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Executive

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State Purpose

Whereas it is the People's Right to declare their Economic and Social Union, such Right becomes a Duty at the Time of a State losing its Purpose

[Because]

When the State fails to honor its Purpose, the People have to repurpose the State and create an Inclusive Higher Union of Belonging, Mutual Obligations and Benefits

EDITORIAL

#255-256

Lessons from our chaos

The Lebanese constitution is clear in laying down the principles of democratic governance and the responsibility that those who wish to hold office have towards economic democracy, social equality, human rights, and more. And yet, our daily reality is nothing if not a narrative of chaos.

Isn't it ironic that we despair that our political leaders cannot agree on a government but we have no greater wish than getting rid of our political corruption?

I don't know if you agree with me but I hold true that we all, each in our own way, have to challenge the chaos that is bringing us to our breaking points. For Executive, putting our shoulder to the wheel of fighting chaos has meant holding industry roundtables and asking leaders in our economy: How can a corporation preserve the value that it built over years of hard work, retain its talent and pursue profitability in an environment where those in the highest political power have demonstrated their disregard of all those principles?

Their answers and other lessons of the chaos experience of this year up to the present moment encourage me to call your attention to three points of note and request your responses.

Lesson One: Economic democratic principles are built on contracts and agreements. The functioning of such an economy needs all its participants' adherence to policies and procedures. Public and private institutions alike therefore must be accountable, honoring contracts, reporting to internal and external auditors, and obeying legal and regulatory authorities that monitor and reinforce commitment to governance standards and take to task all those who breach the law and violate stakeholders' rights. This is what builds trust, attracts capital, and nourishes innovation and trade.

Lesson Two: The ethical firm and the ethical state are more than assemblies of contracts and agreements. They need purpose, and the ethical state must support the purpose of the ethical firm and the ethical family, just as the ethical family and ethical firm have to meet their obligations to the state.

Lesson Three: When the state fails to honor its purpose, the people have to repurpose the state and create an inclusive higher union of belonging, mutual obligations and benefits.

It is obvious that political systems will be degraded and fall into chaos if they produce public servants that use the constitution as a tool to grab power and gain unfair advantages for themselves. They slide down the slope of corruption, extracting economic value without adding any value in return. Pursuing this model of constant depreciation, the culture of public corruption crowds out those who want to play by the rules. Instead of being the agency of growth for private economic actors, such a broken public system exhausts the remaining economic performers, be they employers or employees, consumers or producers.

The Lebanese private enterprise can and must build its capacity to rise above the broken system. In an increasingly connected and globalized world, the Lebanese private enterprise can and must evolve, adapt, and persist in its pursuit of value creation. Its talents will always be recognized and valued for their creativity and innovation.

Yasser Akkaoui
Editor-in-chief

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THE PLAIN PICTURE

CAPTURING REALITY

Take a look back at some of the main news that shaped the last period through the lens of Executive photojournalist Greg Demarque.

204 portraits by artist Brady Black near Beirut's Saifi area pay homage to the victims of the August 2020 Beirut Port explosion.

Nine months after the Beirut Port explosion, the parents of the victims still demand justice from an idle government and investigation into the disaster.

Lebanese summer life gradually picks up as COVID-19 rates drop drastically, but preventive measures are barely adhered to.

The arts and culture scene slowly resumes in Lebanon. Pictured is a dance performance at the Sursock Palace on May 21, 2021 as part of the Bipod Festival.

Import challenges result in a shortage of medical supplies in Lebanese pharmacies and hospitals, among other necessities.

Lebanese citizens queue for hours at fuel stations amid fears of supply shortages and price spikes once subsidies are lifted.

Erratic fuel supply for Lebanon's national power plants leads to increased outages and rationing, with private generators barely able to satisfy demand.

Judge Ghada Aoun finds herself at the center of a large controversy concerning investigations into Lebanese banks' overseas transfers.

Despite the various ongoing crises Lebanon is facing, citizens seem to want to overcompensate with a booming night life

LEADER

POLICY

Purpose at the edge of chaos

Chaos is a complex system ruled by discernable patterns where the agency of minute initial changes creates hugely different outcomes. The chaos system, while appearing predictable early on, thus cannot be predicted in its future outcomes. Also, if there are conscious forces of agency that perpetuate the deterministic chaos that is Lebanon from the perspective of a governance system, they appear to cherish obscurity. Our socioeconomic fate thus is uncertain as well as obscure on any time horizon, despite overwhelming evidence of dysfunctional public agency that underlies the problems of our economy.

Secondly, even when discussing the survival strengths or the residual weaknesses of Lebanese public and private sectors, the full identity and extent of the chaos system tend to remain impervious to analysis. Perhaps this is because, by human reason, such an insidious, logic-defying system ought not to exist.

By contrast to the unpredictability of the public system, however, there are many reasons to marvel at the survival skills of our private sector economy – which have been demonstrated more convincingly with every passing month of our 20 months of open economic crisis. Proven survival skills create opportunities. Yet a precious few observers, one of them Executive Magazine with the support of partners and stakeholders, have dedicated themselves to highlighting those opportunities.

This Lebanese constellation – of public development barriers and private development wants – today warrants newly discussing the social enterprise fundamentals: the purpose of business units in their evolutionary habitats of profitable industries. Profit and purpose belong together if the economy is to function as an ecosystem, as the noted international central banker Mark Carney – whose sterling reputation in the global finance realm was built over his tenures at the Bank of Canada and the Bank of England – preaches in a very recent discourse on the relationships of economic value and moral values.

According to him, companies with an internal sense of purpose and high employee buy-in into their purposefulness perform better for society – and prove themselves in times of disruption. “To build a better tomorrow, we need companies imbued with purpose and motivated by profit,” Carney writes. And purpose, he emphasizes, is modeled and informed by an underlying set of values.

Ergo, developing a new game engine, in the form of a collaborative and rational private sector paradigm, seems to be the only answer that would allow for the Lebanese private sector economy to thrive at a not-impossibly-distant future time point. All the available evidence suggests furthermore that the construction of this economic growth framework has to start with rebuilding socially productive entities in the categories of industry and the firm – quasi the formation of stronger Lebanese business tribes and superior warriors that can compete in the global game world of economic Warcraft.

SNAFU

Perhaps the construction of a new economic paradigm for Lebanon then needs to commence from two opposing points: construction of a new constitution for the state – an ethical state – on top and building industries from the granular structures of their two core economic unis, the ethical family (and socially alert family business) and the ethical firm.

Firms, by collective wisdom of today’s inclusively minded female and male economists, are the core of capitalism, their habitat is the marketplace, and their survival depends on corporate governance in alignment with ruling standards and goals, known as ESG (environmental, social and governance) goals.

The first issue, a stakeholder discussion for creation and encoding of new purpose in the DNA of five Lebanese industries, provided the thrust to the special report on the Economic Framework for the Creation of Sustainable Private Sector in Lebanon, which the Executive team worked on in partnership with the United States Agency for International Development (USAID) and in alignment with over 50, highly qualified, stakeholders from finance, advisory, strategy design and operation in the fields of manufacturing, food-processing

& agro-industry, media & content creation, food & beverage concepts and hospitality, and technology and knowledge enterprises.

This project was kicked off in February. Its first stage entailed diligent selection of a steering committee (SC) and a foundational SC meeting wherein our consultative approach determined the five industries that the project would focus on. Roundtables convened on March 30 and 31, resulting in 10 hours of recorded insights that were transcribed into approximately 70,000 words of raw minutes, condensed, journalistically augmented, and contextualized with expert comments in the writing and production of a benchmark report that was printed and presented on June 9.

WILL HISTORY ABSOLVE US?

We noted three outcomes to this exceptional report, the bulk of which you will find included in this pdf issue of Executive Magazine on pages 33 to 90. The first outcome was an affirmation of the capacity for brainstorming and constructive dialog that participating stakeholders have and the assurance that these experts and practitioners are perfectly motivated to construct a better economy. A second result of the deliberations was that industries have as yet underused potential for coordination in the current crisis. As a third conclusion and implication of untapped potential, the roundtable discussions have hinted at vertical and horizontal opportunities of supply chain development and innovative pairings of industries for mutual benefits.

Painting a realistic picture of the constructive discussion of our over 50 roundtable participants requires noting their will to listen to each other and hear out opposing views, but also means acknowledging that longstanding economic weaknesses and risks in the private sector economy have been exacerbated by the crisis and that there will be no lasting solution without political change, even if the economic actors do their best to perform as if there was no public disruption.

The detriment of entrenched old problems is reflected also in other challenges to our collective sanity that are documented in this issue, namely the perennial combat against corruption (see four focus comments supplied by UNDP stakeholders from page 18) and the quest for a restructuring of our banking industry that will enhance our future economy, not cripple it further.

While there are comets of a new banking reality flashing through our financial sky, the harbingers of better times are yet feeble prospects. They have resisted our journalistic hunger for a clearer picture as reports on the banking sector's current health, or absence thereof, will have to be assessed on basis of accurate sector data – which are still not in our line of vision – as well as implementation of restructuring (see story page 8) and forensic audits (see story page 12). But being confronted with a banking picture of many imperfections today only whets our appetite to bring you, in the third quarter of this year, a fuller and deeper understanding of where banking stands and what it can again become.

The one thing in the past few months that was as important for this magazine as our project on creation of sustainable private sector employment in Lebanese industries, and even more energy-consuming than the development of our five economic roundtables, was the challenge of elevating our inner purpose and making it stand up to the burden of this ongoing crisis. We – every last member of the Executive team – have worked, striven, revised, and worked more on developing our purpose in midst of the social, economic, and worst of all political crisis that has bounced all Lebanon from one moment of despair to the next.

In a journalistic nutshell, the anchoring of purpose in the enterprise and the needs to counteract the deterministic chaos in the state, were the on-agenda drivers of this April/May 2021 issue of Executive, which we present to you belatedly, and which will be drivers of our future.

It may or may not be true that, as about a dozen staff researchers at the World Bank have just suggested in the Spring 2021 Lebanon Economic Monitor, this country's still ongoing economic crisis will go down in history as one of the most extensive and consuming episodes of recession that have been recorded in the past 150 years.

But taking this observation from its opposite implication, Lebanon's economy may yet deliver new empirical evidence that there is that real existent transition zone, between the realms ruled by anarchic disorder and stagnant order. This is the realm that has been dubbed the edge of chaos. Described constructively and optimistically, it is the place of bounded stability where new solutions can be innovated and verified in a sphere of maximum complexity.

It is then not inconceivable that the painful quagmire of the historically exceptional Lebanese crisis can ignite the mixture of desperate needs and applied ingenuity that can unleash what Carney calls the "magic of capitalism", meaning the solving of a burning social problem with a profitable business model, which can generate a self-sustaining and/or scalable process which by virtue of its creation unlocks new answers to basic and current economic problems. Thus, in the extreme economies at this edge of chaos, developments can be initiated that shape the future of systems, such as the global economy that is battling to find its path between stagnation and anarchy.

Post scriptum: the edge of chaos is an exciting state of mind; a cozy place for the fainthearted, it sure ain't.

