facilitate enquiries by private investors, as well as establish a system of communication that is user friendly and efficient.

Measure 5.1.4

Proceed in the privatization of the Beirut Stock Exchange (BSE) and the Electronic Trading Platform (ETP).

Measure 5.1.5

Put in place incentives and regulatory frameworks to encourage the proliferation of, and financing and investment into, SMEs and startups, including incentives with emphasis on green investments.

Measure 5.1.6

Develop new legislation to consolidate previous draft laws for the insurance sector to promote proper competition and better protect policy-holders.

Measure 5.1.7

Standardize operating procedures and codify health regulations in the hospitality sector.

Measure 5.1.8

Fully implement Law 28 (2017) on access to information and coordinate a national plan for combating corruption. Implement the national corruption commission legislated in 2020. Design and empower regulatory frameworks that facilitate the definition and recapture of illicit gains by politically exposed persons and public servants on all levels.

Measure 5.1.9

Enhance competitiveness in the economy by passing legislation and measures to improve the doing business environment, as per Policy Priority 2.4: Enable the Business and Investment Climate.

Measure 5.1.10

Review regulatory frameworks in the spheres of environmental protection and climate change mitigation. Adopt regulatory frameworks that support achieving global climate objectives.

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Strategize

Agenda Priority 6

EDUCATION

Lebanon's education pillars were hit hard by 2020's cacophony of crises. The August 4 explosion, according to post-blast Ministry of Education and Higher Education (MEHE) reports, destroyed and/or damaged at least 199 schools (90 public, 109 private), 5 technical and vocational compounds, including 20 buildings, as well as 32 higher education facilities. The financial collapse and liquidity issues have made it difficult for families to afford schooling locally, as more and more institutions only accept cash payment - whilst it has become exceedingly difficult to finance any education abroad, given the banks' ever-increasing limits on international transfers. Add to this the effects of Covid-19, which has pushed schooling norms online, creating a digital barrier for schooling - requiring students to have hardware and internet to be part of the classroom - at a time where 50% of the Lebanese are under the poverty line.

Even before 2020 hit, Lebanon faced the need to overhaul its education system in line with emerging understandings of emotional and social development processes and knowledge acquisition of children and youth. Given the fragmentations of the existing system, especially along the lines of private and public schooling, an improvement of overall education outcomes is needed across institutions, from kindergarten to high school, universities, and vocational schools. Under consideration of the shrinking ability of households to finance quality education from their own resources, and with regard to the importance of education that enables today's youth to sustain themselves in a digital economy, the importance of revising and reinventing education systems from angles of financing and pedagogics is heightened. Academic institutions across the country are generally under-funded and operate with little oversight. There is little consistency in education policy and Lebanon's students emerge into a labor market that is incapable of absorbing the high number of graduates, exacerbating brain drain.

Lebanon's educational system must provide access to all school-age students, a challenge that has become more acute in the face of growing inability of households to finance private education. Academic facilities across the country must be enhanced to accommodate and improve educational access for those with physical and intellectual disabilities.

MEHE must build on best practices and existing programs to reform curricula, and build resilient and autonomous academic governing structures and educational institutions. Successful educational reform must focus on the core components of teaching, learning, and preparing children for the digital era. These reforms need to be made under the umbrella of the Center for Educational Research and Development (CERD). But first, the CERD must be rejuvenated to operate at capacity. The MEHE's human resource strategy and structure also must be urgently addressed.

Strategize

Agenda Priority 6

POLICY PRIORITY 6.1

CREATE A NATIONAL VISION FOR EDUCATION

Main Challenges

- *Ensure national curricula are in line with international standards*
- *Prioritize new knowledge and national libraries*
- *Utilize existing networks and best practices*
- *Pursue integration of special needs student*

Proposed Measures

Measure 6.1.1

Redesign a curriculum for schools that puts skill building at the center, and that focuses on the 8 Cs (curiosity, collaboration, composure, compassion, creativity, communication, collaboration, and citizenship).

Measure 6.1.2

Study and emulate the best education practices worldwide, e.g. the Finnish model.

Measure 6.1.3

Review and revise the content of the Lebanese Baccalaureate exams.

Measure 6.1.4

Develop a monitoring and evaluation mechanism that can be used to build a statistical foundation to measure and evaluate the quality of education.

Measure 6.1.5

Using the existing statistical database, incorporate evidence-based policy to review and revise the structure of the public education system, and to strengthen governance and accountability.

Measure 6.1.6

Pursue new international agreements and expand existing agreements for university exchange programs, to create opportunities for Lebanese to pursue learning abroad despite capital control measures.

Measure 6.1.7

Establish an auditing system at the MEHE so that education standards are equal across public and private schools at all education levels.

Measure 6.1.8

Develop new continuing education initiatives for educators to learn latest practices and incorporate technology into the classroom.

Measure 6.1.9

Ensure enrollment access from kindergarten to high school for all students, regardless of gender, orientation, religion, socioeconomic or residency status, and physical and/or intellectual disability.

Measure 6.1.10

Develop new legislation to consolidate previous draft laws and require all public and private schools to accommodate students, faculty, and staff with disabilities. In addition, this legislation must eliminate discriminatory admission policies and costs, and ensure inclusive curricula, staff training, and reasonable accommodation.

Measure 6.1.11

Require all public and private schools to upgrade facilities with necessary infrastructure—such as ramps, elevators, and accessible restrooms—for students with physical disabilities.

Measure 6.1.12

Develop alternative learning paths for students with special needs, and enhance faculty capacities for inclusive education.

Measure 6.1.13

Fundraise to ensure students have the necessary hardware and internet to participate in virtual learning, and to cover re-building costs post port explosion

POLICY PRIORITY 6.2***DEVELOP A SKILLED LABOR FORCE***

Main Challenges

- *Diversify education*
- *Promote lifelong learning*

Proposed Measures**Measure 6.2.1**

Develop and support technical schools and incorporate alternative training across all institutions. Develop night school programs at secondary, technical, and university education levels to provide workers with the opportunity to develop their skills.

Measure 6.2.2

Develop external programs at universities in collaboration with ministries, academic organizations, and other relevant parties to develop skill sets relevant to the private sector.

Measure 6.2.3

Subsidize software and language classes for part-time and full-time workers and those employed at enterprises that have 10 or fewer workers.

Measure 6.2.4

Offer incentives to employers so that businesses invest in their workforce and employees have access to continuing education programs.

Measure 6.2.5

Enhance the matching of labor market and education provision with the collaboration of an inter-ministerial task force, focusing on the acquisition of future-oriented skills for the digital economy.

Strategize

Agenda Priority 6

POLICY PRIORITIES 6.3

STRENGTHEN PUBLIC EDUCATION

Main Challenges

- *Standardize education*
- *Strengthen institutional autonomy*

Proposed Measures

Measure 6.3.1

Establish a national accreditation board to review and, if necessary, revise licenses of academic institutions.

Measure 6.3.2

Amend governance and the legal framework of the Lebanese University to increase its independence with regard to the selection of all administrative posts, recruitment policy of professors, and research.

Measure 6.3.3

Empower the Lebanese University to seek non-governmental sources of funds (e.g., endowment).

Measure 6.3.4

Provide incentives for professors at the Lebanese University to seek research funding (e.g., reduce teaching load and incorporate into promotion policy).

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HEALTH

Health was amongst the greatest issues that disrupted Lebanon in 2020, apart from the man-made disaster of the August 4 Beirut port explosion. Prior to the Covid-19 pandemic, a checkup on the overall robustness of the nation's health infrastructure would show surprisingly strong vital signs, albeit with some lingering concerns, such as reports of malpractice and medical insurance fraud. A lack that was recognized was the need for universal health insurance and access to healthcare for everyone in Lebanon. In the context of Lebanon's impromptu multi-year stress test of the 2010s — the unplanned influx of Syrian refugees that began accelerating in 2013, placing strain on Lebanon's medical centers, hospitals, and primary health facilities— the health system has not buckled.

Since the onset of Lebanon's liquidity crisis in the second half of 2019, however, and even more so since the outbreak of the global coronavirus crisis, concerns have mounted with regard to availability of medical procedures, hospital beds, and concerning the funding of imported medicines and medical equipment. The overall diagnosis in this crisis context is that the healthcare sector requires international support for provision of health services to newly impoverished population groups, besides locally coordinated development between the public sector and the for-profit and nonprofit private sectors.

The private sector needs to learn from the experiences of public health institutions and the Ministry of Public Health (MoPH) over the last few years, adopting lessons learned and best practices. Governance problems and corruption at the level of hospitals, clinics, pharmacies, and smuggling of subsidized brand medicines, have been highlighted by the crisis. Greater attention must be paid to public health issues, like the harmful effects of open waste burning.

On the public sector side, there are any number of improvements that still need to be made. This should begin with a restructuring of the MoPH, where manpower seems to be overstretched and has thus far not been reorganized due to political interference. Working on the issues that the ministry has not addressed—such as closing coverage gaps and eliminating structures that are producing inequalities in these areas—must also be prioritized. The ministry must hone its ability to regulate and supervise, and it has made progress on that front. Greater effort must be made to reposition the MoPH as a regulatory body, pivoting away from its service-delivery role.

Both public and private health institutions need to create a better popular understanding of the connections between their work and mutual collaboration, and the benefits to overall public health. Stakeholders seem not to have coordinated their public relations in this regard, and private stakeholders are stuck in a sort of family business mentality when it comes to communication, or the lack thereof, with the media. Awareness-building within the general population must become a greater priority, necessitating clear communication strategies and greater transparency from the private sector, the MoPH, and public health institutions.

Strategize

Agenda Priority 7

Main Challenges

- *Define the role and mandate of the MoPH*
- *Improve hospital supervision*
- *Improve patient rights*

POLICY PRIORITY 7.1

MODERNIZE THE LEGISLATIVE AND INSTITUTIONAL FRAMEWORK

Proposed Measures

Measure 7.1.1

Organize a health forum where stakeholders can contribute to support the national strategy and manage expectations and priorities. The forum can also serve as a platform to communicate policy direction and outcomes with the media and public.

Measure 7.1.2

Assess and revise licensing of health facilities and identify new criteria for medical centers to operate under. After institutions are accredited, implement follow-up checks to ensure standards are consistently met.

Measure 7.1.3

Establish an autonomous regulatory agency that collaborates with the MoPH to regulate the pharmaceutical sector, with its main objectives being to ensure high standards, fair competition, and equal access, and to incentivize import substitution of medicines with locally manufactured medication.

Measure 7.1.4

Prioritize substitution of imported medicines with locally produced generic drugs and reduce unwarranted subsidies of non-essential over-the-counter drugs. Engage with the Order of Physicians to introduce sanction mechanisms regarding the handling of medical malpractice lawsuits or complaints.

Measure 7.1.5

Digitize personal medical records, starting with first contact at primary healthcare centers, to be used at secondary and tertiary medical facilities.

Measure 7.1.6

Put together a national committee that, in collaboration with the National Council for Scientific Research, the World Health Organization, and international organizations, will define a research agenda for health priorities and seek yearly grants.

POLICY PRIORITY 7.2
IMPROVE SOCIAL INSURANCE SYSTEMS

Main Challenges

- *Public funds and social security*
- *Empower insurance supervision*
- *Private insurance*

Proposed Measures
Measure 7.2.1

Activate the role of the intra-agency technical committee that represents all healthcare related funds to map the current situation, identify overlaps and forms of abuse, and present a set of recommendations. Publish the report and hold parties accountable to implement the recommendations.

Measure 7.2.2

Finalize the automation of the National Social Security Fund and introduce web-enabled services, starting with tracking applications and direct wiring of refunds for eligible beneficiaries.

Measure 7.2.3

Empower the Insurance Control Commission and transform it into an independent regulatory agency.

Measure 7.2.4

Take steps toward the provision of universal healthcare through the expansion of health insurance coverage.

POLICY PRIORITY 7.3
LAUNCH AN EDUCATIONAL AND CIVIL SERVICE CAMPAIGN

Main Challenges

- *Raise awareness on preventive health, especially in regards to the Coronavirus*
- *Raise public awareness on health-related issues*

Proposed Measures
Measure 7.3.1

Enhance the provision of healthcare services and in particular essential and new coronavirus vaccines, to families and individuals who are threatened by poverty in light of the crisis in Lebanon

Measure 7.3.2

Offer free wellness packages at primary healthcare centers for individuals who fit the criteria for extreme poverty. Subsidize an annual general checkup at select hospitals for citizens of low-income status, and all citizens above the age of 50.

Strategize

Agenda Priority 7

Measure 7.3.3

Develop nursing programs and a faculty of nursing as part of Lebanese University, which would include internships at hospitals in rural or impoverished areas, or in mobile clinics.

Measure 7.3.4

Launch year-long public awareness campaigns targeting seasonal, communicable, and non-communicable diseases and ways to prevent and combat them, and run campaigns explaining the right to healthcare and how to exercise it.

POLICY PRIORITY 7.4

IMPROVE PUBLIC HEALTH

Main Challenges

- Boost recycling efforts
- Stop uncontrolled waste burning
- Improve food safety and restaurant inspections

Proposed Measures

Measure 7.4.1

Launch awareness programs in all schools to teach children about recycling and conservation, and ensure that schools recycle.

Measure 7.4.2

Create a comprehensive public health strategy to tackle the health problems resulting from uncontrolled waste burning.

Measure 7.4.3

Implement Law 35 (2015) on food safety, including the Food Safety Lebanese Commission (FSLC). Train inspectors and ensure they have adequate capacity to carry out inspections.

Measure 7.4.4

Economic and pandemic conditions could be addressed by increased integration of public hospitals into national policy, better governance of public healthcare overall, audits of patient records, and greater focus on prevention.

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ENERGY

Lebanon's power sector is essential to economic development, yet it has turned into a heavy burden due to inefficiencies. If properly run and operated, it could easily become a major target of foreign direct investment and a primary catalyst for economic growth. Over the past decades, the power sector—primarily because of the public utility, Electricité du Liban (EDL)—has consumed billions of dollars from the treasury, due to annual deficits of \$1.5–\$2 billion, depending on fuel prices, thus contributing more than 40 percent of the public debt. Overall, transfers to EDL have averaged 3.54% of GDP between 2011 and 2017. Meanwhile, service provision has worsened over the years (as the electrical grid deteriorates and electricity demand grows). The situation is alarming and necessitates immediate, yet sustainable, action. In light of the current economic crisis Lebanon is facing, international bodies such as the International Monetary Fund (IMF) and the World Bank have made it very clear that funds are conditional. In addition, payments to foreign suppliers of electricity have been halted, and more than \$170 million are in need of disbursement as of December, 2020. This amount is also subject to a potential increase in the near future. As a result, foreign suppliers are threatening to plunge Lebanon into darkness. Lebanon is moving forward on oil and gas exploration, and hopefully the country will find and extract enough natural gas resources to at least fuel domestic power generation, although this will take on average eight years, even if exports to foreign markets prove elusive. While the power sector requires that sustainable solutions be implemented sooner rather than later, switching to natural gas in anticipation of the discovery of local reserves will not only provide the necessary infrastructure and prepare the power sector for that phase, but is also cheaper than the heavy fuel oil and diesel oil currently being used, and more environmentally friendly, reducing the sector's greenhouse gas emissions. To uphold commitments to the 2015 Paris Agreement on climate change, Lebanon must invest heavily in renewable energy generation, taking advantage of the country's abundant renewable resources, thus diversifying the country's energy sources, decreasing its dependence on fossil fuels (with their price volatility), and improving the country's energy security.

POLICY PRIORITY 8

DEVELOP AND IMPLEMENT A SUSTAINABLE ENERGY POLICY

Main Challenges

- *Improve sector's governance, regulation, and procurement processes*
- *Sustainably increase power generation*
- *Cut down on technical and non-technical losses*
- *Reduce the cost of power generation*
- *Equitably increase the electricity tariff*
- *Restructure EDL*

Proposed Measures

Measure 8.1

Secure financing from the IMF and other institutional bodies in order to obtain the necessary short-term financing required to guarantee payment to foreign suppliers in order to avoid massive electricity cuts.

Measure 8.2

Revise the April 2019 electricity policy paper to propose optimal solutions in light of the economic crisis and liquidity shortage, and amend the timeframes and issue a fiscal analysis showcasing the soundness of the proposed solution.

Measure 8.3

Improve governance in the sector through a consistent regulatory and procurement framework, limiting the monopoly of any entity and promoting healthy competition and transparency.

Strategize

Agenda Priority 8

- *Strategize for offshore and onshore exploration*
- *Develop regional partnerships and grid networks*
- *Increase competition in the gas and fuel import markets*
- *Boost the share of gas in the energy mix*
- *Remedy absence of comprehensive national energy strategy*
- *Develop integrated strategy that covers fossil and renewable energy resources*

Measure 8.4

Reduce the fiscal deficit in the power sector through the reduction of technical and non-technical losses and the gradual removal of subsidies in line with an increase in permanent power generation, as well as significantly reduce illegal connections, and implement more efficient bill collection, so that all Lebanese have equal access to electricity and pay their fair share. A hike in tariff prior to a drastic cut in non-technical losses will result in increased losses.

Measure 8.5

Fully implement Law 462 (2002) by appointing an independent regulatory authority with full authority and an independent fiscal and managerial mandate, to regulate the sector and restructure EDL into an optimal governance structure. The electricity utility should be unbundled and separated into generation and distribution companies, potentially keeping the transmission component under the auspices of EDL. The strategy should draw on lessons learned from previous policies and other countries' case studies to develop and implement solutions to modernize the sector and turn it profitable by, among other things, involving the private sector through a public-private partnership. This may reduce the size of the workforce needed at EDL, while improving the mandate.

Measure 8.6

Fully implement EDL's Master Plan for grid reinforcement. An increase in additional capacity prior to necessary grid improvement would result in additional fiscal losses.

Measure 8.7

Revise downwards the plan to implement the unnecessary floating storage and regasification units and the timeframe for project completion, as the previous plans of switching to natural gas are no longer realistic in light of the long delays in contract award and signature.

Measure 8.8

Promote transparency and access to information at the level of the Ministry of Energy and Water (MoEW) and all administrative units relating to energy issues, and make studies, tenders and contracts publicly available.

Measure 8.9

Specify clear mandates for each institution operating in the sector, and ensure that all operating entities are official departments of the MoEW.

Measure 8.10

Conduct a full forensic audit for EDL and all institutions operating within the sector and prepare financial statements for previous years by 2021.

Measure 8.11

Develop a comprehensive energy strategy, through a process of stakeholder engagement, that increases power generation and distribution efficiency at optimal cost to secure Lebanon's long-term energy needs and improve overall sector governance.

Measure 8.12

Develop a national oil and gas strategy that would forecast different scenarios and assess them based on: market prices, sizes of discoveries, types of hydrocarbons found, development solutions for fields, costs of exploration and production, market conditions, geopolitics, and domestic politics and market.

Measure 8.13

Fully integrate Lebanon into the six-nation power grid and regional gas pipelines, in addition to networks linking the Middle East with the European Union. This presents vast opportunities for Lebanon in terms of imports and, potentially, future exports if Lebanon discovers oil or gas, and employ electricity generated from renewable energy sources for better grid integration and balancing of the systems.

Measure 8.14

Implement plans to enhance transparency and improve competition in the upstream, midstream, and downstream gas and fuel import markets.

Measure 8.15

Incentivize the development of an upstream market and develop services and logistics across the entire extractives value chain, promoting Lebanon as a regional hub for international companies active in the Eastern Mediterranean.

Measure 8.16

Increase the share of gas in the energy mix, starting with power production. In case of commercial gas discoveries, encourage consumption of local gas in the transport sector and in the development of a petrochemical industry.

Measure 8.17

Implement clean energy production incentive tools. This can be done by amending Law 462 (2012) to allow feed-in tariffs (FIT) to be introduced, or by introducing net metering that would allow consumers to inject power generated at their premises into the grid.

Measure 8.18

Issue and implement a renewable energy and energy efficiency law by end of 2021, which would provide the MoEW with a framework for mainstreaming energy efficiency and renewables management in Lebanon.

Measure 8.19

Launch process to privatize generation plants.

Measure 8.20

End the monopoly of EDL on the power distribution sector, which would allow for greater competition in the electricity sector and allow for investors to set up their own electricity distribution network.

Strategize

Agenda Priority 9

WATER

Lebanon is blessed with substantial natural water resources, including surface water, groundwater, and spring water, but little has been accomplished in the way of conservation or sustainable exploitation of these resources. Mismanagement, outdated storage infrastructure, inefficiencies across the sector, and the influx of Syrian refugees, compounded by the 2020 crises, have increased water stress and water scarcity. Currently, the Ministry of Energy and Water (MoEW) is largely understaffed and past attempts to reorganize managing bodies have fallen short. The confluence of these factors has left most of the country to rely on costly private distribution networks. Further, tap water is not safe to drink. The development of the water sector and related transportation infrastructure is crucial to the future diversification of the Lebanese economy.

While Law 221 (2000) reformed the governance of the water sector, creating four regional water authorities under the supervision of the MoEW, this restructuring has not been successful and mismanagement still runs rampant. Outdated storage facilities lead to leaks and lost water, and Lebanon's karst topography makes leakage from artificial reservoirs common.

Further, of the 12 planned dam projects as of 2015, only two are operational today: the Qaraoun dam and the Chabrouh dam. While there are laws that govern well digging, it is estimated that 80 percent of wells in Lebanon were dug illegally, diminishing the supply from public wells. In the agriculture sector, which accounts for 61 percent of the country's water usage, inefficient irrigation practices are another cause for concern. All these inefficiencies equate to a colossal waste of water, and efforts must be taken to upgrade storage facilities, and transport networks, and rethink current practices regarding pricing and distribution.

Beyond inefficiencies and mismanagement, a flat rate is charged for water usage that does not reflect actual consumption. There is consequently little incentive to conserve water, and there is a lack of public awareness about water conservation.