By Nabil Makkari

THE GOOD, THE MERGED, AND THE BAD

What options do Lebanese banks have?

One year into Lebanon's economic crisis, country total net losses are estimated at more than $44 billion by the World Bank's recent report as of early Q2 2020 and as mentioned in the Government Reform plan of April 2020 (at a foreign exchange rate estimated at 3,500 Lebanese pounds to the dollar). This results from losses at the Lebanon central bank Banque du Liban (BDL), losses in the banking sector, and losses at the government level mainly from the Eurobonds default. In this regard, the banking sector needs a deep restructuring to reorganize its assets and rebuild the needed trust from its internal and external clients.

The BDL has started preparing the way to such restructuring, mainly in its Circular 154, where it required banks to achieve a capital increase of 20 percent, as well as securing 3 percent of banks' deposits in "fresh dollars" by February 28, 2021. Banks have to comply with such requirements as a minimum recapitalization while ensuring liquidity with their correspondent banks. This presupposes that banks who fail to meet those requirements, the BDL will start classifying the banking sector in readiness for its restructuring.

Nevertheless, to date, the means to ensure such restructuring of the banking sector have rarely, if ever, been publicly addressed. In order to absorb such losses, bank mergers have been contemplated by economists and banking sector experts. Another possible solution would be to restructure the banking sector into "good" and "bad" banks, the latter of which would absorb the losses and take them out of the balance sheets of the banks to recreate a new banking sector, smaller but stronger to drive the Lebanese economy recovery's in the next few years.

Knowing that the capital of banks pre-crisis was estimated at $20 billion (part of it also being in Lebanese pounds), it seems unlikely, in view of the huge losses in this sector, that banks' equity will be able to absorb such massive losses, in spite of the requirement to raise their capital by 20 percent.

LOSSES ACROSS THE BANKING SECTOR

Losses across the banking sector can be divided into three different types.

The first is the losses due to Non-Performing Loans (NPLs), which were estimated in April of 2020 at around 18 percent of a portfolio of $40 billion of loans given by Lebanese commercial banks. Today, 18 months later, and according to Nicolas Chikhani, former chief executive officer at Arab Bank Switzerland, this NPL ratio is" higher in view of the increase in the unemployment rate and is estimated at circa 25 percent." However, it should be noted that the NPL ratio did not grow further because some of the loans are secured (hence collateralized) and others are held by non-residents, which are less impacted by the economic crisis. Knowing that the level of total loans has gone down during the past year from $40 billion to $35.5 billion, due to early settlements, it is estimated that losses in this portfolio could reach $8.9 billion applying Basel III provision requirements.

The second is the losses from the Eurobonds government default on March 9, 2020. Ever since the default on foreign currency denominated debt, of which $9 to $10 billion are held by Lebanese banks as of April 2021, Eurobonds have been trading on average at 15 cents to the dollar, and therefore at an 85 percent trading loss. Overall, at such a discount, such losses can be estimated to be around $8 billion if banks apply international accounting standards.

The third is the underlying loss incurred from the exposure of the banks on the BDL's balance sheet, mainly in the form of certificates of deposits (CDs). In summary, banks have deposited money (in CDs and in term deposits) at the BDL, in amounts estimated at around $60 billion, at a 20 year tenure average, while clients deposits at the banks were at a lower tenure, creating a maturity mismatch risk, which has resulted in a liquidity problem across all the banking sector, as highlighted by Chikhani.

This is also subject to controversy as it resulted in an exposure for local banks of around three times their capital in foreign currency to a single entity, something lcalled "single borrower exposure breach." According to International Financial Reporting Standards (IFRS9), such an exposure to BDL should be provisioned to a minimum of 25 percent as per standard practice while BDL required banks to take only 1.89 percent. Hence, in reality, banks should take an estimated additional $14 billion of provisions.

With banks' equity, being valued today at $24 billion after application of BDL circular 154, banks still need to raise around $31 billion in provisions to ensure solvency and rebuild the trust with local and international stakeholders.

THE ROAD AHEAD: GOOD AND BAD BANKS

The bank restructuring will require a process called "good bank bad bank", explains Chikhani. In summary a "bad bank" is a bank that holds low-quality and high-risk assets, which will be isolated from the initial bank's balance sheet. A "good bank" would only contain the remaining "good" assets of the initial banks' balance sheet.

A working paper by international consulting firm McKinsey & Company, published in July 2009, "Bad banks: finding the right exit from the financial crisis," highlighted the four different scenarios that would allow the segregation of these assets from one another:

The first is an on-balance sheet guarantee, by which the bank protects part of its portfolio against losses, usually with an implicit guarantee from the central government. In this scenario, the "bad" assets remain on the balance sheet of the banks but are guaranteed by the government and therefore no losses are recognized.

The second is through what is called an internal restructuring unit. In this scheme, the bank would centralize the restructuring of the "bad" assets in a separate unit, with its own board of directors and management, which allows for focus and effective management. Though this solution does not transfer risks efficiently, it does increase transparency of the core bank's performance, according to the McKinsey & Company study.

The third is that of an off-balance sheet Special Purpose Vehicle (SPV). In this solution, part of the bank's portfolio is offloaded to a separate entity, usually with government sponsorship, with said SPV being removed from the bank's balance sheet but still related to it.

■ Banks still need to raise around $31 billion in provisions to ensure solvency and rebuild the trust with [...] stakeholders

The fourth, and most effective way, is the "bad bank" spin-off, by which the assets are segregated and disposed into a fully legally separate SPV. Such an external "bad bank," according to the study, ensures maximum risk transfer and increases the core bank's strategic flexibility, which allows it to attract foreign investors.

BUSINESS CASE: LEBANON

In the case of Lebanon, given the sizable losses on banks' balance sheets, and due to the need to restore confidence both at the international level (with correspondent banks) and also at the local level (with Lebanese depositors), the fourth solution seems to be the most reasonable and effective one. It would allow for maximum transfer of risks off the banks' balance sheets and therefore for more flexibility afforded to banks.

A Quality Asset Review (QAR) handled through the BDL would first have to be conducted in order to determine the losses incurred by each bank, and in order to assess the strengths and weaknesses of the balance sheets. Once this happens, banks with very high exposure to Eurobonds, NPLs and CDs would probably have those assets transferred to specially created SPVs that will be used for the restructuring of the same assets.

The good banks, which would contain the remaining "good" assets, will have to be bailed in and bailed out to be capitalized and make them solvent and trusted by the international banking system. In a bail-in approach, depositors would be offered the choice to exchange part of their deposits in favor of becoming shareholders of the bank. In a bail-out approach, the rescue of the bank will be operated by increasing its capital through external financial institutions, foreign banks, the capital market, or private equity funds. This will result in injections of fresh money to reconstitute the needed capital of the bank.

In the case of a bail-in, as was the case in Cyprus in 2013, depositors become shareholders in banks to the proportion of the value of their individual deposits to the full amounts of deposits that were deemed high risks. In the Lebanese case, this would make the depositors and creditors, whose deposits were transferred to an SPV, shareholders in the latter, a situation akin to the one of Bank Intra in 1966.

As a result, the surviving banks' balance sheets will shrink heavily, but will be less exposed to high risks assets and will therefore be able to raise their equity later on without being heavily diluted because they will be financially sound. This is what happened in the early 1990s with the French Credit Lyonnais, where an SPV called Consortium de réalisation "CDR" was created to restructure the bad assets of the bank.

The SPV will have to engage in a restructuring process with the objective to reorganize its "bad" assets with the ultimate aim in Lebanon's case to reimburse depositors. In this matter, the help of the International Finance Corporation (IFC), a division of the World Bank Group, could be requested, as the IFC has a well-known expertise in the restructuring of bad loans.

According to Chikhani, it is estimated that after this process, "some Lebanese banks may cease to exist, others will be merged, and some will survive, and therefore the number of banks post-restructuring may be much lower and their new capital will reflect better the new GDP of the country that has decreased by circa 70% over the last two years."

GOVERNANCE REFORM IN THE NEW "GOOD" BANKING SECTOR

Should these reforms be implemented, and the good bank/bad bank scenario become a reality, "this would not be without serious governance reform in the banking sector and a reshuffling of the current supervision system of the banking and financial sectors in Lebanon," says Chikhani.

This scenario requires full independence of the Banking Control Commission (BCC), as well as of the Special Investigation Commission (SIC) and of the Capital Market Authority (CMA) in Lebanon, as it is common practice in other trusted financial jurisdictions (for example, the Securities and Exchange Commission in the USA, Autorité des marchés financiers in France, Capital Markets Authority in Kuwait).

In addition, commercial banks will have to increase their number of independent board members and ensure no accumulation of roles between chief executive officers and chairmen of the boards, all to ensure full independence and authority of the board with no conflict of interest ever with the executives.

In addition to that, a stronger internal control unit should be set up across all banks to ensure the application of processes and procedures in line with the "good governance standards." This would ensure a reduction of potential conflict of interests, a proper monitoring of risks, and a better auditing process. Also, Politically Exposed Persons (PEPs) would have their participation in the financial sector capped to avoid systemic and chronic conflicts of interest between the political and financial spheres.

> ■ A stronger internal control unit should be set up across all banks to ensure the application of processes and procedures in line with the "good governance standards"

Had these practices been put in place before, it is possible to say that a better monitoring of activities could have yielded more positive results with regards to banks' single borrower exposure, but also to the maturity mismatch which has resulted in the liquidity crisis in the banking system with regards to assets, as well as a better highlight of risks by external auditors.

Overall, the road ahead is far from easy, and will require a political decision, with a government eager to implement reforms and a parliament ready to legislate on the necessary laws, as well as the BDL agreeing on the needed reforms to ensure independence of monitoring authorities. The solutions are available in order to restore financial soundness and salvage the banking sector, to make it functional again. Lebanon is not the first country to go through a banking crisis, and won't be the last. But past experience has shown that the same solutions that have been put in place in other countries could be applied to Lebanon to save its economy, should there be a will to do so.

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By Nabil Makkari

A TALE OF TWO AUDITS

Where do we stand?

With the current financial crisis, and foreign currency gap at the central bank of Lebanon Banque du Liban (BDL), the demand for an auditing of the Lebanese State and state-related institutions such as the BDL. ministries, regional funds and others, has been a key demand of many reformist agendas and some political parties, including lately the President of the Lebanese republic, as well as various foreign countries and international institutions.

The Lebanese government, in the past, had requested the assistance of financial services firm Kroll in order to conduct a forensic audit of the BDL, before difficulties resulted in the hiring of Alvarez & Marsal, a New York based restructuring consultancy, to conduct said audit. The BDL, nevertheless, submitted approximately only 43 percent of requested documents to the latter firm, due to the limitations imposed by the Banking Secrecy Law of 1956, which resulted in a public spat with the Ministry of Justice.

FORENSIC VS. FINANCIAL AUDIT

This key demand for an auditing of the BDL requires an understanding as to the differences between a “typical” financial audit and a forensic audit.