The last national water strategy, drafted in 2010, is outdated and must be altered to address the current challenges in the sector. The construction and maintenance of an efficient water distribution system would improve delivery to citizens. It is imperative to upgrade storage facilities and existing delivery systems and networks.

In addition, the Bisri Dam project funding was cancelled by the World Bank as it passed the time limit for disbursement in 2020. It was also cancelled due to the non-completion of tasks that are preconditions for the commencement of the project. Due to the 2020 changes in prices and conditions, the need to reassess water facilities and the accessibility of clean water in Lebanon must be prioritized - especially as larger segments of the population fall prey to weak infrastructure and poverty. There is also a need to assess water projects, especially dams, environmentally, socially, and economically, to make sure that they are sustainably designed.

POLICY PRIORITY 9.1

 UPDATE WATER STRATEGY AND SECTOR GOVERNANCE

Main Challenges

- *Create a coherent national plan with the participation of the Lebanese public*
- *Define organizational structure of governing entities*
- *Revise current water pricing regime*
- *Explore hydropower options*

Proposed Measures
Measure 9.1.1

Create a more coherent Water Master Plan, building on the National Water Sector Strategy (2010) and reassess water infrastructure projects for politically-induced projects, e.g. dams.

Measure 9.1.2

Follow up on the consolidation of the regional water authorities and define their organizational structure and mandate. Increase coordination between the Regional Water and Wastewater Establishment, the MoEW, and other relevant government agencies.

Measure 9.1.3

Modernize existing hydropower generation units and study potential for additional power generation, taking into account development plans and ecological needs.

Measure 9.1.4

Reassess the current pricing scheme and introduce a new water tariff regime that is connected to the actual usage of water by the consumer. To do this, water metering must be implemented throughout the country.

Measure 9.1.5

Support and modernize water-based energy plants and identify other opportunities to generate power.

Measure 9.1.6

Reassess citizens' water needs and shortages post port explosion, taking into account citizens' stumped purchasing power and liquidity, revising distribution and access strategy to maximize reach.

Strategize

Agenda Priority 9

Main Challenges

- *Improve access to drinkable water through licensing, distribution, and health regulations*
- *Upgrade storage facilities and water transport infrastructure*
- *Enforce laws regarding well digging*
- *Increase efficiency in the agriculture sector*

POLICY PRIORITY 9.2

MAXIMIZE EFFICIENCY ACROSS THE SECTOR TO REDUCE LOSSES

Proposed Measures

Measure 9.2.1

Revise all licenses granted to mineral water firms and introduce quality control and regulatory criteria. Manage all drinking water companies under this regime.

Measure 9.2.2

Assess and strategize optimal efficiency of water transport infrastructure.

Measure 9.2.3

Review and assess the capacity of the existing water distribution systems in urban and rural centers to reduce waste and transport costs, and improve usage efficiency.

Measure 9.2.4

Assess and optimize efficiency of water use by factories and industry.

Measure 9.2.5

Ensure continuous access to quality water by enforcing the prohibition of illegal well drilling, and incentivize efficient management of groundwater resources in urban and rural settings. Reduce extraction from private wells and ensure responsible usage of public wells.

Measure 9.2.6

Mandate relocation of all water-intensive industrial processes into specifically designated industrial zones.

Measure 9.2.7

Assess and optimize efficiency of water use by farms and the agricultural sector. Reduce inefficiencies in the agriculture sector by increasing the usage of more efficient irrigation systems, such as drip irrigation.

Measure 9.2.8

Research, design, and launch a public awareness campaign that teaches conservation in schools.

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TRANSPORT

Weaknesses and deficiencies relating to the safety, governance and security of external transport were put into sharp relief by the historic catastrophe of the Beirut Port explosion on August 4, 2020. This singular event altered priorities and perceptions of risks in the overall transportation sector of Lebanon and focused attention away from environmental and congestion concerns in domestic transport that had been focus areas of debate in the previous years. The port explosion and softening of traffic patterns in the wake of the economic crisis notwithstanding, the long-term governance, sustainability and environmental compliance needs of the Lebanese transportation infrastructure remain as they were up to the crisis.

In the second half of the 20th century—while Lebanon was in the throngs of internal strife—the diversity, intensity, and overall importance of global trade increased tremendously. All mobility categories—land, sea, and air—benefited from technical innovations that ranged from the rise of container shipping and efficiency gains in commercial aviation to the introduction of electric, alternative mobility, and sharing solutions in landbound and urban transport. Having remained partially isolated from new transportation developments during the civil war (1975-1990), Lebanon has, in the three post-conflict decades, failed to catch up—achieving only partial inclusion in recent global transportation sector developments.

Missed opportunities for reaping greater economic and social benefits relate to infrastructure and operations across all modes of transportation. This translates into lost economic benefits thanks to the sub-optimal utilization of the country's geographic location, which gives it an advantage in areas such as commercial shipping. Additionally, transportation infrastructure inefficiencies have obstructed the realization of tourism potentials in a variety of segments, from religious and ecological to leisure and cultural tourism, and have also limited Lebanon's potential as an aviation hub. Moreover, inefficiencies and infrastructure problems in domestic mobility, as well as over-reliance on individual and quasi-individual transport in and between urban centers, are contributing to social risks (for example, medical and environmental) and to high direct losses and opportunity costs in the economy (due to traffic congestions, above-average vehicular damage incidents, etc.).

To address its weaknesses in all modes of transportation, Lebanon must develop maritime and aviation transportation infrastructure, motorways, secondary roads, urban transport nodes, and rail networks. Improvements to domestic mobility infrastructures—such as internally linking Lebanese ports and cities, and externally improving connections to neighboring countries—would not only create important direct revenues and translate into indirect opportunities for economic gains in inbound tourism and regional transit trade, but also make Lebanon a regional transit hub in the Eastern Mediterranean. The lack of a coherent strategy for cross-border and national transport in general, and the absence of plans for more specific domestic needs, such as preventive maintenance of inter-urban and urban mobility infrastructures throughout the country, has been identified as a drag on the Lebanese economy. Knowledge of the insufficient and fragmented allocation of funds to transportation infrastructure developments makes it even more important to strategize mobility and transportation as one pillar of a national economic plan.

Strategize

Agenda Priority 10

POLICY PRIORITY 10.1

DEVELOP A TRANSPORT POLICY FOR NATIONAL AND CROSS-BORDER MOBILITY

Main Challenges

- *Reinvent public transport: intercity and intracity*
- *Enable maritime, air, and commercial transport*

Proposed Measures

Measure 10.1.1

Develop a comprehensive national policy for sustainable transportation that will regulate passenger and freight transport by road, sea, and air, and incentivize the development of public transportation in both urban and rural areas. Policy will address critical issues facing the sector such as road traffic congestion and the environmental and health impacts of road transport, taxi and bus service licensing, trucking operations and safety issues, public parking, and implementation mechanisms for all provisions of traffic Law 243 (2012).

Measure 10.1.2

Prioritize intra city transportation development with a strong public transport component for Greater Beirut, including an intra city public bus service network proposed by the Railway and Public Transit Authority (RPTA) of the Ministry of Public Works and Transport (MoPWT), and an intra and inter city rapid bus service proposed by the World Bank under the \$295 million Greater Beirut Public Transport Project that was adopted as Decree 66 (2017) by the Council of Ministers and approved by Parliament in June 2019.

Measure 10.1.3

Enhance intercity public transport by expanding bus transport networks and rehabilitating the railway line between Beirut and Tripoli.

Measure 10.1.4

Develop frameworks organizing commercial transport and integrating all Lebanese ports and airports into advanced digitized traffic management systems and modern, durable traffic networks. Build more resilient port capacities, enforce supervision and increase safety precautions in the freight sector.

Measure 10.1.5

Improve urban mobility through the designation of bus lanes and the demarcation of routes for those using alternative modes of transport especially dedicated bike lanes that facilitate bike riding to work in urban centers, as well as on a municipal level and between Beirut and major cities.

Measure 10.1.6

Implement advanced toll road and traffic guidance schemes for highways outside of Greater Beirut that can satisfy requirements for the control of traffic flows and the mitigation of accident risks, and that can also generate revenue to finance road maintenance.

Measure 10.1.7

Develop Rene Mouawad Air Base as a commercial airport, and link the terminal to the Tripoli Seaport and the planned Tripoli Economic Zone via a rail and road network.

Measure 10.1.8

Rehabilitate the Tripoli-Abboudieh (Syrian border) freight rail line and construct an extension link to the port of Tripoli.

POLICY PRIORITY 10.2
IMPROVE URBAN MOBILITY AND THE ENVIRONMENTAL COMPATIBILITY OF TRANSPORT

Main Challenges

- *Develop standards and ethics in enforcement of transportation behavior*
- *Enforce driving codes and public parking*
- *Incentivize environmentally compatible modes of transport*

Proposed Measures
Measure 10.2.1

Revise transportation subsidies and replace general fuel subsidies with better targeted mechanisms. Adjust road safety inspections to account for increased likelihood of softening vehicular safety due to economic pressures on car owners. Empower the national police force and municipal police departments to strictly enforce Law 243 (2012) on traffic regulation by installing speed cameras at major intersections and on highways. Amend the law to penalize littering and automate the public safety monitoring and enforcement mechanism for the prosecution of traffic violations.

Measure 10.2.2

Develop the ethics of traffic control officers, whether municipal or national police, and incentivize ethical behavior by introducing performance metrics and a feedback mechanism for motorists.

Measure 10.2.3

Introduce build-operate-transfer (BOT) financing for underground public parking projects, to be covered at the ground level by greenery and gardens or other public spaces that meet environmental, urban planning, and urban living standards in cities. Standardize rates for long-term and residential parking.

Strategize

Agenda Priority 10

Measure 10.2.4

Regulate the valet parking industry and impose heavy penalties on restaurants whose valets monopolize residential parking spots or drive unsafely.

Measure 10.2.5

Require all municipalities and authorities supervising highways to uphold road safety maintenance in every sense, including: the upkeep of security barriers, the development and maintenance of signage, and the upgrading of road surfaces.

Measure 10.2.6

Require municipalities to develop and accommodate safe pedestrian environments, by, for instance, clearing sidewalks and enforcing their use for pedestrian traffic by removing vehicles and other structures that impede pedestrian movement on sidewalks. Municipalities must impose and enforce pedestrian right-of-way in all urban areas with zebra crossings and places for pedestrians to cross major thoroughfares, in order to improve walkability and safety.

Measure 10.2.7

Protect mobility of pedestrians and secure zones with special rights for traffic participants with impaired mobility. Develop infrastructure for rentable e-bikes and protect pathways reserved for non-motorized users, such as bicycles or persons pushing baby strollers.

Measure 10.2.8

Exempt from customs and excise taxes, registration, and road usage fees on all new, fuel-efficient and alternative-fuel compact cars, with the aim of shifting toward smaller, less-polluting vehicles.

Measure 10.2.9

Provide private households with incentives for adopting less-polluting modes of transport, through measures ranging from tax rebates for buyers of electric vehicles and daily users of public transport, to increases in annual road taxes for old and polluting vehicles. Incentivize private vehicle owners to replace old, polluting vehicles with new vehicles that comply with advanced emission standards.