Financial audit: In general, a typical financial audit is an audit of the financial statements of a firm or institution, conducted by professionals, in order to make sure that the financial records are an accurate reflection of the financial position and situation of the institution. Companies usually submit a yearly audit of the financial statements: their balance sheet, their income statement and their cash flow statement. Such auditing is conducted either by an external auditing firm, or by internal auditing teams. External audits enable the verification of the soundness of the firm’s financial position, and the identification of any financial misstatements in the financial records. Such external auditors usually issue opinions to provide financial statement users with confidence that the financials are both accurate and complete. Internal auditors, on the other hand, are employed by the company or organization for which they are performing an audit, and the resulting audit report is given directly to management and the board of directors. Unlike external auditors, they only follow the company's standards while auditing, whereas external auditors follow more generally applied principles, such as the Generally Accepted Auditing Standards (GAAS).

Forensic auditing: A forensic audit, on the other hand, refers to an investigative audit in which accountants, specialized in both accounting and investigation, seek to uncover frauds, missing money and negligence. In this case, the auditor is not only concerned with assessing the financial situation of a company or institution, but also with uncovering fraud. This audit is usually carried during legal procedures and trials, in order to determine the responsibility of parties, should illegal transactions have taken place. A forensic audit would then seek to uncover such transactions by checking if compliance standards were applied, and who the beneficiaries of these transactions were. In cases where the BDL had engaged in specific transactions with a counterparty, a forensic audit would not only determine the date and amount of the transaction, but also whether it was in conformity with laws, whether due diligence was applied, and whether it was in conformity with the Code of Money and Credit. A forensic audit would also seek to determine the official and "real" beneficiaries of transactions, and whether such transactions violated any laws.

SCHEDULING THE AUDIT

The forensic audit has been a key demand of the International Monetary Fund, the French initiative and foreign institutions, and also of some Lebanese political parties. Other parties, such as the Future Movement, have asked that all ministries and public institutions be audited. In addition, the government had previously hired Alvarez & Marsal to conduct a financial audit. The firm pulled out in November 2020, stating that it had not received the information it required. Back in July, the government had hired the financial firm Kroll, though it did not receive the political backing to do so. On April 6, 2021, the BDL issued a statement highlighting it was ready to discuss such forensic audit with Alvarez & Marsal, following Parliament's decision last December to lift the banking secrecy for one year. By late December, Lebanon decided to contact Alvarez & Marsal once again to conduct an audit of the BDL.

As of June 2021, there is no clear view yet as to whether this forensic audit, or any audit, will take place. At this stage, a forensic audit is much needed, as it would allow not only to establish a clear and transparent balance sheet of the BDL, to evaluate its assets and liabilities, but also to establish if any corrupt and/or negligent practices have taken place, and who its beneficiaries were, hopefully leading to some accountability. This audit is also considered a prerequisite for any financial aid that would come from international institutions, including the "French Initiative," noting that such aid is increasingly needed in in light of the acute economic crisis Lebanon is still struggling with.

> ■ This audit is also [...] a prerequisite for any financial aid that would come from international institutions

By Thomas Schellen

Keeping tabs on gender equality

Towards better inclusion of women across economic sectors

The quest for women's inclusion in the Arab workplace has taken another step on the long journey to improving the role of women in the formal economy. The Center for Inclusive Business and Leadership (CIBL) at the end of March 2021 launched the first iteration of findings from its KIP Index (KIP originally was an abbreviation for Knowledge is Power, a two-year project on gender and sexuality that was launched in the 2010s at the American University of Beirut). The KIP Index website describes the new gauge as a "sector-based measure of women-inclusive policies and practices in local organizations" in countries of the Middle East and North Africa region. Executive had a virtual sit-down with Charlotte Karam, PhD, the founding director of CIBL.

E ***What are the milestones and target dates that you want to achieve with the index?***

Moving forward, our intention is to collect data every two years and expand the sample. We are hoping to track how things progress or digress. There is no point in collecting data except to do it over time so that you can be a companion with employers {encouraging them] to do better and hold themselves accountable. Given the changes in funding priorities, we are also trying to seek an endowment to support this work. So far, we have funding for the next iteration, which will start in 2022.

E ***I think you obtained a fair amount of funding in 2019? This funding is committed and secure, right?***

Yes. The first funding for the first iteration was a grant from the [United States'] Middle East Partnership Initiative for $1.5 million. For the second iteration it was a little bit less, but now we worked out the kinks and so it will be much easier to run.

E ***Almost every newly launched index these days gives one the sense that there is an ideological framework behind it. Assuming that this is no different for the KIP Index, what is it that you intend to prove and what are your fail-safes so that you do not get false positive or false negative outcomes in line with whatever ideological expectation you might have?***

Our intention in creating this index is very much ideologically based. I don't want to sound too academic but I will say that our intention was [departing] from a post-colonial space. What I mean by that is that we want to gain control of our narrative from within the region so that we are able to compare and contrast between local realities […] without being forced to compare ourselves only to standards that are outside the region. Ideologically it really is about creating an indigenous Arab conversation that will move forward together in bringing ourselves to each other.

To the question about false positives, we had no expectation. We did not come in here with a hypothesis. When we developed the index we brought together people that worked in the area of economic empowerment in 11 countries. They are people working on the ground, they are largely [civil society organizations] or academic institutions that have been studying this area and [participating in] trainings. We brought them together and what is fundamental to our method and ideology is the idea of participation. One of the questions that we wanted to ask was who is [the index] benefiting, how does it benefit the local conversation, as opposed to a transnational conversation looking at us from afar. It is academically postcolonial and what we call feminist participatory action research. What guided us in terms of value was how to improve the lives of women who are working in today's organizations and how to translate that into more inclusive and dignified HR systems.

E ***What timeline or vision do you have about modifying deeply rooted behaviors of superiority in economic organizations that are usually associated with male attitudes?***

For us it is not a question of male versus female. It is more about oppressive structures and about vulnerability. In our case, what we are trying to address with CIBL are the neoliberal structures of economics. Our CIBL story and journey started a long time ago but began officially a few years ago. It is a conversation with structure, a conversation with decision makers. We have hit something that is resonating with decision makers in Libya, in Lebanon, in Iraq – in these conflict areas, which is to say that we have to have a conversation about these oppressive structures and how to build more inclusive systems. This is going to help the community and there is also a business case. It will enable them to do business better. Thus when we were creating our training modules, we embedded the fundamental notions of social justice, although we are speaking to business audiences that do not often place social justice as their motivating or animating factor.

It is shocking to us how much this is resonating with [business leaders today], much better than it used to. This may be because, take Lebanese employers for example, they now, more than ever, realize [the problem of oppressive structures] and are fearing to be stuck in a system that is taking away their money. The banking system is collapsing, the State is collapsing, right? So it can now resonate when you start talking about vulnerability and oppressive structures.

To give one example [for the increased receptiveness of business leaders to our programs], based on the results of the KIP index, we, in partnership with Executive Education at OSB, have designed a mini-certification for executives in business across the eight countries [covered in the index] and put out a call [inviting them] to attend free four [training] modules in March of 2021 free of charge to receive this certification. In response to our call, we got 1,700 applicants of whom we chose 482. And these are c-suite or upper level managers, decision makers. They attended all of the program with this curriculum of seeing it from the other side and then going further [to discussing] what strategies you can actually implement in your workplace. It was very successful.

> “[…] it is not a question of male versus female. It is more about oppressive structures and about vulnerability”

E ***During what time did you receive the 1,700 applications that you mentioned, and can this number be compared to a previous period when people applied for a similar program?***

It was the first time that we did [this program] and designed something at CIBL that would be provided for free. We launched the advertising at the end of January; we filtered through them and did our selection in February and then the classes started. I have been doing executive education for 12 years and when we offer something for free, people will come. But [this was a program] that specifically focused on inclusive systems and [human resources], and on MENA. We do not talk about how you [address HR structures] in the United States and at multinationals. We talk about how you do it when you have no electricity and when there are protests outside [in your street].

E ***As far as interest in this topic of HR structures and talking to decision makers, did you make particular observations as to breakdown per country?***

We built the index [as] sector based, not country based. In terms of country groupings we use the World Bank classifications, thus we looked at resource rich and labor importing [countries as one group] and secondly at small and medium enterprises. We created two indices, so that we can capture women's voices that are often ignored, and [this sub-index] speaks to, or mirrors the structural index that speaks to decision makers.

E ***Changes in political empowerment sometimes seem to be very quick, being as they are based on the number of women elected to Parliaments and political office. Relative to that, the rate of change in economic positions and CEO level or senior professional empowerment seems to be much slower. Is the rate of change on the political level more of a quick burn and how deep and sustainable is the rate of change on the corporate level?***

I feel that at least in the Arab region the rate of change in political representation of women comes with so many feudal and tribal ties so that a woman may be empowered one minute and the next will be gone. In the business sector, it is more sustainable, because once she is promoted up, she is there. The way of getting into those positions is very different and much less political or tribal. So I think they can't really be compared in terms of the dynamics.

Another thing that I want to say is that in a lot of the [region's] rich countries, there is state feminism, so [you see] these increases in international indices which are measuring who is working for internal security forces or who is working in the airport, or a public university administration. What we are measuring is the private sector, what businesses are doing, not what the government is doing. And this is a lot less regulated and not talked about.

E ***Might there even be a question if state-owned or state-influenced enterprises differ from or influence genuine private sector employment behavior and how much hidden state feminism might be involved in the behavior of private employers? Might there be a blindspot on how much private sector appreciation of women in their workforce is induced by state influence and how much it is appreciation in its own right?***

This is an excellent point. You just gave me a topic for a new paper. This is a new angle that we should be asking about right now, about state intervention or state influence being infused into the private sector. Love it.

E ***On the same day when you launched the KIP index on March 31, the World Economic Forum released their 2021 Global Gender Gap (GGG) Index. What do you think of the numbers that were presented there from the background of your expertise?***

We did a comparative review of all the indicators that come out, actually there are 12 other transnational indices that are similar to the GGG Index. We see this as a nice backdrop to the work that we are trying to do but our whole motivation for doing this is in speaking back to these indices. How so? First of all, statistically speaking the weighting and the aggregating and the questions being asked – we are weighting them within the region and not weighting them based on an assumption that the global north is the benchmark. All the weighting statistically happens within the region. This is very important.

The second thing is that the vast majority of these indices collect and use the same data. They use national level data that is often collected by the government or in national level surveys. We are not doing this. We are asking HR managers within the organizations to report what [their organizations are] doing. This is a completely different data set. Our intention is to equip businesses to do differently within the business.

> "What we need now is to measure something that is going to allow us to change things in a practical way,"

E ***While there is no way in which one could disagree that gender advancement in the Middle East and North Africa is not top of the world, how relevant is it to compare an achievement within the Middle East to an achievement in the global north when even the achievements in those countries appear very fragile, as shown by this year's GGG results suggesting that within just one year the distance to reaching parity jumped from about 100 years to over 136 years? Doesn't one have to wonder about the resilience of the methodology used by an index such as GGG and the indicative value of numbers if considering how much they have changed in a single year?***

I agree and often question the robustness and how it can switch from [a gap of] 100 years to 137 years and so on. But my question is different. For me [the question comes from the fact] that on the past ten iterations of GGG or all the other [indices on gender issues], the Middle East has been ranked the lowest region in the world. We know that. Even if [a Middle Eastern country is shown in place] 130, or 140 or 170, wherever it is in the rankings, it has been that way for the past ten years. So what has the index done for us other than tell us that we are doing a shitty job?