Measure 10.2.10

Replace all existing gasoline and diesel buses with newer model bus technologies running on clean fuels, such as natural gas and electricity, with the needed refueling and recharging infrastructure.

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Combat

Agenda Priority 11

GENDER INEQUALITY

Violations of women's rights are not just detrimental to society, human rights, and the dignity of women, but are also extremely damaging to a country's prospects for sustainable economic development. To date, Lebanon has made some inroads toward correcting the injustices inflicted on women, but many improvements to the standing of women in the economy appear to have been halted or rolled back under the impact of the nation's economic crisis and the Covid-19 pandemic in 2020. Lebanon has a reputation for openness, liberties, and freedom, but in reality the country lags behind others in the region, such as some North African Arab states that have introduced laws that have considerably improved the social and economic status of women. There are some positive indicators concerning Lebanese women's level of education and engagement in decision-making positions (namely in the judicial and public administrations), but these do not reflect their real status or participation in the labor force, their role within the family, or the general attitude of society—attitudes that are not only problematic for gender equality but also for gender or sexual orientation.

While substantial work is still needed in all areas of combating gender inequality, the situation at the end of 2020 calls for integration of rational efforts to achieve progress on gender equality that is integrated into overall needs to maintain the country's social integrity and escape from all-engulfing economic misery. Campaigns for gender equality have visibly increased in number and intensity. Their next phase deserves to aim for full incorporation into and alignment with the overall economic and cultural identity of the country. Lebanon still lacks proper civil laws guaranteeing equal rights for women, and there are various legal constraints that discriminate against women at home and work. Societal attitudes and perceptions continue to subordinate women, suppressing their innovation, creativity, productivity, and—most importantly—their basic freedoms. Lebanon still has reservations about some major international conventions—such as the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW)—and has yet to reform domestic laws, change unfair customs (e.g., unequal employment opportunities and family status laws), and combat gender-based violence (GBV), including harassment in schools, universities, and the public and private spheres. There are insufficient laws protecting the rights of women, and insufficient institutional support when women are facing the judiciary.

Lebanese laws must be brought in line with international conventions, and stakeholders must work together through a grassroots campaign to cement equality in practice. Implementing the 2020 law against sexual violence and harassment is only the beginning. Empowering women is not only a fundamental social and human right, but also a pillar of sustainable economic development—we need gender equality at all levels to develop the country further.

POLICY PRIORITY 11.1

REFORM LAWS TO FOSTER PROTECTION FOR WOMEN

Main Challenges

- *Enforce legislation designed to protect women*

Proposed Measures

Measure 11.1.1

Amend and reinforce the operationalization of Law 293 (2014) related to protection of women and all family members from family violence.

Combat

Agenda Priority 11

- *Provide additional legal and social protections and cost-effective quality service for victims of GBV*
- *Adopt, without reservations, international conventions on women's rights*

Measure 11.1.2

Further expand and integrate civil society projects to influence attitude and behavioral change on women's issues (e.g., wage gap, personal status, and sexual harassment in the workplace and public spaces).

Measure 11.1.3

Mandate by law a further increase in parental leave—maternity and paternity—allow flexible work schedules for parents and advocate for child-friendly spaces/nurseries in the workplace. Integrate home office work opportunities for mothers and fathers into the legal frameworks for labor, taxation, and social protection.

Measure 11.1.4

Introduce new legislation or amend the criminal code to outlaw and increase sentences against sexual gender-based violence (e.g., marital rape, incestuous rape, sexual harassment). Adopt a unified civil personal status law, guaranteeing gender equality that is compliant with the constitution and the international commitments of Lebanon.

Measure 11.1.5

Lebanon has adopted CEDAW, but even five years after maintains reservations about some articles. Lebanon should adopt CEDAW in its entirety, without reservations. The Optional Protocol, which was included as an addendum to CEDAW, has still not been adopted by Lebanon. Additionally, UN Security Council Resolution (UNSCR) 1325 on women, peace and security must be integrated into state legal and regulatory policies. Hence, operationalization/rollout of the June 2019 national action plan on UNSCR 1325 must be highlighted in the reforms scheduled for 2021.

Measure 11.1.6

Develop public projects, and incentivise private sector projects, to train and support women for merit-based advancement in the workplace and in political life in the new economic paradigms that have emerged in the fourth quarter of 2019 and throughout 2020.

Measure 11.1.7

Support existing women's emergency safe shelters across the country to provide standardized-quality, safe temporary accommodation in which women along with their children can seek life-saving refuge and receive specialized help in crisis situations.

Measure 11.1.8

Expedite the overdue reform of Decree 15 (1925) on Lebanese nationality to ensure that children and spouses of Lebanese women have the same right to citizenship as those of Lebanese men.

Measure 11.1.9

Abolish Article 534 from the Lebanese penal code. Article 534 compromises the safety and protection of LGBTQ individuals and groups by subjecting them to physical, psychological, and economic harm.

POLICY PRIORITY 11.2
EMPOWER WOMEN AND ENCOURAGE PARTICIPATION

Main Challenges

- *Build professional capacities of women*
- *Provide opportunities for women to increase technical and life skills*
- *Implement programs that promote economic reform and empowerment*
- *Remove social barriers that prevent women from accessing leadership roles in their homes and the public and private sector*
- *Mitigate the detriments to gender equality that have been caused or exacerbated by the Covid-19 pandemic and the Lebanese economic crisis of 2020*

Proposed Measures
Measure 11.2.1

Put in place systems to provide women with a path to leadership positions in public and private institutions. For example, staffing police departments with trained policewomen and social workers to provide assistance and protection against any kind of harassment, discrimination, and GBV. Protect and encourage structural and societal changes to make this possible.

Measure 11.2.2

Introduce capacity building and code of conduct measures to train judges, lawyers, and journalists/media personnel on gender and GBV issues, international conventions, and cultural discrimination.

Measure 11.2.3

Offer specialized training/soft skills building to women to foster their competitive employability opportunities in the labor market.

POLICY PRIORITY 11.3
INCREASE THE NUMBER OF WOMEN IN LEADERSHIP ROLES

Proposed Measures
Measure 11.3.1

Establish a ministerial committee with additional stakeholders from the judiciary, private sector, and civil society to develop and monitor the progress of a national plan aimed at women's empowerment.

Measure 11.3.2

Ensure political appointments are merit-based, and that women are not excluded from being considered for these roles on the basis of sex.

Measure 11.3.3

Encourage the private sector to appoint women to senior posts by increasing awareness of women's equal leadership capabilities through public awareness campaigns.

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Combat

Agenda Priority 12

POVERTY

In 2020, the moderate poverty (\$14/day) count in Lebanon is estimated to have doubled, and the extreme poverty (\$8.5/day) count in Lebanon, to have tripled - a statistic based on the exchange rate of 1,500 LBP to the dollar, whereas the market rate of the Lebanese pound has been fluctuating between 6,000 LBP and 8,500 LBP between Q2 and Q4 of 2020.

2020 hit Lebanon hard in terms of poverty, as the crises of 2020 compounded to create hellish circumstances for all stratas of society.

The August 4 Beirut explosion combined with capital control and the devaluing currency, made it increasingly difficult for any Lebanese - formerly considered rich or poor - to pay the necessary costs to repair damage post explosion.

There is also a different kind of damage to consider. The limits on international transfers have made it virtually impossible for Lebanese families to send their children abroad to pursue higher education, resulting in a different kind of poverty - an intellectual and cultural poverty. Most families are only allowed to wire \$10,000 a year to support a studying offspring, barely enough to cover food and board in most cases, let alone tuition.

In the face of 2020's surprises, Lebanon is seeing a new kind of poverty as well, dissolving the middle class, and deflating the rich.

Before 2020, Lebanon's governments had successively failed to devise a comprehensive social safety net plan, due to fiscal, monetary, or political constraints, dumping the workload on NGOs and international donors, and intervening only to meet the bare minimum of needs, with limited resources allocated to line ministries.

Post explosion reality brutally exposed the Lebanese government's lack of preparedness to take good care of its people. As predicted, NGOs and the international community filled the care gap - doing everything in their power to circumvent the Lebanese government, for lack of trust, in the process of collecting and distributing funds and services.

Moving forward, the government must detail policy on human and social development in its Ministerial Declaration, with clearly defined objectives and concrete proposals, as well as timelines for poverty reduction. Poverty reduction efforts on the national level deserve the attention of political stakeholders, civil servants, and elected officials, but also needs support from religious institutions (as the traditional providers of poverty alleviation in Lebanese communities), wider civil society (including charitable and humanitarian non-governmental organizations), and private sector individuals and institutions (from schools and microfinance institutions, to manufacturers and banks). In 2020 the participation of the diaspora in alleviating poverty has become even more important than before, due to the diaspora's ability to contribute fresh dollars into the economy - a scarce and valuable commodity.

Evaluation, encouragement, and further development of public and private sector efforts toward the achievement of the eradication of poverty, regardless of sect, religion, gender, or sexual orientation, must be integral to the process of designing any plan for the Lebanese economy.

POLICY PRIORITY 12.1
**TARGET AND SUPPORT THE EXTREME POOR
AND THE DISADVANTAGED**

Main Challenges

- *Address the lack of a poverty eradication strategy for Lebanon*
- *Modernize the legislative framework*
- *Protect vulnerable population groups against modern slavery*

Proposed Measures
Measure 12.1.1

Rapidly advance development of the National Social Protection Policy.

Measure 12.1.2

Immediately expand coverage and effectiveness of existing social safety nets such as the National Poverty Targeting Programme, accounting for the rapidly growing number of newly poor families.

Measure 12.1.3

Establish a permanent ministerial committee, including participants from civil society and international development organizations, to develop and implement a poverty reduction strategy.

Measure 12.1.4

Create/empower a poverty eradication task force that links together members of parliament and parliamentary committees whose purviews include working on populations that are vulnerable to poverty (e.g., women and children, displaced and refugees, disabled or aged persons, and all those in need of medical support).

Measure 12.1.5

Legislate, adopt, and finance, with the collaboration of the development partners, Office of the Prime Minister, the Central Administration of Statistics, and the Ministry of Social Affairs, direct support schemes for the poor in all categories mentioned in Measure 12.1.4.

Measure 12.1.6

Combat illegal child labor and trafficking, and the abuse of children, by cracking down on violators.

Measure 12.1.7

Implement (i.e., pass implementation decrees for) the ratified law on disability.

Measure 12.1.8

Align legal and operational frameworks for poverty eradication with frameworks for labor (Agenda Priority 17) and health strategy (Agenda Priority 7).

Combat

Agenda Priority 12

Measure 12.1.9

Develop contingency and emergency response plans for economically induced shortages in food, shelter, medical services, etc.

Measure 12.1.10

Create a long-term, national strategy to incentivize the diaspora to contribute to the rebuilding of Lebanon and poverty alleviation, whether by contributing talent, knowledge and skills, or infusing the country with fresh dollars, a rare and valuable commodity.

Measure 12.1.11

Create channels for poverty alleviation such as electronic wallets and refillable cash cards, loaded by international donors, as a way to avoid bureaucratic bottlenecks (measure feasibility dependent on census).

POLICY PRIORITY 12.2

DEVELOP FISCAL AND PRIVATE SECTOR FINANCIAL MECHANISMS FOR THE SUPPORT OF THE POOR

Main Challenges

- *Ensure safety nets exist for those below the poverty line*
- *Expand and modernize existing rudimentary social security*
- *Upgrade safety nets for dealing with poverty in old age*
- *Implement targeted support schemes and microfinance*
- *Improve NGO financing legislation to ease ability to donate*

Proposed Measures

Measure 12.2.1

Develop mechanisms to alleviate poverty in old age by improving social security and health or medical care provision schemes for those above 65.

Measure 12.2.2

Improve economic mobility by targeting and enabling financial inclusion and by providing incentives to the poor to enroll in nano and microfinance schemes.

Measure 12.2.3

Incentivize organizations in the microfinance institutions sector to further extend their reach, including building on updated regulations and the increased financing options made possible by 2018 circulars from Banque du Liban (BDL), Lebanon's central bank. Incentivize use of digital tools, such as mobile applications, in the provision of services of microcredit, microsavings, and microinsurance.

Measure 12.2.4

Make corporate and personal donations tax deductible for those who donate to qualifying public utility organizations, charities, and NGOs.

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CORRUPTION

Corruption—defined in this case as the misuse of public posts for personal gain—is a popular and recurring talking point in Lebanon. It regularly finds its way into political speeches, media reports, street demonstrations, and the day-to-day small talk of the Lebanese at home and abroad. Corruption in Lebanon is perceived as pervasive, and one of the main demands of the October 17th revolution (thawra) has been the halt to these practices. Meanwhile, international research into corruption indicates that grand and petty corruption—meaning incidents involving large spending measures on a national and sub-national level as well as citizens’ inability to obtain services without “greasing the wheels” when dealing with public servants—can significantly distort economic performances at the national as well as individual level. There is more and more a need to better assess public finances and full transparency at state institution levels. Citizens and political leaders have long been emphasizing that something must be done in Lebanon to curb these forms of corruption. Despite many years of complaints from citizens and lip service from politicians, very little was done until now to achieve concrete progress in this regard, even in the wake of the August 4th explosion, let alone engage in serious dialogue on wider issues of corruption such as nepotism and communal favoritisms. Instead, corruption has been discounted in public discourse as someone else’s vice, in a country where it seems there is widespread corruption but no corrupt officials. When public figures were confronted with evidence implicating them, the standard response was political manipulation against the backdrop of prevalent public complacency (“Everybody else is doing it!”). This chronic lack of self-reflection and systemic inaction was enabled by a combination of factors, all of which are now being challenged by the Lebanese polity. Instead of serious legal loopholes, persistent institutional failures, blatant political interference, and the systemic exploitation of confessional and regional identities, the seachange of the civil protests in Lebanon at the end of 2019 has done its utmost to destroy the state of impunity that fueled corruption and sent the wrong message to Lebanese society and the world at large. After baby steps in the right direction of reducing corruption in the past two years before the thawra, new anti-corruption forces have come into existence and the pursuance of decisive measures in the fight against corruption has become possible. Sadly, until now, very little has been done, and the August 4th explosion has appeared as proof of this corrupt system: no serious charges have been pressed onto the culprits until end of year 2020. In addition, a full audit of the Lebanese Central bank and of public agencies must be put in place in order to better assess the financial losses suffered by the Lebanese people. Steps that include the passage of laws (e.g., access to information) after more than a decade-long process and the announcement of the country’s first national anti-corruption strategy after nearly eight years of incremental work behind the scenes need to be empowered so that they can induce a tangible change for Lebanon. Barriers that still hinder the combat against corruption, such as the country’s poor law enforcement, and the fact that the national strategy has not been formally adopted, or provided with the necessary financial and human resources, are now in closer reach and can be challenged decisively.

Combat

Agenda Priority 13

POLICY PRIORITY 13.1

PROMOTE AND INCREASE TRANSPARENCY

Proposed Measures

Measure 13.1.1

Support and regularly monitor compliance with Law 28 (2017) on access to information, including the appointment and training of information officers in all administrations and the publication of all information required by the law.

Measure 13.1.2

Set up an independent permanent committee grouping governmental and non-governmental experts to track and publicly report on Lebanon's implementation of the UN Convention against Corruption and make recommendations for enhanced implementation.

Measure 13.1.3

Adopt and support the effective implementation of legislative amendments that modernize the country's system for the declaration of wealth by public officials to make it more efficient, and ensure that the declarations are submitted periodically, made more comprehensive, and are able to be audited for completeness and correctness.

Measure 13.1.4

Establish and train a working group in each administration to regularly assess corruption risks created by the lack of transparency in procedures and costs, and to propose ways to mitigate those risks, with an annual progress report aggregated by the Office of the Prime Minister for all administrations. Submit the report to the public.

POLICY PRIORITY 13.2

STRENGTHEN LEGAL AND JUDICIAL ANTI-CORRUPTION FRAMEWORKS

Proposed Measures

Measure 13.2.1

Amend Law No. 154 (2009) on anti-illicit enrichment to introduce a proper definition of crimes such as graft, grand theft by public officials, embezzlement, influence peddling, and other variants of political corruption, in line with the UN Convention against Corruption, and legislate adequate sanctions and judicial prosecution and enforcement mechanisms, while also eliminating barriers for triggering and conducting related investigations.

Measure 13.2.2

Amend the laws and regulations necessary to lift bank secrecy on Lebanese public officials, including the president, members of Parliament, ministers, judges, ranking public servants, and their relatives, including funds held abroad if applicable

Main Challenges

- Increase ease of access to information
- Uphold international agreements against corruption
- Modernize legislation on the declaration of wealth

Main Challenges

- Define crimes and sanctions for specific forms of corruption
- Revise banking secrecy rules
- Improve alignment of government procurement, tendering, and project awarding processes with anti-corruption priorities
- Increase punishments for those who are caught in corrupt behavior

Measure 13.2.3

Finalize and adopt the law on conflict of interest, including the establishment of a national committee that reviews existing and proposed legislation and sets limits and regulations of potential conflicts of interests.

Measure 13.2.4

Make all requests for proposals and tendering processes related to projects and contracts transparent to the public; they should include the clauses of the final contract to be signed.

Measure 13.2.5

Speed up the implementation of Law 83 (2018) on whistleblower protection and adopt the needed regulations and complementary legislation to bring it into force, including the establishment of a national anti-corruption agency.

Measure 13.2.6

Amend laws and regulations that will help to combat the petty corruption of civil servants and municipal officials, and improve protection and verification of whistleblowers who expose instances of petty corruption.

Measure 13.2.7

Introduce transparency and accountability measures in all public-private partnership (PPP) contracts and arrangements, including the establishment of independent project-based audit committees to ensure compliance with those measures.

Measure 13.2.8

Establish and maintain a portal, supported by a mobile application, to publicly report in a timely manner on the receipt and expenditure of all international funding for projects that will be financed by contributions made through CEDRE.

Measure 13.2.9

Legislate links between serious corruption convictions and restrictions on convicted persons or judicial persons in their ability to hold positions of public office, participate in government procurement, or bid for governmental and PPP contracts and projects.

POLICY PRIORITY 13.3
IMPROVE INSTITUTIONAL AND SOCIETAL RESILIENCE AGAINST CORRUPTION
Main Challenges

- *Improve institutional control mechanisms in the fight against corruption*

Proposed Measures
Measure 13.3.1

Maintain existing anti-money laundering (AML) policy at Banque du Liban (BDL), Lebanon's central bank, and introduce a random investigation mechanism of accounts and transactions.

Combat

Agenda Priority 13

- *Enhance integrity of public and private sectors*
- *Create anti-corruption interface tools between the public and private sectors*

Measure 13.3.2

Provide the Central Inspection Bureau and the Audit Bureau with IT systems to track complaints and files from beginning to end, and double the number of their inspectors and auditors respectively, while providing them with certifiable training and proper financial incentives.

Measure 13.3.3

Set up an independent national corporate governance program for private sector companies. This program should be aligned with international best practices and incentivize those corporations that adopt and adhere thereto.

Measure 13.3.4

Require corporate staff and civil servants to take part in regular awareness raising and training, prepared in coordination with civil society and international organizations.

Measure 13.3.5

Launch a program that educates adult citizens on methods to identify corruption, whistleblower responsibilities and protections, and channels for raising corruption concerns. Develop new channels through which citizens can alert judicial and administrative authorities to suspected incidents of corruption, and empower forums and mechanisms where anti-corruption organizations in civil society can advise citizens and take corruption-fighting actions in their support.

Measure 13.3.6

In educational institutions, from schools to tertiary education providers, strengthen curricula and programs that range from awareness building on the negative social impacts of corruption in civil education curricula to dedicated programs to train students to become experts in compliance with anti-corruption and governance mechanisms.

Measure 13.3.7

Implement and empower programs and forums to incentivize citizens who demonstrably practice behavior indicating civil integrity—challenging or counteracting incidents of petty corruption and societal corruption in their community, for instance—and institute programs that further encourage and reward exemplary behaviors.

Measure 13.3.8

Implement, in negotiation with the IMF, a full and transparent audit of the Central bank and of public agencies, including ministries within the end of 2021, noting that the same audit has been decreed by Parliament in December 2020.

Measure 13.3.9

Continue engaging in discussions with foreign partners in carrying out an international investigation as to the causes of the August 4 explosion.

POLLUTION

Pollution in Lebanon is pervasive. The air and water are contaminated and noise levels are high as a result of heavy traffic, reckless driving, and unregulated noise levels for bars and clubs. For a resident of Keserwan, acid rain has become part of everyday life, thanks to the Zouk power plant; for a resident of greater Chekka, the likelihood of developing asthma or allergies is increasing.

Car emissions, in particular from red diesel-powered vehicles, are a primary source of pollution, despite a law prohibiting this diesel's use. The law must be enforced and should be amended to remove the exemption for commercial vehicles or agriculture machinery. Lebanon also suffers from a waste management crisis. The country dumps its waste at facilities located along the seashore, polluting the water. This has health consequences for humans and marine life, and, among other effects, has had negative impacts on the country's fishing industry. Open air dumps destroy Lebanon's natural beauty, contaminate drinking water, and threaten the environment and wildlife, while the burning of garbage fills the air with contaminants that make life unbearable for residents living nearby. Even though Lebanon is not a country with highly polluting industrial activities or resource extraction as bases of the economy, the lack of environmental protections against illegal industrial practices, quarrying, construction, and real estate development activities has exacerbated the country's trouble with maintaining minimal environmental integrity and quality of life for its population. The degradation of environmental integrity, the violation of common sense and legal standards on environmental preservation and industrial pollution, the impunity of many individual and corporate violators, and the excessive overuse or profit-seeking impairment of scarce natural resources—such as intact forests and small ecosystems—have contributed to increasing direct and indirect costs to the Lebanese population. These costs can be seen in the proliferation of chronic medical conditions, such as cancers and respiratory diseases, and in negatively impacted economic activities, such as tourism.