What we need now is to measure something that is going to allow us to change things in a practical way, on the ground. This is the point of the [KIP] index. It measures specific practices to be able to change those practices, track them and learn from different practices that are happening at organizations. We know we are doing bad, but now what? These national-level indicators are not telling us [about the] now what. It is extremely important to [capture the voices of the people in an organization] and take that forward and create HR and employer solutions for inclusion. The voices of women [in the organizations] matter in terms of HR structures and that is what we are trying to do.

E ***But what if the senior decision maker in a company has no idea what the women in the company contribute to the overall performance and results?***

Hence the need to track HR systems and what women are doing, how they achieve, what is happening within organizations in terms of recruitment, retention and promotion? This is the point of gender dis-aggregated data both in qualitative through their story telling narrative as well as structural through HR reporting on policies and processes

E ***Can we expect a series of publications and papers out of CIBL that tell us about KIP Index findings over the coming five***

years or will you communicate this only in the form of twitter blurbs or slogans that circulate on social media?

Because we are academics, we are already in the process of writing academic pieces and we have a moral obligation and social justice obligation to turn into [action]. So we start with white papers that are already on our website and these have specific recommendations and then we are turning them into curricula and executive trainings which have already started. We are now working on academic publications and then intend to do video training, like animated videos. These are kind of key results, all targeted at decision makers.

The KIP index results and the methodology that we use in the KIP Index then is applied for funding of the SAWI project to Support and Accelerate Women's Inclusion. [SAWI] is a five-year project, $6 million, to work with 80 employers in eight countries and partner with them on implementing some of the changes that were suggested through the KIP index. We are in the process of that and are just completing year one of this five year project.

E ***Is Lebanon among the eight countries, and how many Lebanese employers are with you?***

We have 10 Lebanese employers, 10 from each country, so 80 in total.

E ***Did you have a lot of demand and interest from Lebanese employers to participate in the SAWI project?***

Surprisingly, we did. We were not expecting it. For the Executive Education Training, we had a list of I think 300+ who wanted to attend the SAWI mini-certification program.

E ***How many enterprise candidates did you have that you could select your 10 partner companies from?***

We had a list of I think 300. [We] did not allow for applications. We had a list of people that were engaged with CIBL through our trainings and our webinars and from that community of CIBL. We tried very hard to have cross-sectional representation [in terms of company locations and sizes] so we selected the 10 together with our country partner, which is the Lebanese League for Women in Business [LLWB].

E ***Did you do anything together with LLWB angel investor fund?***

No. Up to this point we have shied away from working in the field of women-led entrepreneurship because we do not believe that it inherently means that you are doing inclusive systems just because you are a woman-led business. You could be the most oppressive and patriarchal [person]. But we are starting to look into investment with a gender-lens investing project. That is part of the SAWI project.

> "We do not believe that it inherently means that you are doing inclusive systems just because you are woman-led business"

E ***Would you agree that a person having more or less of a social conscience is not determined by their sex but by whatever other factors?***

Exactly. It is discriminating [to think that social conscience has something to do with gender]. It is not true. From our research, this is not the case. Because you are born a woman does not mean that you are more against oppression, or more inclusive.

E ***One thing that we have seen from the pandemic experience, to quote once more the GGG, "the hardest hit sectors by lockdowns and rapid digitization are those where women are employed". Would you say that this general finding applies also to the Middle East region, that the highest hit sectors by the corona recession were those with high female employment?***

We didn't collect data on that. But just in terms of my understanding of the region, one of the hardest hit sectors has been healthcare where women are frontliners. I would agree there. Also on banking, which is a feminized industry across the region at least at the lower levels, I would agree that it was hit hard because of the economic collapse in Iraq, Libya, and Yemen. The sanctions. But generally speaking, women have been hit the hardest across the board. One thing that people are not talking about but should be talking about is the increased burden of care work because children are at home [...]. But [what creates new questions] is the whole idea of the dissolution of the work-life balance, the division between work and life which is now gone, and the idea that your office is now your home: what does that mean for new contracts from the employer perspective? What does it mean for employer responsibilities toward their employees who are now working from home, in terms of gender based violence and domestic abuse? How do we re-define this new era of engagement and paid labor?

E ***The short-term repercussions of the pandemic shock on women have been noted and are very bad. This is of course highly speculative, but could the long-term outlook for women in the Arab world,, given their resilience and the ability of women in the MENA region to digest shocks perhaps better than their male counterparts, improve due to the pandemic shock? Would that be a remote possibility?***

The way I would say it is that the history of survival under oppression, or the history of resilience and the skills of navigating that oppression, is equipping certain demographics, like women, to do better in this new era. It is an excellent question. Time will tell.

Opinion

By Ghassan Moukheiber

CONSTITUTIONAL CHALLENGES AND THE FIGHT AGAINST IMPUNITY

Can we put an end to corruption and impunity?

Accountability is a fundamental tool for fighting corruption effectively, the formula for success being to make the cost of corruption, through holding the concerned individuals to account, much greater than its benefits to them.

However, the sad reality in Lebanon is the continued wide prevalence of impunity, particularly in the cases of grand corruption, which signals that corruption is systemic, in the sense that it is not accidental, but a tool for the real operation of the political system as a confessional-based multiple oligarchy controlling citizens and the state's public goods, redistributed to political clients through acts of corruption.

Corrupt acts in such a system, are not only limited to criminal offenses, petty or grand, (such as bribery, misappropriation of public funds or illicit enrichment), but extends to practices, many of which are based on laws or decrees (thus the adjective often used of "legalized corruption"), involving the abuse of public office for the personal gain of political clients, such as the provision of services and the allocation of public goods, including public offices, public land and public contracts.

This article assesses whether or not the provisions, interpretations and practice of the constitution, cause, promote or facilitate this systemic state of corruption and impunity. It also suggests some follow-up actions.

THE CONSTITUTION, INTERPRETATIONS, PRACTICES AND CULTURE

When evaluating the constitution, we do not limit ourselves to its operative texts alone, but extend our review to the full "constitutional bloc", which includes its preamble and a number of fundamental laws mentioned in the constitution, such as the electoral law, the by-laws of Parliament and government, the laws governing the Judiciary, the Constitutional Council, the Higher Council for the trial of presidents and ministers, and the Court of Audit.

Also, we include in our evaluation political practice, which departs many times from the intent of the text and the constitutional principles. These practices, called "silent constitutional amendments", result from various mis-interpretations, practices (or the lack thereof) and loopholes in the laws, not accidental, but meant to exist.

CONSTITUTIONAL PRINCIPLES AND TOOLS FOR OVERSIGHT AND ACCOUNTABILITY

The general discourse about ending impunity through constitutional means, usually emphasizes the important role that should be played by an independent judiciary. However, this fails to highlight other constitutional oversight and accountability means that are: popular, parliamentary and financial.

DISTORTED EXPRESSIONS OF POPULAR SOVEREIGNTY

The constitution solemnly states that the People is the source of all powers/branches of government. However, reality distorts such supremacy and turns it upside down.

Distorted and rigged elections: Free, fair and regular elections that should constitute the ultimate popular tool of accountability have been regularly distorted to the advantage of the ruling oligarchic leaders that have succeeded in controlling the electoral results. Not only are the choice of districts and electoral system themselves tampered with, but there are other ways and means for controlling the results, such as ineffective tools to manage the elections, ineffective controls of campaign finances and media, and pressure on voters.

Clientelism: Citizens who should be free and equal in the exercise of their political role, are captured by leaders as clients through sophisticated practices of corruption and confessionalism, such as in the apportionment and redistribution of public goods and services among political and confessional clients (e.g. public offices, land and contracts).

Emergence of popular empowerment: Direct oversight and accountability by the people, which was amplified by modern social media, is a novel and potent tool, which has been most effectively exercised since the October 17, 2020 and the massive popular demonstrations, as well as the parallel rise in effectiveness of the new civil society organizations and political grassroots movements. The direct action of citizen is putting an unprecedented pressure on the politicians, seeking more accountability and the pursuit of an effective fight against corruption.

DISTORTED SEPARATION OF POWERS

The constitution solemnly declares in its preamble that "the [political] system is based on the principle of separation of powers, their balance and cooperation". This indeed constitutes the foundation of the effectiveness of oversight and accountability. However, in reality, the practice developed the hegemony of leaders over the constitutional institutions (particularly through extra-institutional mechanisms such as the "Troika" and the "Dialogue Table"), and the preeminence of the executive over a weak parliamentary oversight and a weak judicial independence.

Weak parliamentary oversight: this is highlighted in a confusion between the offices of members of Parliament and ministers, especially in the context of the prevalent practice of the so-called National Unity Governments; rare meetings of the Plenary of Parliament for oversight sessions (an average of 21 meetings for questions in over 19 years); ineffective mechanisms of oversight and accountability provided for in the by-laws; oversight confined to committees that do not hold public meetings and do not report back to Parliament; the inability to form any parliamentary investigation committee; and inappropriate transparency of the parliamentary activities, particularly the absentce of the electronic voting system and of any TV coverage of the legislative process.

Weak judicial independence and effectiveness: this is related to the lack of independence of the Judiciary as a third branch of government as provided by the Constitution; the inability to approve a pending bill meant to develop its independence, effectiveness and integrity; a similar inability to develop administrative court (the Council of State); the appointment of administrative judges in consultative positions within ministries; the need to reform the Constitutional Council, who in addition to its many institutional shortcomings (including its inability to accept requests for constitutional interpretation, as originally provided by the Taef Accords), is rarely used by the political system for the constitutional review of laws.

> 🟥 A distorted consitutional practice has weakened [...] the oversight and accountability mechanisms

IMMUNITY OF PUBLIC OFFICIALS

The constitution solemnly declares the principle of equality of all citizens before the law. However, many forms and mechanisms for immunities

specifically favor civil servants and public officials.

In reality, immunities have become the stronghold of political impunity, further reinforced by the abusive practice of confessionalism. The most striking example of institutional immunities, is the protection afforded to the President of the Republic and ministers, who can only be tried before a special political jurisdiction, the High Council for the trial of presidents and ministers. The procedural law applicable to this jurisdiction makes it almost impossible to operate. A small window of improvement was opened by the most recent amendments of the illicit enrichment laws, which has now allowed the trial of ministers on that count before common courts.

INEFFECTIVE FINANCIAL OVERSIGHT

The historic rationale for the very existence of Parliaments originally was the exercise of the "Power of the Purse", that should be the most potent tool for the financial legislation of taxes and the budget as provided by the constitution.

However, the practice has limited such power, if not made it totally ineffective. For more than 10 years, Parliament did not vote a budget; for more than 50 years, it did not vote a properly audited final state accounts (e.g. the State's balance sheet) and since 2005 there were none produced. Parliament always invented drafting means to circumvent such obligation, required prior to the vote of any budget, a practice considered unconstitutional by the Constitutional Council. In addition to the above, Parliament has few tools for the effective exercise of its own financial oversight, other than the finance committee, such as an independent budget office, as best practiced by many other parliaments.