Over the last 25 years, Lebanon's environment has suffered rapid degradation—from the seashore to the mountain top—as well as the destruction of many symbols of Lebanese heritage. It is ironic when one considers that, in many ways, Lebanese citizens and companies, blinded by easy money, share the blame with the politicians and government entities that fail to punish those who violate environmental protection regulations. The number of traditional homes and buildings in major cities is dwindling. In fact, neighborhoods are being erased and replaced by vertical structures, and there are few public spaces in the capital. Lebanon's environment is, put plainly, in a catastrophic state, and partial or ad hoc measures to change this trajectory will not suffice. The government must declare the state of the environment a national emergency, and devise, adopt, and enforce relevant legislation. Public and private stakeholders need to stand united in the fight against pollution. Reduction in wasteful use of fossil fuels, moreover, is a behavior that is increasingly detrimental on social and economic levels as demonstrated by the strain on human health and fiscal resources that has contributed to the country's economic disaster of 2019/20.

Combat

Agenda Priority 14

POLICY PRIORITY 14.1

COMBAT AIR AND WATER POLLUTION

Main Challenges

- *Nudge, incentivize, and penalize citizens and households to encourage a shift from polluting to virtuous environmental behaviors in their daily lives*
- *Improve and enforce corporate and micro, small and medium-sized enterprises' behaviors that comply with existing legislation and international standards*

Proposed Measures

Measure 14.1.1

Adopt and enforce legislation regulating acceptable fuels for use in vehicles, and introduce incentives for adoption of less polluting vehicles. End subsidization of polluting fuels.

Measure 14.1.2

Incentivize the purchase of eco-friendly cars and penalize usage of highly polluting or energy-inefficient vehicles, through means ranging from technical requirements and inspections to taxation tools.

Measure 14.1.3

Incentivize households to reduce consumption of fossil fuels and use low-energy devices and/or alternative power in heating, air conditioning, and personal mobility.

Measure 14.1.4

Take efforts to minimize household waste through cost-recovering waste collection fees and by introducing financial incentives and campaigns that encourage sorting at source and recycling. Encourage customers to use reusable eco-friendly bags in supermarkets. Impose a green tax (a small fee) on usage of plastic bags in supermarkets and other retail outlets, and place a tax on elaborate and wasteful packaging.

Measure 14.1.5

Adopt legal codes setting specific and adequate standards for limiting and regulating emissions and solid waste generation across all industries.

Measure 14.1.6

Outlaw quarries permanently, and revoke temporary licenses and special exemptions.

Measure 14.1.7

Apply and update real estate development rules and municipal building and zoning codes to better reflect environmental preservation and cultural heritage preservation. Enforce development regulations and real estate codes across Lebanon.

Measure 14.1.8

Require industrial producers to be located in licensed industrial zones that are equipped for the treatment of pollutants generated by the occupants.

Measure 14.1.9

Legislate and supervise the mandatory treatment of industrial waste, including solid waste, effluents, and aerial emissions. Prescribe new methods of proper collection and treatment, and penalize industrial violators with harsh and escalating punishments, ranging from fines to company closures and the imprisonment of noncompliant business owners and managers.

Measure 14.1.10

Legislate and implement workable waste treatment schemes, end the dumping of waste in the sea, and enforce compliance with Lebanon's international obligations. Develop waste management solutions based on the reduce, reuse, and recycle principle, and develop sanitary landfills for non-recyclable waste.

POLICY PRIORITY 14.2
COMBAT NOISE POLLUTION

Main Challenges

- *Regulate admissible noise levels for noise emitters*
- *Enforce prohibition of fireworks outside of regulated usage*

Proposed Measures
Measure 14.2.1

Introduce legislation regulating noise emissions from nightlife, private households, garden parties, and other events that typically have a high noise level.

Measure 14.2.2

Legislate permissible noise emission levels and, if applicable, times for operation of construction machinery and water pumps in residential zones.

Measure 14.2.3

Enforce noise limits on motor vehicles and make the modification of vehicles with noise-increasing devices illegal if those devices generate noise above set decibel limits.

Measure 14.2.4

Enforce the prohibition of fireworks outside of preset periods and special exemptions for social events. Limit the sale of fireworks to adults and ban the risky use of fireworks by children. Penalize the unauthorized use of fireworks by households or event organizers and mandate municipal supervision and operation of fireworks in urban centers and in residential areas.

Measure 14.2.5

Set up municipal hotlines for complaints against all kinds of noise pollution.

Measure 14.2.6

Train (and raise awareness) of police officers on noise pollution regulations and issue fines to violators.

Combat

Agenda Priority 14

POLICY PRIORITY 14.3

STOP ENVIRONMENTAL DEGRADATION AND PROMOTE GREEN LEBANON

Main Challenges

- *Revitalize existing public spaces and create new ones*
- *Preserve green parks and forestry*
- *Avert further destruction of historic community structures and heritage buildings in the aftermath of the Beirut Port explosion*
- *Encourage municipalities to introduce recycling programs*

Proposed Measures

Measure 14.3.1

Preserve forested areas, outlaw any construction in areas ravaged by fires, and regulate wood collection and charcoal production. Maintain firefighting equipment.

Measure 14.3.2

Develop public parks, public spaces, and playgrounds, particularly in Beirut and residential suburban areas. Provide tax credit to municipalities that secure green areas.

Measure 14.3.3

Provide incentives (tax credit) to households and private sector entities that recycle, and to municipalities that introduce recycling plants or recycling programs.

Measure 14.3.4

Enforce laws protecting historic buildings and natural sites (e.g., certain neighborhoods in Beirut, or the natural rock formations in the Keserwan-Faitroun mountains), and introduce more barriers against the demolition of historic buildings and natural sites. Prevent predatory development practices of land buying and property destruction in the area impacted by the Beirut Port explosion of August 4, 2020.

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COMPETITIVENESS

Lebanon has been active in negotiating a large number of framework trade agreements with Arab states, as well as Eastern European countries. However, trade agreements have not gone beyond simple tariff reductions, which have been demonstrated by economic literature to offer little to no gain. Moving to eliminate tariffs is not the main objective: Non-trade barriers remain the main obstacle facing the flow of merchandise, and these barriers have been erected by both Arab and EU trading blocs, which constitute over 60 percent of Lebanese export destinations. Moreover, the liberalization of agriculture and services, two sectors that are important to Lebanon and other developing countries, has been put on hold by developed countries, starting with the EU and more so by the imposition of trade wars in 2019. At the multilateral level, Lebanon has held observer status at the World Trade Organization (WTO) since 1999 but effectively launched the accession process in May 2001, as part of the Doha round of trade negotiations. The WTO can be seen as a mechanism to protect small economies and to resolve international trade disputes, in addition to ensuring that small economies are not marginalized in a globalized world. Deeper integration offers dynamic long-term benefits and provides opportunities, notably to developing economies with the potential to grow, such as Lebanon. However, integration and harmonization under globalization require major reforms and efforts to upgrade and improve efficiencies that are inherently costly, especially to sheltered sectors or firms hidden behind protectionist measures. The international trade liberalization process must thus be accompanied by internal measures to increase competitiveness. Because the Lebanese economy is overwhelmingly composed of micro, small, or medium-sized enterprises (MSMEs), any long-term plan to promote economic growth must target MSMEs and include mise à niveau programs to upgrade national competitiveness and enable local producers to penetrate foreign markets. The factors behind the high cost of production and resulting lack of competitive edge in Lebanon are many. A rise in the price of petroleum is a persistent danger as long as the country depends wholly on oil and gas importation. However, the liquidity problems experienced by Lebanese importers in context of pressure on the lira-dollar peg have taken center stage in 2019. As lira devaluation implies more expensive imports (inputs), the high cost of services (telephones, power, transport, etc.) coupled with an uncompetitive internal market translate into economic inefficiencies and, therefore, above-market prices. All these factors, and others, increase the burden on producers. In addition to revised monetary policies such as a switch to a crawling peg, remedies for decreasing producer costs lie mainly in major structural reforms, such as introducing competition or improving access to capital for MSMEs in order for Lebanon to gain from market competition and entrepreneurship. Importation tariffs and import substitution incentives appear to be mandated in order to reduce trade imbalances in the short to medium term. However, competitiveness needs to be developed in ways that are compatible with the international obligations and trade agreements that have been signed by the Lebanese state and able to avoid pockets of inefficient economic production. In the long term, protectionism and other state measures to shelter domestic producers must be studied, wielded very cautiously and limited in size and duration, lest they will cause more harm than good.

Develop

Agenda Priority 15

POLICY PRIORITY 15.1

MAINTAIN A FREE AND FAIR TRADE POLICY

Main Challenges

- *Reassess trade policy, domestic and international*
- *Negotiate new agreements*
- *Improve interaction with the European Union*

Proposed Measures

Measure 15.1.1

Set up a new inter-ministerial and sectoral committee, under the leadership of the Ministry of Economy and Trade, to reassess and negotiate bilateral trade agreements and examine protective tariffs that were instituted in 2019 as well as tariffs that entered into discussion in the last quarter of 2020.

Measure 15.1.2

Adopt legislation relating to WTO accession by the end of 2021. Negotiate new agreements with the GCC and emerging economies, such as Africa, China, and India, that go beyond merchandise trade to include services, investment promotion, and natural resources.

Measure 15.1.3

Establish a EU unit that is linked directly to the Office of the Prime Minister and includes representatives of all relevant ministries. Mandate this EU unit to strengthen cooperation, stressing issues such as market access, transfer of know-how, and regional infrastructure networking (e.g., electrical, maritime, etc.).

POLICY PRIORITY 15.2

UPGRADE THE COMPETITIVENESS OF THE NATIONAL ECONOMY

Main Challenges

- *Establish committee to improve competitiveness and enhance new comparative advantages of exports*
- *Reduce manufacturing costs*
- *Ease access to markets (e.g., port, airport, etc.)*
- *Create the national board for competitiveness*
- *Identify and develop new niche markets*
- *Conduct foreign market research and promote exports*

Proposed Measures

Measure 15.2.1

Set up a committee grouping public and private sector representatives by the end of 2021 to develop a two-year and five-year plan (mise-à-niveau programs) to improve competitiveness by identifying targets and performance indicators.

Measure 15.2.2

Seek to maximize comparative advantages related to changing monetary realities and support export productivity gains through appropriate measures and incentives on the level of manufacturing and agro-industry production.

Measure 15.2.3

Reduce the cost of manufacturing production temporarily by, for example, providing solutions such as low power rates during off-peak hours for energy-intensive industries, or other innovations that are not socially distortive.

Measure 15.2.4

Set up an agency focused on export promotion and research in foreign markets, and in the immediate term train staff and diplomats across the globe to promote Lebanese businesses.

Measure 15.2.5

Build the capacities of specialized Lebanese institutions, namely the standards entity Lebanese Standards Institution and the Industrial Research Institute, to provide support services to all industries and incentivize development to export-oriented enterprises.

Measure 15.2.6

Further revise legislation of exclusive agencies and implement stronger antitrust legislation.

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Develop

Agenda Priority 16

ENTREPRENEURSHIP SUPPORT

Since independence, Lebanon has adopted liberal economic policies whereby market forces dictate the behavior of economic agents. In the past few years, the growth of the public sector has been higher than that of the private one, and state intervention has risen, resulting in more corruption and more inflation. Instead of adopting a regulatory framework that facilitated investment and encouraged growth, the state created obstacles for the private sector, imposing a heavy burden on the fiscal budget, and indirectly reducing economic efficiency and productivity. Over a quarter century after the war's official conclusion, the outcome for Lebanon can be summarized as follows: Economic infrastructures have fallen behind, living standards have declined, poverty rates have increased, wealth distribution has become polarized and inequitable, the economy has become less diversified, markets have become dominated by oligopolies, the behavior of a large number of agents has been marred by corruption, and the government has failed to play its proper role as a visionary and a market regulator.

The Lebanese enterprise environment has been strung between the state's underlying concept of entrepreneurship in a free-market economy and the corruption of the economy into fragmented silos with clientelistic structures under the control of competition-distorting oligopolies. Lebanon in 2020 was ranked as number 143 on its Ease of Doing Business ranking, showing difficulties in establishing businesses, tax payments, corruption, enforcing contracts and obtaining permits.

After years of slow growth, the economy picked up from 2004 and into 2010, with an average economic growth rate of 7 percent, only to suffer again from severe external shocks that curbed growth and accelerated the rate of young talent leaving the country—the brain drain.

Efforts to reinvigorate the Lebanese entrepreneurship potential—often referred to in reports on the successes of Lebanese migrants and, more recently, in assessments of the involvement of Lebanese individuals in tech entrepreneurship in the emerging digital age—were kickstarted in the 2010s with Circular 331 issued by Banque du Liban (BDL), Lebanon's central bank, which aims to encourage and support the channeling of deposits from commercial banks into knowledge economy ventures by way of venture capital funds and intermediaries. However, by the end of 2019 new limitations to the financing formula under Circular 331 became evident alongside a larger need to review and further upgrade the entire tech entrepreneurship ecosystem. In addition, in light of the current crisis, Circular 331 funds have dried up, due to its reliance on funds from the banking sector and the 2020 liquidity crisis. In this context, new impulses for funding, development, and exits in the ecosystem are urgently needed for 2021 and beyond.

For the Lebanese economy to leverage the growing entrepreneurship successes in this ecosystem into wider gains—in the form of job creation, financial growth, capital markets opportunities, and the transition into a digital economy that can compete internationally—sustained efforts need to be further increased to develop knowledge economy capacities, the tech entrepreneurship ecosystem, its financial and legal support systems, and the encouragement of the entrepreneurial spirit of all Lebanese. In light of the rampant corruption in the public sector, and the out-dated Lebanese legal and regulatory systems, it is time to free entrepreneurs to channel energy into the productive economy. Administrative reforms should be put in place in order to lessen the burden on entrepreneurs from regulatory and legal standpoints, allowing for more flexibility and better ease of doing business, in order to foster competition and growth.

POLICY PRIORITY 16.1**PROMOTE INNOVATION AND DIVERSIFICATION****Main Challenges**

- *Further develop the knowledge economy ecosystem*
- *Improve access to financing for new enterprises*
- *Provide support to nascent exporters that incorporate digital technologies*

Proposed Measures**Measure 16.1.1**

Integrate the entrepreneurship vision for Lebanon into the national economic vision and enable capital-guaranteed funding for companies that meet predetermined criteria in line with this vision.

Measure 16.1.2

Develop complementary projects to accompany and eventually succeed BDL Circular 331 and complete the knowledge economy building blocks across the country: set up hackathons, pre- and post-accelerators, incubators, angel/seed and VC funds, and provide mentorship and coaching.

Measure 16.1.3

Support increased links among actors in the Lebanese entrepreneurial environment, particularly activate new international funding mechanisms for investment funds based in Beirut, and incubators, chambers of commerce, and growing enterprises nationwide, to enhance cluster development and promote investment in businesses inside and outside Beirut.

Measure 16.1.4

Develop schemes to better subsidize pilot projects of new entrepreneurs and further enhance coordination mechanism between universities, funding stakeholders, and state entities (e.g., Euro-Lebanese Centre For Industrial Modernization and the Industrial Research Institute) to support innovative ideas.

Measure 16.1.5

Support incubated and accelerated projects and new firms' move from ideation into phase two, enterprise building, by providing access to early-stage finance (seed funding, angel investors) to successful graduating companies.

Measure 16.1.6

Provide incentives to first-mover firms with future-oriented technology that export innovative and competitive tradable goods (meaning products or services not previously exported by the firm or from Lebanon).

Develop

Agenda Priority 16

POLICY PRIORITY 16.2

STRENGTHEN LEGAL AND INSTITUTIONAL FRAMEWORKS FOR ENTREPRENEURSHIP

Main Challenges

- *Invest in research and development*
- *Strengthen intellectual property protections*

Proposed Measures

Measure 16.2.1

Provide fiscal incentives to firms that allocate budgets for research and development (R&D).

Measure 16.2.2

Incentivize R&D budgets in universities and encourage the creation of technology transfer offices with grants to support spin-offs. Foster technology transfers between universities and the private sector.

Measure 16.2.3

Facilitate broader reforms in the judicial and legal systems (bankruptcy law, law on corporate liquidation, private equity and venture capital law, employee stock ownership plans, etc.), and continued education programs for lawyers on investor protections.

Measure 16.2.4

Enforce intellectual property protection through better laws and regulations.

POLICY PRIORITY 16.3

WIDEN ECONOMIC REACH OF MICRO, SMALL AND MEDIUM-SIZED ENTERPRISES

Main Challenges

- *Extend nascent support frameworks for MSMEs*
- *Link startups and MSMEs to diaspora investors*
- *Provide incentives for participants of microfinance institutions*

Proposed Measures

Measure 16.3.1

Develop various schemes in support of MSMEs, such as revolving and guaranteed funds that build on existing schemes such as the Kafalat and IM Capital equity guarantee scheme and potentially incorporate new schemes.

Measure 16.3.2

Create a one-stop-shop portal for MSMEs and startup entrepreneurs to access information and inquire about financial support and other incentives for startups, which would help reduce the burden on companies with regards to administrative formalities, obtaining permits, registration of property and others.

Measure 16.3.3

Facilitate access to advisory services, such as strategic and financial planning for MSMEs. Legislate dedicated channels where MSMEs can bid for public procurement opportunities and public project tenders.

Measure 16.3.4

Integrate entrepreneurship and diaspora energy flows by activating diaspora channels for international market access, and transfer of knowledge through mentorship or coaching. Prioritize linkage of resources between diaspora and local entrepreneurs on levels of investment and financing.

Measure 16.3.5

Continue capacity building with Lebanese customs authorities to increase transparency and efficiency of customs processes and reduce barriers that hinder growth of MSMEs.

Measure 16.3.6

Develop incentives for investors to participate in microfinance institutions, an approach that has proved successful around the world and is profitable to the investor and beneficial to the microenterprise.

Measure 16.3.7

Create a special legal form and structure for social enterprises. Introduce a means for the incorporation of not-for-profit and social enterprises.

Measure 16.3.8

Subsidize programs and nonprofit cooperatives aimed at consolidating small farmer communities and boosting their productivity.

Measure 16.3.9

Incentivize sector-specific funds in promising sectors, such as agro-food, film, and media, and social impact enterprises.

Measure 16.3.10

Incentivize business associations and business chambers to strengthen governance and types of business services, including information sharing to foster business development and growth in targeted sectors and sharing of market information.

Measure 16.3.11

Allow for MSMEs to list on the Electronic Trading Platform (ETP) in order to attract foreign investors for both equity and debt, which would allow for better investment in working capital, which would help promote exports.

Measure 16.3.12

Establish a more flexible legal structure to help promote competitiveness: this would include company structures that would allow for greater freedom within the companies regarding administration and shares (eg: US Delaware companies). Reduce early taxation on startups as the latter seldom make money in their early years, and abolish out-dated taxes such as stamp duties.

Measure 16.3.13

Partly privatise the Lebanese Commercial Register by end 2021 to allow for better registration of companies, their Board of Directors and Shareholders meetings.

Develop

Agenda Priority 17

LABOR

Labor, described by economic historian Karl Polanyi in 1944 as a “fictitious commodity,” is the lynchpin of any economy. As human capital is bound up in questions of justice, prosperity, dignity, and national identity, the issue of labor intersects with many of the agenda and policy priorities in this Economic Roadmap. In Lebanon, the importance of labor as social and economic resource is especially high, given that the country has comparatively low stores of exploitable finite resources such as hydrocarbons and metals. Furthermore, the crucial value and need for protection of human capital for the country has been highlighted by the events of 2020.

According to a recent international assessment of holistic wealth by the World Bank, human capital constitutes Lebanon’s biggest wealth-generator. However, estimates of the size and composition of the Lebanese labor market remain uncertain due to the lack of watertight data. Likewise, labor policy, as well as projections of future Lebanese labor realities, needs, and opportunities—in the context of rapidly evolving global digitization, or the digital transformation of economies—leaves much to be desired. This makes it crucial to develop our human capital and preparedness for the labor uncertainties of coming decades.

To understand already predictable risks, shore up responsive capabilities to unpredictable elements, and enhance the supply of work, Lebanon needs to develop its knowledge base on labor issues in the 2020s in order to maximize creation of sustainable jobs and minimize losses to digital destruction of work. It may be best served in this by measuring the labor force participation rate, and the gap between actual participation and potential participation. The last official measurement of Lebanon’s unemployment rate, in 2007, settled on 9.7 percent. However, the International Labour Organization (ILO) modelled unemployment at just under 7 percent in 2018, and unemployment for Lebanese youth (which the ILO defines as those between 15 and 24), is estimated at almost 18 percent. Total labor participation by Lebanese nationals older than 15, the portion that is defined as being economically active, stood at 47 percent, with the number of people in the labor force just above 2.2 million in 2018.

A labor issue with additional data uncertainty and many troubling implications is the presence of exploitation and the very poor integration of temporary foreign labor (which is linked to voluntary and involuntary migrations). Among the nearly 1 million UNHCR-registered Syrian refugees, according to the Lebanon Crisis Response Plan 2017 (LCRP), an estimated 36 percent were unemployed. Meanwhile, the count of non-nationals employed as “domestic workers” (providing services to Lebanese households) was estimated in a 2018 study by Human Rights Watch at 250,000 persons. Although some limited coverage of the social insurance needs of domestic workers is mandated under Lebanese law, domestic workers do not have access to labor law protections and many social safety nets.

Determinants of current and future labor markets and processes—such as labor unionization, collective bargaining, regulation of specific labor market admissions, evolution of social insurance in reflection of social and human conditions (such as increasing longevity)—are in need of new assessment. This assessment must be completed before it is possible to develop a new national labor policy. Such a policy, however, must be devised and function as the cornerstone of the sustainable future

of Lebanese labor, as much of the existing regulatory framework governing Lebanon's labor-related social insurance system is radically outdated. Against the background of job losses and company closures in the weakening Lebanese economy at the end of 2019, new urgency has emerged to improve the labor market organization as well as social safety nets and relevant institutions. The framework for the National Social Security Fund (NSSF) and other retirement benefits date to the 1960s and are inadequate for managing today's radically different and rapidly changing role of human capital.