Last but not least, the role of the Court of Audit mentioned in the constitution, has also been ineffective, particularly to oversee the budget and public financial expenditures.

RECOMMENDED ACTIONS

It appears from the above that a distorted constitutional practice has weakened the proper functioning of the oversight and accountability mechanisms, to the extent that the political system has become similar to a "basket that doesn't hold water", a mere façade of laws and institutions, void of their much needed effectiveness. This signals, not only a lack of will to fight corruption effectively, but also, and much to the opposite, a concerted will to maintain the systemic corruption and curtail the effectiveness of any effort for accountability, oversight and transparency. Thus the state is not "failed," but "captured."

This will can be reversed by appropriate actions. A few bills were submitted to Parliament to address some of the issues raised in this article, e.g. reinforcing the oversight functions of Parliament, improving the means for holding ministers to account, limiting political immunities, improving the independence and effectiveness of the High Court of Justice, judiciary, Court of Audit, and other oversight bodies.

> ■ [...] many forms and mechanisms for immunities specifically favor civil servants and public officials

Also, the government has recently completed the "National Anti-Corruption Strategy", which includes many actions directed at preventing and fighting corruption (including reforming the Judiciary and the Court of Audit), but falls short of addressing many of the constitutional issues discussed in this article, which must be addressed appropriately, through further scholarship and dialogue, in preparation for the development of a special strategy and action plan to correct the many distortions of the constitutional tools of accountability.

Most of these efforts would probably not require modifications of the constitution itself, but filling the gaps of the fundamental laws forming the bloc of constitutionality and changing many of the legal misinterpretations and decades of improper practices.

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The analysis, views and policy recommendations of this article do not necessarily reflect the views of the United Nations, including UNDP, or its Member States. The article is an independent piece commissioned by UNDP as a build up to the "Constitutional Challenges to the Fight Against Impunity" webinar organized in partnership with Executive Magazine.

Introducing the next-level virtual credit cards from **Monty Mobile**

In a global climate of patterns' shifts towards digitization, Mountasser Hachem, chief executive officer and founder of Monty Mobile, entered the world of FinTech on s olid grounds through innovative products revolutionizing financial concepts to introduce them into the Telecom industry and accompany modern high-tech trends.

Hassan Mansour, general manager at Monty Mobile gives the rundown on the company's latest portfolio.

How is Monty Mobile revolutionizing mobile payments in the telecom industry?

Following Monty Mobile's active role and commitment to integrate a wide community into the financial world through various aspects, we launched Monty Virtual Credit Card (MVCC). We are moving forward to implement virtual credit cards' perception to the Telecom industry. Virtual cards are witnessing growing demands worldwide and are broadly recognized by numerous suppliers that accept any form of physical cards. With our MVCC, mobile operators can now provide their subscriber base with a virtual and digital service to make instantaneous online and electronic payments.

The economic environment today requires businesses and individuals to evolve and adopt technologies that contribute to increased efficiency and a better management of their daily lives, save time and streamline procedures. From now on, visiting traditional banks' sites will not be a prerequisite anymore to access the MVCC.

What are the fundamental trends characterizing Monty Virtual Credit Card (MVCC) issuance compared to traditional virtual cards?

Virtual credit cards are not a new concept. However, the modernization stands at shifting and implementing this technology to Mobile Operators who will be managing and offering their subscribers this new line of product, thus conveying an original experience at their users' hands. It is a new opportunity for the telecom industry to expand and strengthen its activity in FinTech services.

The MVCC follows very simple issuance procedures easing the long norms and requirements imposed by any traditional bank. The process is transformed to a fully digitized chain. Based on a progressive subscribers' statistics and behaviors analysis, MVCC is offered to eligible users based on an advanced credit scoring. Qualified clients are then embarked through a mobile application to fill a quick KYC form which is automatically redirected to a local bank for a full background scan and profile verification approval before access to our virtual card. This simplifies an entire old-fashioned course of visiting banks, opening numerous accounts, filling tons of forms and many endless procedures before receiving any credit facility.

What are the key features offered by Monty Virtual Credit Card (MVCC)?

As a modern payment alternative, MVCC has many innovative features creating a secure, simple and straightforward experience. It allows users to complete their purchases from their smartphones instead of using physical cards. It can save the stress of carrying a wallet around. Fully digitized and stored in users' devices, MVCC reduces risks of fraudulent crimes and thefts. It could even be locked from users' devices in case they are concerned that their accounts have been compromised.

In addition, it could be complemented to any existing and new financial services or loyalty programs that operators intend to offer, thus aiming at creating improved incentive and better experience for their subscribers.

Why did Monty Mobile choose to enter the FinTech industry?

Today, FinTech is a sector experiencing exponential growth and witnessing exceptional flow of interests influencing many businesses from diverse industries and backgrounds. The future lies in this sector which complements many industries in their day-to-day operations. Fintech solutions are generating increased awareness by end-users and are becoming an inseparable part of their daily routines.

It is a challenge for us to seize this trend and create a bridge that links our industry as well as mobile operators' needs to customize consumer needs. Thus, paving the way for development of new pioneering products and new market reach. Even though mobile operators and FintTech originate from different environments, they complete each other to deliver new facilities for their clients and to expand the industry towards better prospects.

The banking sector is taking a new path worldwide. Given the population's structural behavior change, a younger population is driving the demand for new approaches to tackle financial needs that go beyond traditional banking concepts. And this will not stop at this point. Rising initiatives for digital transformation of financial needs and the extensive use of smartphones are key factors to accelerate use of FinTech products.

Endless evolution and the desire to exceed our clients' expectations shaped our foundation of sustained growth. With a resilient talented team, we cannot but expect outstanding outcomes.

By Jessica Obeid

PREVENTION OF CORRUPTION IN AUTONOMOUS PUBLIC INSTITUTIONS

Solid insitutions are necessary to launch reforms

"You can't build a great building on a weak foundation." The same applies to institutions. Strong institutions are critical for crisis recovery and economic development. In Lebanon there are several autonomous institutions that, theoretically, were supposed to be shielded from political interference and improve sectorial performance. Yet, in practice, these institutions suffer from structural problems that have rendered them a vehicle for vested interests, leading to a reduction of the country's competitiveness and a deterrence to investments.

Autonomous public institutions, by design, should benefit from an independent decision-making process, autonomous employment and access to resources. These institutions' characteristics have been largely defined by their post-civil war restructure. The then-governments attempted to expand the role of the public sector while developing the private sector. The linkages between business people and politicians increased as more financing was available within the private sector compared to the public sector. This has led to the emergence of ministers and public officials with private sector interests of profit-making while operating within public institutions – even autonomous ones.

This phenomenon is witnessed clearly in the health and power sectors. The focus of private profit on the provision of health services has exacerbated inequality and weakened public hospitals. In electricity, reforms have largely remained on paper and citizens perceive the national electricity utility, Electricité du Liban (EDL), as a symbol of corruption.

STRUCTURAL DEFECTS

There are obvious trends in the Lebanese autonomous public institutions: weak governance, illusion of autonomy portrayed in the political involvement in these institutions, and lack of accountability.

Corruption arises when there is a level of autonomy and availability of resources, but there is also political meddling in decision-making and recruitment, compounded by an absence of mechanisms to promote responsibility and accountability for specific actions. The involvement of certain ministers in the institutions' decisions results in further blurring of the autonomy and boundaries between the institutions and ministers. Autonomous employment also took a hit when it was modified by the Council of Ministers to require its approval for public employment and appointments. The absence of accountability is rooted in the structural gaps within the parent institution. These shortcomings span from the design to the implementation stage of these autonomous institutions and can be summarized by: 1) the opacity of mandates and functions of the institution; 2) the absence of or weakened regulatory oversight; and 3) flawed coordination in assessment and organization. As a rule of thumb, the ownership, board of directors, and management of the institution should be separated. When the lines become blurred between the owner or parent institution and the management entity of the autonomous institution, responsibility becomes scattered and answering to actions becomes impossible. This is further aggravated when there is the lack of an oversight entity that controls and monitors the performance of the relevant sector's institutions. The parent entity then deviates from its mandates and designated role, leading the way to ministerial exertion of power over decision-making in the autonomous institutions, thus exposing the latter to vested interests and corruption. The end result is therefore institutional corruption and the eroding of citizens' trust as these institutions increasingly appear to serve the private interests of government officials.

BOTCHED REFORMS

As economic crises mount, the need for reforms multiplies as states can no longer afford the cost of the status quo, and as citizens turn more towards the public sector for service provision. However, reforms do not happen in a vacuum, and solid institutions are a prerequisite to enable the adoption and implementation of reforms. Following Lebanon's protests in October 2019, and later the county's first Eurobonds default in March 2020, calls for enhanced governance across all sectors have increased but were met with complete absence of political will for effective reforms. Instead, the country has witnessed the emergence of the "décor-reforms" that give the illusion that something is being changed without actual implications on the end result, which continues to be institutional corruption.

Nowhere is this more evident than in the electricity sector. In July 2020, the cabinet appointed an Electricité du Liban (EDL) board of directors, allegedly as one of the reform measures, following a two-decade board vacuum. Yet, instead of hiring for expertise, credibility and independent thinking, the cabinet appointed the board based on sectarian and political affiliations. The first test of the board happened a few weeks later when the Beirut blast severely damaged the utility's headquarters, leading to deaths, injuries, and the loss of the national control center and data, in the absence of digital records and archives. Instead of stepping up, the board remained in idle mode.

🟥 Corruption has cost the country tremendous debt, in addition to the deterioration of the quality of life and overall competitiveness

The chronic dominance of private interests in the healthcare sector and public hospitals also emphasizes the need for institutional reforms and digitization. Minor attempts to develop and invest in governmental hospitals resulted in shy improvements in the public access to healthcare. The investments were impaired by major institutional shortcomings including lack of monitoring and supervision and overall transparency, and weak recruitment criteria and administration. The absence of digital medical records for each patient further reduced the sector's efficiency.

MOVING FORWARD

Corruption has cost the country tremendous debt, in addition to the deterioration of the quality of life and overall competitiveness. Economic recovery and attraction of future capital will hinge on reducing corruption and improving institutional performance. Thus, commitment to a long-term robust transformation plan is urgent. These transformations are embedded in institutional reforms that start with the creation of independent oversight and regulatory bodies in order to define functions through multi-stakeholder representation. Oversight and regulatory bodies should integrate into a broader framework of reforms and therefore require political commitment. They should have financial autonomy as well as the authority and

capacity to assess the quality of regulation, coordinate with stakeholders, and make independent decisions. Another major requirement for their successful performance is hiring independent professionals on the basis of competence and relevant qualifications. The institutional mandates should be clearly defined to mitigate the risks of bending stakeholders' authorities and responsibilities. Many layers of functionality, expertise, regulatory, and human resources are required to design the detailed structures. The political appointee or relevant minister should have a definite role that limits political influence on a sector. The latter's performance should be dictated by experts and should derive from solid policies, regulatory frameworks, and institutional structures, which would curb and control vested interests.

In order not to fall in the trap of previous shortcomings, putting in place adequate monitoring and accountability mechanisms is a critical factor for institutional reforms. Promoting these accountability mechanisms and transparency also entails citizens' engagement. Not only is this necessary for improved sectoral performance and services, but also for ensuring a people-centered recovery. This is addressed in Lebanon's Reform, Recovery and Reconstruction Framework of December 2020 which recommends implementing oversight mechanisms for assistance funds in order to promote transparency and accountability, and ensuring an effective enabling environment inclusive of non-governmental organizations at all the stages from consultation to monitoring.

The National Anti-Corruption strategy supports the sectoral reforms efforts through the provision of a practical roadmap and measurable indicators in its 7th outcome (preventive measures against corruption integrated at the sectoral level) in order to achieve a gradual integration of the institutionalized corruption prevention platform across sectors. The prevention plan can therefore be optimized and segregated into both the electricity and health sectors. This would allow the concentration of resources into focused areas, building capacities and developing mitigation plans relevant to the specific type of corruption and threat per sector.

> 🟥 Oversight and regulatory bodies should integrate into a broader framework of reforms and therefore require political commitment

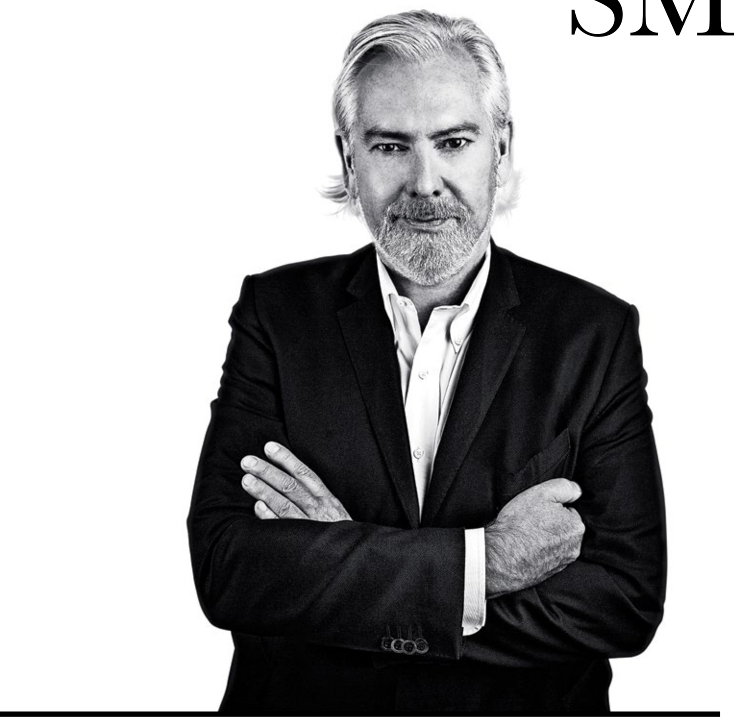
There are no reforms without solid institutions and one cannot improve what is ignored. The starting point is to tackle the institutional structural woes and adopt a methodology for managing corruption risks. An assessment of these risks should be undertaken across the different processes of the autonomous institutions in order to determine and estimate the level of risks and analyze the enablers. The result would be an identification of the high-risks decision-points, thus enabling an optimal mitigat1ion.

Jessica Obeid is an independent energy policy consultant

The analysis, views and policy recommendations of this article do not necessarily reflect the views of the United Nations, including UNDP, or its Member States. The article is an independent piece commissioned by UNDP as a build up to the "Prevention of Corruption in Autonomous Public Institutions" webinar organized in partnership with Executive Magazine.

Is the future of tobacco SMOKE-FREE?

By Philip Morris Lebanon



The strategy adopted by Philip Morris International (PMI) over the past decade certainly bears closer scrutiny, not least as a case study in how vision and perseverance sometimes pays off in the face of what seemed, at a shallow reading, overwhelming odds. While the company's line of heated tobacco products, including the IQOS, hasn't yet replaced conventional tobacco products, the new leadership, helmed by Jacek Olczak who was appointed chief executive officer on May 5, 2021, is determined to maintain its leading position and accelerate the company's transformation to what it considers to be a less harmful risk-reduced – but not risk-free, it is worth underlining – alternative to traditional tobacco products, and, in his own words, to a "smoke-free future."

PMI demonstrated how a company can manage through a combination of innovation and responsible commercialization to not only stay in business but also thrive in a highly competitive global market, and a challenging one to boot, where consumption of tobacco products is widely banned in indoor public spaces – as well as in an increasing number of outdoor venues – and access to advertising and sponsorship opportunities is virtually completely sealed off. Over the past decade, PMI has recognized the growing trend of vaping and other alternative smoking products, and has invested heavily in research and development in order to develop a portfolio of reduced-risk products for adult smokers. In an open letter on the occasion of his appointment, Olczak writes, "When I consider how PMI can contribute to this better future, one action stands above all others: Replace cigarettes as soon as possible with better alternatives for women and men who would otherwise continue to smoke." The company's ambitions encompass a future where smoke-free products would ultimately replace cigarettes products, improving the health quality of life for adults who would otherwise continue to smoke, society, the company and its shareholders.

Looking at figures, it seems that PMI's decision to place its bets on smoke-free products, with the introduction of the IQOS in Nagoya, Japan, in 2014, was a judicious one after all. The IQOS has been approved for marketing in the US by the Food and Drug Administration (FDA) as a Modified Risk Tobacco Product (MRTP), finding that an exposure modification order for these products is appropriate to promote the public health. As at March 31, 2021, the geographical coverage of PMI's smoke-free products, has extended to 66 markets worldwide, accounting for 28 percent of the company's net revenues. Olczak played a significant role in this short span, leading PMI's transformation from a primarily business-to-business company to an increasingly business-to-consumer company.

In February 2020, Beirut joined the string of cities in PMI's expanding markets for smoke-free products when the IQOS was introduced in the country just prior to the COVID-19 pandemic. In a recent press release, Taylan Suer, PMI country manager for Lebanon, said: "Jacek has been driving PMI's smoke-free transformation internationally, and his skills and expertise portend an exciting new chapter for PMI. In line with this vision, we introduced IQOS in Lebanon in February 2020. After 1 year of the launch, it is encouraging to see adult Lebanese smokers making the step towards leaving smoke behind and embracing a scientifically substantiated better alternative than continued smoking." Lebanon has arguably long constituted an attractive market, albeit small in size, for various tobacco products in general, a legacy that endures despite rampant hyperinflation and a ban on smoking in indoor public spaces that came into effect in September 2011 – only a short six years after ratifying the Framework Convention on Tobacco Control (FCTC) that came into effect in 2005 – followed a year later by a national ban on all forms of advertising and sponsorship of tobacco products.

While PMI is confident that it is off to a good start and an equally good succession with its new leadership, it is still early to determine whether its ambition to widely commercialize smoke-free reduced-risk products and establish its domination over alternatives to conventional tobacco products is risk-free or certain. It is important to remember that a number of factors should be considered, not least of which are health concerns relating to the use of tobacco and other nicotine-containing products. Another significant risk, by PMI's own admission and from its viewpoint, is a potentially diminished ability to convert adult smokers to smoke-free products. Narrowing the focus down to the Lebanese market once more, continued hyperinflation could delay more widespread adoption of PMI's IQOS and smoke-free products, restricting it to a small number of consumers, although this would apply to other alternatives as well, and even consumers of conventional tobacco products – although attachment and addiction to cigarettes and the quasi-ubiquitous nargileh would contribute to preserving the market.

If the past decade or so of product innovation and disruption has taught the discerning observer anything, it is to reserve passing judgment until more user-generated data becomes available – and, in the case of smoking, until extensive medical studies are conducted – that would allow for product improvement and fine-tuning. With this in mind, Olczak writes: "Our greatest task is to always bring new thinking forward. To demonstrate through action, transparency, and verifiable proof points the integrity of our promises. And to work ceaselessly to forge partnerships with those who can accelerate the change we seek."

Opinion

Anti-corruption

By Rania Uwaydah Mardini

TRANSPARENCY AND ACCOUNTABILITY IN INTERNATIONAL ASSISTANCE: THE CASE OF LEBANON

Protecting international assistance to Lebanon from corruption

Wherever there are funds flowing, there is a risk of corruption. That's a fact anywhere in the world and international aid, despite its humanitarian intent, is unfortunately no exception. In the event of a crisis, corruption risks are further compounded because standard controls either simply do not apply or because they take a back seat in the name of urgency. In Lebanon, corruption is already very high – for 2020, the corruption perception index (CPI) score and rank are 25/100 and 149/180 respectively – and crisis mode intensity is actually threefold, owing to the financial meltdown, the pandemic situation, and the aftermath of the Beirut Port explosion. In other words, the risk of international assistance funds to Lebanon being lost to corruption is not just high, it is skyrocketing! The obviously nagging question is therefore: what can be done about it? And yes, there is something to be done.

ACCOUNTABILITY AND TRANSPARENCY

Managing these extra layers of risk requires vision and closely coordinated collective action along the supply chain of international assistance with a view to ensure the accountability and transparency of the flow of donor funds. In this context, a main requirement for transparency and accountability is timely and reliable data as well as access to it. This is exactly the focus of UNDP's collaboration with the European Union and the World Bank towards the realization of the Reform, Recovery and Reconstruction Framework (3RF). The 3RF "presents a set of sequenced, specific, and targeted reforms that support recovery and reconstruction in key sectors during the short term" and across three strategic priorities. One such priority is Anti-Corruption, Integrity and Transparency and core to it is to "fully implement the Access to Information Law and related Action Plan as part of the effective and coordinated implementation of the National Anti-Corruption Strategy." The Access to Information law, ratified in 2017, is a valuable legal instrument that should be used strategically to this effect where civil society and the media both have a fundamental function as watchdogs of implementation in addition to raising the awareness of the population with regard to this law and mobilizing it to be vigilant.

Another key requirement for transparency and accountability is corruption risk management which entails an elaborate process of risk identification, evaluation against related benefits, mitigation, and finally monitoring. It is pre-empts the leakage and misuse of resources as opposed to looking for them after they have taken place and measuring their toll on organizational resources. It is the cost effective approach to addressing corruption and a key dimension of both the National Anti-Corruption Strategy and the 3RF. Pillar 1 of the 3RF, Improving Governance and Accountability, advocates for carrying out rapid corruption risk assessments in 'key reconstruction sectors' in an 'inclusive manner and using specialized methodologies' as a means to "reduce opportunities for leakage and political co-opting of reconstruction resources, thus strengthening public trust in recovery efforts."

ROLE OF CIVIL SOCIETY

Effectively, the world, and particularly the Lebanese community, are looking to civil society to play an even greater role than simply that of being a watchdog or raising awareness. This comes across obviously in the 3RF, which explicitly establishes the engagement of civil society actors as a critical success factor and priority – be it in the context of high-level dialogue, decision-making fora, 3RF institutional arrangements, or implementation oversight.