POLICY PRIORITY 17.1

ESTABLISH IMMEDIATE MEASURES FOR LABOR INFLUX

Main Challenges

- *Take measures to quantify the labor pool*
- *Provide incentives for local job creation in the context of planned public-private partnerships and infrastructure projects with international financing and corporate involvement*
- *Design and extend incentives for job creation by Lebanese entrepreneurs returning from abroad*
- *Increase diversity and productivity of expatriate and diaspora entrepreneurship and job creation ventures, and ease integration of qualified foreign labor into Lebanese enterprises*

Proposed Measures

Measure 17.1.1

Restructure and strengthen the mandate of the National Employment Office to rapidly and efficiently collect information from Lebanese residents and Lebanese returning from abroad, as well as Syrian and Palestinian refugees, and create a file for each applicant. Institute state partnership with foreign donors and international financial institutions (IFIs) in design and rollout of financial aid and lending programs for the protection of payrolls and jobs at SMEs in the formal economy.

Measure 17.1.2

Qualify and quantify the labor pool as well as its social development levels, and match it with available demand for labor and with the planned public works projects under the expected CEDRE frameworks. To accommodate economic needs after the global Covid-19 pandemic's impact on labor organization, facilitate the creation of home office work options in terms of digital infrastructure and legal enablement.

Measure 17.1.3

Develop a participatory framework involving ministries for approved employment programs. Expand the diversity of the qualified labor pool and enhance the development of local business establishments by revising the regulations for foreign labor participation in Lebanese enterprises, and provide preferential treatment to entrepreneurs and qualified returnees with Lebanese roots by approving foreign licenses, degrees, and other specialist qualifications.

Develop

Agenda Priority 17

POLICY PRIORITY 17.2

STRENGTHEN WORKERS' RIGHTS

Main Challenges

- *Define the role of labor unions*
- *Modernize labor laws*
- *Improve work-related social insurance reach and coverage*

Proposed Measures

Measure 17.-2.1

Draft new bylaws for unions and implement legislation with the aim of promoting a more constructive and independent role for unions.

Measure 17.2.2

Develop and fund training and development programs to provide new skills to the unemployed, and all whose jobs have been made redundant by technological developments. Support the creation of upskilling services and access of Lebanese talent to diaspora and international remote work markets by introduction of credible long-distance work certification.

Measure 17.2.3

Amend the Lebanese labor law to include all foreign workers, unifying the rules for local and foreign workers, thereby integrating current special rules applied to migrant workers into the labor law. This will include access to registration and ability to receive compensation from the NSSF.

Measure 17.2.4

Review and, if necessary, revise financial inputs to, and benefits packages of, work-related social insurance systems. Support the establishment of remote work in both national and cross-border contexts through tax breaks and other incentives

Measure 17.2.5

Legislate provisions on the rights of workers to continual on the job training and incentivize employers to provide this.

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OUTREACH TO THE DIASPORA

Each year Lebanon consistently produces more university graduates and workers than its economy can absorb. Together with cultural and political factors, accentuated in 2020 by the sharp economic collapse and the August 4 port explosion, the lack of opportunities at home has pushed Lebanese to migrate abroad for over a century. These outflows and migrations to countries in Europe, Western Asia, the Americas, Africa, and Oceania have translated into a huge diaspora—Lebanon has one of the world's highest ratios of expatriates to residents. In 2020 alone, over 500,000 Lebanese (some source have applied for a visa to move or study abroad.

Since the end of the Lebanese civil war in 1990, the attraction and integration of the diaspora's human capital financial energies was a—sometimes informal and sometimes more formal—political paradigm aimed at boosting economic development. Given the current devaluation of the LBP, combined with the state's capital control and restriction of transferring money abroad, the diaspora's contribution to Lebanon - especially in fresh funds - is more important than at any point since the creation of the Lebanese nation.

One element the state must work to ameliorate is the current inability of the public and private sectors to provide adequate job and career opportunities to highly qualified graduates of tertiary academic institutions. The lack of opportunity, combined with the financial failure of the state and the banks, has led to unprecedented brain-drain.

Brain drain has been a concern over the past 25 years and remains one, as the country is unlikely to generate enough career options for highly qualified graduates in the foreseeable future. However, while the state may be unable to completely stop emigration, it ought to develop the means—through designing policies and engineering institutional capacities—to make inroads toward helping more Lebanese find jobs in their homeland. While such efforts would likely be futile as standalone political or fiscal initiatives, they could generate multiple benefits if done in conjunction with improvements in Lebanese competitiveness and strengthening heritage preservation and increasing national identity appreciation.

Downsides of the strength of the diaspora, according to research by economists at the World Bank, are suspected to include factors such as a “remittance curse,” whereby (data suggests) remittance inflows are not necessarily translated into investments, as they are predominantly channeled into consumption.

Policy-makers and influencers must, therefore, focus on developing means to reduce brain drain, as well as policies to improve the utilization of remittances and generally redirect capital inflows from fueling unproductive consumption and asset inflation toward providing development capital that creates high-skilled jobs. It has been established in the past 25 years that the financial inflows from and links to the diaspora have been instrumental to Lebanon's ability to absorb financial shocks.

Develop

Agenda Priority 18

POLICY PRIORITY 18.1

CAPITALIZE ON DIASPORA RESOURCES

Main Challenges

- *Develop a registration protocol and conduct a census for Lebanese in Lebanon and expatriates*
- *Incentivize and attract diaspora tourism*
- *Optimize existing outreach channels and increase the strength of diaspora network*
- *Incentivize the use of remittances to fund sustainable investment projects*
- *Promote opportunities for diaspora investors to develop export-oriented ventures in Lebanon and make efforts to rebuild trust lost during the financial crisis in the second half of 2019*

Proposed Measures

Measure 18.1.1

Clearly define “resident” and “expatriate” and create a census of expatriates.

Measure 18.1.2

Mandate the tourism and economy ministries to develop and implement a strategy to attract diaspora tourism and investment in Lebanon. This should include incentives to visit Lebanon, as well as incentives to invest. This should capitalize on the rising interest in eco-tourism, and the preservation of Lebanon’s natural boons.

Measure 18.1.3

Involve Lebanese embassies, and especially the economic attaches appointed by the Ministry of Foreign Affairs and Emigrants at 20 major embassies, to more actively disperse information on investment opportunities in Lebanon for diaspora members. Work to mitigate land price increases that deter diaspora members due to their negative impact on housing markets.

Measure 18.1.4

Provide fiscal incentives to universities and centers that link expatriates with Lebanon (e.g., that hire Lebanese expatriates living abroad for short- or long-term contracts and/or offer courses specifically for members of the diaspora).

Measure 18.1.5

Incentivize the channeling of remittances to investment projects in Lebanon by providing tax incentives and exemptions for new and sustainable ventures, such as eco-resorts, and heritage and rural tourism projects, as well as all commercial establishments with high invested remittance amounts that are compliant with national priorities set by the Lebanese government.

Measure 18.1.6

Encourage, specifically, diaspora investments into Lebanese startups, through companies such as Berytech and Beirut Digital District, especially as access to fresh funds become increasingly important in 2020.

Measure 18.1.7

Create a database—including a list of supported target markets and a list of legal requirements, such as fees and certifications—for all tradable services and goods that can be exported from Lebanon to regional and international markets.

Measure 18.1.8

Standardize Lebanese products and certification norms in order for goods to readily comply with standards in target countries.

POLICY PRIORITY 18.2

INSTITUTIONALIZE RELATIONS WITH THE DIASPORA

Main Challenges

- *Empower diaspora access to e-government services in Lebanon*
- *Increase support for Lebanese clubs and boost capacities*
- *Develop outreach campaigns*

Proposed Measures

Measure 18.2.1

Build e-government platforms to enable the diaspora to easily apply for official documents.

Measure 18.2.2

Remove or reduce red tape at Lebanese ministries bearing in mind the needs of diaspora investors and their desire for transparency, fair pricing, and a reduction of corruption. Develop and simplify procedures that diaspora investors can follow when embarking on an investment process in Lebanon. Empower embassies to provide free and competent legal guidance to potential diaspora investors.

Measure 18.2.3

Build trust among diaspora communities abroad by promoting Lebanon as a safe place for investment - accounting for the financial difficulties of 2020 - not only by the implementation of administrative incentives (see Measure 18.2.2), but also through soft measures, such as outreach campaigns, sponsorships, and events.

Measure 18.2.4

Enhance ministerial support for Lebanese cultural clubs abroad and promote alliances and partnerships with foreign universities and think tanks.

Measure 18.2.5

Incentivize syndicates and professional associations in Lebanon to reach out to diaspora communities when looking for partners, honorary members, or investors. Promote large investment projects such as job-creating real estate ventures and sustainable or heritage-enhancing real estate projects, through targeted discounts for diaspora members.

Measure 18.2.6

Expand collaboration between Lebanese and diaspora organizations in the economy and civil society, while ensuring that links are outside the realm of politics and free from political and sectarian interference.

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Develop

Agenda Priority 19

HERITAGE PRESERVATION

The August 4 port blast destroyed many of Lebanon's heritage gems, including Lebanon's iconic Sursock museum. In 2020, the Lebanese government's priority in terms of heritage preservation should be to protect destroyed properties from being bought up for commercial projects, but to protect these landmarks and make sure they are restored and renovated. Cities in the Eastern Mediterranean region may disagree on which can claim to be the world's oldest continually inhabited settlement, but it cannot be denied that urban settlements in this region have histories and identities that are more than deserving of protection and preservation for future study and enjoyment. Until today, however, the Lebanese state has not shown a universal understanding and political will to improve and enforce existing laws on the protection of antique treasures. Nor has the country shown any signs of developing and pursuing a national strategy to preserve our natural and built heritage, a matter of pressing urgency as post-explosion damage remains. In matters of heritage, Lebanon still relies on outdated legislation—Law 166 (1933) issued under the French Mandate. The country's architectural identity is being lost as chaotic real estate developments are pursued for profit motives but in total absence of any vision to preserve heritage clusters and integrate them into a Master Plan for future development. Our natural heritage, including our coast and historical landscapes, are being disfigured.

POLICY PRIORITY 19.1

LEGAL REFORM FOR HERITAGE PRESERVATION

Main Challenges

- *Update the legal code*
- *Create a central plan for preservation*
- *Protect heritage sites destroyed and/or damaged during the August 4 explosion*

Proposed Measures

Measure 19.1.1

Issue implementation decrees for Law 37 (2008) on the protection of cultural property.

Measure 19.1.2

Pressure Parliament to revise and pass the law on the preservation of heritage sites and buildings that was approved by the Council of Ministers in October 2017.

Measure 19.1.3

Pressure the Directorate General of Urban Planning to work on a comprehensive updated Master Plan that preserves what is left of our cultural natural and built heritage.

Measure 19.1.4

Pressure the Ministry of Culture and the Directorate General of Antiquities to have a clear stand on the protection of all heritage sites.

Measure 19.1.5

Protect heritage sites damaged or destroyed during the August 4 port explosion from predatory, commercial buyers.



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