Moreover, in a country where disaster is a common feature of national history, the post-Beirut blast reconstruction efforts have been almost entirely driven by non-state actors. As such, there is a general direction to channel donor funds through non-governmental organizations (NGOs). There is also an expectation that NGOs, given their insights into the Lebanese context, will actively contribute to the assessment of corruption risk and the design of effective and targeted risk mitigation strategies along the supply chain of international assistance, given that risk management is a key component of the 3RF.

It goes without saying that NGOs are also expected to model transparent and ethical behavior as a means to compete fairly for international funding. This entails: 1) transparent and timely reporting including of plans, budgets, processes, beneficiaries, clear operating standards (what help is available/ to whom/ in what quantities), and ex-post cost-effectiveness analysis; 2) maintaining clear, efficient, and confidential community complaint mechanisms; and 3) subjecting themselves to third-party assessments or at least having the willingness to do so. Such practices not only inspire trust, but also sow a culture of transparency and accountability in a community where such a culture is in strong demand, and optimize both the performance and integrity of the civil society sector itself, neither of which should be taken for granted. In fact, some NGOs are presumably affiliated with politicians where they serve as vehicles to further perpetrate corruption of the political elite. Thus, the transparency of NGO practices and operations is a key component of the success of international aid efforts and it is very important to note in this regard that the onus is on the donors to demand this transparency as per international best practices and to hold NGOs accountable accordingly.

> 🟥 The onus is on the donors to demand this transparency as per international best practices and to hold NGOs accountable

SHORT-TERM RESPONSE VS LONG-TERM RECONSTRUCTION

That said, caution should be taken against turning Lebanon into an "NGO state." A scenario where funds are controlled by NGOs and contracts are executed by the private sector is not without risk – a good example of which is price gouging by private sector actors in the healthcare industry with regards to the global pandemic. It is therefore critical to make sure that international standards are met before private companies are awarded contracts in situations of crisis and reconstruction. This is incumbent on the international community and on the government as well. In other words, even where public trust has been lost, a nation cannot do away with the role of the State. There are a number of functions that underpin day-to-day transactions – such as drafting and passing laws and preserving law and order, including maintaining a sound judicial system, to name a few – and these can only be shouldered by the public sector. However, at such a critical juncture where the State has been utterly crippled by the long-standing political deadlock and endemic corruption, the only way forward is to differentiate between short-term response and medium- and long-term reconstruction, a distinction that is adopted by the 3RF. In the short term, channeling aid through civil society and within a properly controlled transparent mechanism may well be the only means towards a relatively swift response for the benefit of those whose very livelihoods are hanging by a very thin thread. For medium- and long-term reconstruction and recovery however, there will be a need to engage the Lebanese government, and this is exactly what the 3RF calls for: a partnership framework that brings together the various stakeholders including public sector and civil society actors where each has their role to play towards creating a sound system of checks and balances. That said, a pre-requisite is for the said government begin to regain its legitimacy by means of a firm and demonstrable commitment to appropriate governance reform grounded in sound public financial management practices within the context of the 2020 National Anti-Corruption Strategy. In alignment with the 3RF, such engagement would be based on a sectoral risk assessment where civil society actors would also play a critical role in informing these assessments and as watchdogs. Of course, true reform requires an independent judiciary and independent institutions as the ultimate safeguards to ensure the rule of law.

> 🟥 International aid to Lebanon faces significant corruption risks, the management of which requires a carefully strategized multi-stakeholder approach for both short-term disaster response and loner-term reconstruction and recovery

Photos: UNDP Lebanon.

In conclusion, international aid to Lebanon faces significant corruption risks, the management of which requires a carefully strategized multi-stakeholder approach for both short-term disaster response and longer-term reconstruction and recovery. Civil society is a key stakeholder in both phases and must model transparent and ethical behavior. The State is evidently also a key stakeholder, the engagement of which is envisioned for the latter phase and contingent on its efforts to regain the public trust. Efforts to implement the 2020 National Anti-Corruption Strategy are an imperative step in that direction.

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The article is an independent piece commissioned by UNDP as a build up to the "Transparency and Accountability in International Assistance" webinar organized in partnership with Executive Magazine.


You see a couple.
At Fidus,
we see a USD 3.5 million
Stradivarius violin.

By Omar Kabboul

INTEGRITY SAFEGUARDS IN FINANCING ELECTIONS AND POLITICAL PARTIES

Maintaining integrity safeguards to ensure a competitive electoral process

Money is often deemed an integral component of democracy as it enables political participation, campaigning, and representation. However, when money is not efficiently regulated, it endangers the integrity of both the political and electoral processes, it weakens institutions, and jeopardises the quality of democracy.

Lebanon is no exception to the rule. The dissection of the money-politics relation in the Lebanese context shows how entrenched corruption is in a system made of sophisticated networks of clientelist networks across both the public and private sectors whose sole purpose is to maximise private gains. As such, a sound enforcement of campaign finance regulations as initially envisioned by lawmakers is intertwined with an advanced global regulatory framework for political funding.

CORRUPTION AS A PREVALENT ASPECT OF THE POLITICAL LIFE

Whilst systemic corruption is hardly regulated through traditional means of campaign finance, maintaining integrity safeguards in financing elections and political parties could be the cornerstone of a competitive electoral process, a guarantor for a modern functioning democracy despite everything, when coupled with other well-grounded measures to control political financing and funding of political parties in the first place.

Looking at Lebanon's scores across the indicators of integrity, transparency, and accountability would help experts in the field understand the interplay of the de jure and de facto realms of campaign finance in the country. For instance, the supervisory commissions which were first and foremost tasked with monitoring electoral spending have faced impeding challenges, ranging from the lack of will to the lack of effective support teams, manpower, and budget, which would enable efficient reinforcement of prerogatives and regulations alike.

THE EXPEDIENCY OF CAMPAIGN FINANCE REGULATIONS

The campaign financing system was introduced for the first time in the 2008 Parliamentary Election Law no. 25. The law established the Supervisory Commission on Elections Campaigns (Chapter 3, Article 11), whose prerogatives evolved around the regulation of campaign spending and the use of media; however, the commission was linked to the Ministry of Interior and Municipalities, with the minister supervising its work, despite calls for its independence administratively and financially. At the time, the commission fell short on enforcing campaign spending regulations, either for limited capacities, or legal loopholes. For instance, while the law provided for advertisements' audit by the commission, the latter could not make use of this competence.

In June 2017, Parliament passed Law no. 44, which brought about many changes on the campaign spending front. The introduced reforms reinforced the statute of the commission to a great extent, whose mission was no longer restricted to elections campaigns, but covered the whole electoral process, and was named as The Supervisory Commission on Elections (SCE) - rather than The Supervisory Commission on Elections Campaigns (SCEC). The commission had by then the opportunity to exert greater control in order to increase transparency of campaign finance and a great level of independence from the Ministry of Interior and Municipalities, with the exception of the election management roles which were retained by the latter. However, the SCE lacked the resources to audit the campaign finance reports submitted by candidates, as well as the power to enforce penalties for violations.

The definition of electoral spending as stipulated in the 25/2008 and 44/2017 laws is very restrictive, given that spending outside the campaign's window is allowed, in addition to the law's shortcomings in sanctioning cash distributions. Whilst the SCE has access to the candidates' campaign accounts, it cannot audit the personal accounts of the candidates, through which most spending is processed as the Banking Secrecy Law that was not lifted for candidates as is the case with the campaign accounts.

> ■ Whilst the SCE has access to the candidates' campaign accounts, it cannot audit the personal accounts of the candidates

While it stands true that the administrative and logistical constraints impeded the SCE's operations, the commission needed four months to audit the reports submitted by candidates, let alone being faced by a staunch resistance of media outlets to provide the commission with the respective paid media advertisement data which should have been reported.

PRIVATE AND PUBLIC FUNDING OF POLITICAL ENTITIES

The challenges, which both the SCEC and later on the SCE encountered, are entrenched in Lebanon's political financing system. Private and public funding of political parties is often channelled via unrestrictive routes.

As listed by the Administration and Cost of Elections (ACE) project, the world's largest online community and repository of electoral knowledge, the sources of private funding, namely subscriptions, donations by individuals or corporation, as well as contribution by supporters are never disclosed nor regulated as has been the case in Lebanon for a while, nor do they compare in amount and influence to foreign support and the use of public resources for sustained private gains.

For instance, funding by foreign sources and abuse of public sector or state resources outweigh private funding in influence and have avoided accountability and regulation for decades. These often take the form of vote buying, clientelism via public employment offered to constituents, as well as parastatal institutions meant to circumvent ministries and uphold voters' freedom in exchange for services. Hence, most of the services offered to voters are largely unaccounted for, as the electoral laws exempt candidates from reporting on service delivery by an affiliated charity in the case where this service delivery has been ongoing and consistent for more than three years in a row prior to the election date.

As such, there is an urgent need to approve new laws, including bills that give the Constitutional Council more enforcement capacities which would enhance the transparency in reporting the sources and uses of said political funds. In that regard, the notion of transparency is codified in the United Nations Convention against Corruption (UNCAC) which Lebanon joined in 2009, and calls on all countries to strive to "enhance transparency in the funding of candidatures for elected public office and, where applicable, the funding of political parties" (Article 7(3)).

WAY FORWARD

Liberating the democracy and institutions of Lebanon from the influence of money should not be restricted in scope to reforming the Electoral Law. This step should be complemented with other reforms and bills such as lifting banking secrecy on all candidates' accounts as well as those of their family members, revisiting the political parties law which dates to 1909 (Law of Associations), amongst many others meant to reinforce the role of regulatory authorities as provided for in Lebanon's Anti-Corruption Strategy 2020-2025, which are primarily intended to prevent grand legalised corruption, such as the appointment of civil servants, public procurement and allocation of public money. As such, monitoring the source and spending of political financing channelled to contenders, either through public funds or foreign support, is very critical.

> 🟥 Liberating the democracy and institutions of Lebanon from the influence of money should not be restricted in scope to reforming the Electoral Law

Lebanon stands at a crossroads ahead of the upcoming parliamentary and municipal elections scheduled for 2022, following the promulgation of the national anti-corruption strategy that brought about serious plans for reform, which if applied, would set the ground for a healthier and better financing of the political life.

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FOR THE CREATION OF SUSTAINABLE PRIVATE SECTOR EMPLOYMENT IN LEBANON

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ROUNDTABLE 1/5

MANUFACTURING

Overcoming rising financial barriers by leveraging competitive skills and new labor cost advantages

March 30, 2021 | 3:00 p.m. – 5:00 p.m.

PARTICIPANTS

DANY ELIAS	Sparkers Solutions, *Managing Partner*
NADA RIZKALLAH	Credit Libanais, *Deputy General Manager (Group)*
MAYA DADA	*Banking Professional, Credit Risk Specialist, ESG Expert*
RAYANE DANDACHE	UNDP/MoET (former)
PAUL ABI NASR	Polytextyle, *Owner*
ROMEN MATHIEU	Euromena, *CEO*
WAJIH BIZRI	ICC, *President*
JOSIANE FAHED-SREIH	LAU IFEB, *Director*
HALIM CHOUEIRY	*Design Thinking Strategist*
BOURHAN KREITEM	Chemonics, USAID Lebanon Enterprise Development (LED) Project, *Director of Monitoring, Evaluation and Learning*
GEORGES FRENN	USAID, *Economist and Senior Development Specialist*

By Thomas Schellen

DAMN THE TORPEDOES AND FULL SPEED AHEAD

Lebanese manufactured products have a future but better access to financing is crucial for continued growth and development

Initiating the deliberations on the real economy stalwart sectors of manufacturing industry and the food-processing and agro-industrial enterprises, Yasser Akkaoui, Executive Magazine's editor-in-chief, outlines the session's structural design as one that combines a first part of qualifying and quantifying the size and economic impact of industrial manufacturing in Lebanon with participants' proposals for solutions and builds towards an action plan for development of manufacturing as industry and for individual enterprises. "De-risking industries and manufacturing today is not an easy task especially when we're doing this in the absence of any government," he acknowledges the roundtable's challenge.

As a preamble, Thomas Schellen, Executive Magazine's editor-at-large, cites two quotes, the first from a paper by the Trade and Investment Facilitation initiative that is affiliated with the United States Agency for International Development (USAID), emphasizing that "manufacturing is in position to push creativity by developing innovative products." From the Executive Magazine's brief on manufacturing, the moderator further paraphrases a quote saying that development of manufacturing industries is crucial for growing employment, growing productivity, fixed capital formation, and for improving exports and overall GDP of Lebanon. "In this spirit I invite you to give us your views if manufacturing is the glass which is half full or the glass that is almost empty but has a lot of room to be filled," he says.

Paul Abi Nasr, board member in the Association of Lebanese Industrialists (ALI), and CEO of an industrial company: cites well-known challenges of past 15 years including bad infrastructure and deficient legal framework but adds that a special challenge for manufacturers was the subsidization of imports by way of the dollar peg. "When you subsidize your imports it makes it much harder for your local manufacturing to pick up," he explains. Many weaker players are forced to withdraw from the market and only a few champions of manufacturing who could by innovation to make up for the additional cost created by subsidization of imports, by the lack of ecosystem, and the lack of infrastructure.

Manufacturing has a very high multiplier effect in terms of jobs, adds financial expert Maya Dada, by creating direct jobs in the sector but also indirect jobs that support the sector and induced jobs from the growth and value added that manufacturing contributes to the economy the economic model in Lebanon. This makes it very important to enhance the manufacturing industry, she emphasizes: "[we have to] think how we can improve and focus on the sector, recreate, redesign, and support it in all ways possible."

OPPORTUNITIES OR NOT?

Adding that he experiences economic realities from the diverse sides of being a private equity manager, investor, shareholder as well as board member of several Lebanese banks, Romen

Mathieu zooms in on the role of finance. "Industries need funding in order to grow, and the question of finance in Lebanon today its dual," he says, highlighting that the presence of lollars and dollars which manufacturers need translates into local and external funding requirements. Although political barriers stand against the inflow of foreign investments hinging on a political solution in the country, some 70 billion lollars could be deployed as investments into manufacturing industries, notwithstanding current discounts on lollar values, and used to pay down old debt or purchase local manufacturing inputs. "Bankers are looking to [keep] this money and depositors want to take it out [...] So I think the best thing today is to focus on finding solutions on how to remove part or all of these billions," he says.

Different stakeholders in the manufacturing industry, including associations, are in agreement on many needs, such as creating new export promotion channels but are not engaged in active collaborations, explains Halim Choueiry, who has been involved with USAID's Trade and Investment Financing (TIF) project research. "What really struck me is that there is no collaboration between the people. Everyone is in his own cocoon. They all come up with great ideas but they don't fully divide those efforts, in order to really come up with something that really can work," he says. This means that vast knowledge of long-standing problems and prudent solutions exists in the industry circles but the open question remains on who will carry those solutions onward, Choueiri points out.

Investing lollars into industrial projects would be prudent, Nada Rizkallah, vice president of the board of bank Credit Libanais, concurs with Mathieu in returning to the finance problem. Investor participation in financially distressed small and medium enterprises could bring win-win solutions for investors and SMEs but will require "more governance, [and] more transparency," she points out. Getting manufacturing industries of all sizes better prepared for environmental, social and governance (ESG) requirements by investors and international financial institutions such as the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD) would be a good start even before an eventual political solution in form of a trustworthy government will come into play, she says.

As discussions continue to circle around the access to finance issue, Dada affirms that lollars can be activated for some needs of the manufacturing industry but that those industrial enterprises will still be in want of fresh investments. "Financing is a big challenge these days, but I look at it as an opportunity to explore other options, other channels," she says in reference to alternatives to bank lending.

Following her remarks, Wissam Ghorra, manager at the Cedar Oxygen ESG Fund, says that the young fund is indeed addressing many of the issues that had been under discussion at the roundtable until this moment. "So today, I'm happy to say that we have a partial solution, let's be accurate, it's a partial solution for Lebanese industrialists sourcing fresh funds facilities," in the financing pillar of Cedar Oxygen, he says, in addition to which the fund is engaged with the organization of the first virtual fair of Lebanese industry in Europe, in partnership with the ALI and Investment Development Authority of Lebanon (IDAL).

> 🟥 Manufactuing has a very high multiplier effect in terms of jobs

Economic policy expert Rayane Dandache takes the discussion onto the territory of job creation and productivity by noting how manufacturing industry had on one hand been resilient in the many long years in which the past Lebanese rentier economic approaches had been detrimental and littered with public sector mistakes, but how this industry on the other hand has missed out on so many opportunities. The current opportunity to focus on according to Dandache is the temporary comparative advantage created by the depreciation of the Lebanese currency. "I want to hear from industrialists how they see us benefiting from this small window of opportunity," she says.

Tech industrialist Fadi Daou responds to the question of missed or underused manufacturing opportunities by outlining his experience as maker and exporter of ICT cloud infrastructure products that have next to local market at all. "We have survived the challenges and are still producing and exporting high-tech equipment that is designed in Lebanon. On weekly basis, we ship four to five thousand high-tech items to China, Japan, US, and Europe," he says. Emphasizing that while one can build a business case for such a company in Lebanon as he did and succeed in with dedication and determination on an interesting personal journey as entrepreneur, access to finance and investment issues that manufacturers need to think about, relate fundamentally to the question if they are building products for the local economy or the global economy. If one aims to produce for the size-wise very limited local economy, one cannot be very innovative or build what can be considered an industry and scale production, Daou says, but if one wants to be innovative on industry level, an addressable global market is needed. Finance according to him is not the issue as much as the need to identify and build an industry that can address global markets and is suited to Lebanese knowledge-based economy and educated workforce.

"I believe what is happening globally today is a great opportunity, for building up the [Lebanese] industrial sector, especially with high-tech companies, and impacting the market," Daou says but cautions that he sees the biggest problem standing against this industrial expansionism in "the system that we are in," namely corruption and weak laws. Thus the real opportunity for Lebanese industry in his view is to create a model that can operate outside the local jurisdiction, attract many international companies, and focus on multinational companies in high-value industry.

DIRE FINANCIAL STRAITS

Wajih Bizri, industrialist in the chemical sector and head of the International Chamber of Commerce for Lebanon, in turn emphasizes the role of existing manufacturers and the many problems that they face. According to him, the majority of the manufacturers are facing problems and the need is to bring them together under one umbrella rather than having weak manufacturers with limited capacities. "All manufacturers are facing basically financial problems. If they stay fragmented the way they are today, you will find most of them shutting down within a few years. Instead of waiting to see this happen, one of the ideas is to bring them [together], which is not easy, with the Lebanese mentality where everyone wants to be the president," he notes.

Lebanese SMEs which have been starting to export and participate in international markets encounter difficulties when receiving follow-up orders, says Dani Elias, a manufacturing consultant specialized in SMEs. "When the second order comes, they have an issue in understanding and evaluating their capacity. So it's not only about opening in your market; it's about sustaining the levels of operation and managing them," he says.

He concurs with the views saying that clustering, better or perhaps joint capacity utilization, and changes of ego mentalities are key needs of Lebanese manufacturers today, including SMEs. "It's now the time for Lebanese industries to work together to sustain, build the system and deliver a more productive management system and product so that we can sustain our export markets," he says.

Concluding the first round of deliberations, Nabil Makari, sections editor at Executive Magazine, sees the dominant issue in the discussion as the contradiction between manufacturing opportunities specific to the economic realities in Lebanon and the full absence of public sector reform.

FOCUS ON DEVELOPMENT

In response to Akkaoui's request for naming solutions, Mathieu emphasizes that in the environment of absent will for funding from foreign investors and after divesting of expectations for a quick government formation, private sector industries need to rely entirely on their own powers for resolving problems. Specifically he proposes to return banking to an investment banking business model, saying this could be done very quickly. Doing this smartly would over time transform Lebanese banking dollars to real dollars with benefits for all involved. Expecting it to be difficult and time intensive to unite diverse industries under an institutional umbrella of mutual interests as proposed in the first part of the discussion, he suggest to prioritize creating a private sector export agency. SMEs being hard pressed by cost of sending own marketing experts overseas, he says such an entity would serve both solely export-oriented Lebanese manufacturers and locally-focused industries with small export ambitions.

The discussion, turning to the question of which manufacturing industries are best for development, and what measures have been suggested by the ALI, Abi Nasr reiterates that the dollar peg was subsidizing cost for manufacturers who relied on imported inputs. He reminisces on his participation in numerous export promotion initiatives and says that export propositions have become stronger since the effectual end of the dollar peg but juxtaposes this recent advantage with longer time needs for unlocking specific export markets after many years when most Lebanese companies were not present there.

While agreeing that private actors can do many things together as they understand those needs, Abi Nasr also sees large needs that cannot be met by private sector initiatives, first among them creation of currency stability. He adds that lollar funding was seen as an option in 2020 but as the manufacturing sector was slow to act and not ready for it then, he currently does not see lollar funding as viable solution of investment needs in manufacturing. Maya Dada, who concurs with Abi Nasr that the use of lollar is not a universally strong value proposition for all manufacturing enterprises, tells manufacturer to look at sustainability and generally adopt a long view of seeking to compete internationally not on labor costs but on "quality and uniqueness and sophistication."

Sharing images from a report and recommendations with his peers, TIF's Choueiry says that a large need and solution for the manufacturing sector exists in the creation of research laboratories and centers. Countries that are leaders in product development show significant allocations to research, something that is missing in Lebanon.

Basing herself on observation of customs data, finance and ESG expert Nada Rizkallah points out large trade imbalances in areas such as prepared foodstuffs and live animals. These negative balances should be addressed by development of synergies between manufacturing and agricultural producers, as well as focuses on collaborations between manufacturing branches such as packaging and industrial manufacturing. Acknowledging that there has been loss of trust in the banking sector, she notes that with all the need to restructure banking and implement a full reform of the economy on all levels, in the end banks – which have provided much financing to industry before the current crisis – "have to retake their roles."

According to Dandache the current search for solutions in manufacturing industry will focus on quick wins and prepare the stage for long-term gains. "We need to focus on the firms or the industries that were able to stay resilient despite all the crises, because the lessons learned from those industries are going to help us look into medium term and long term plans," she argues.

As the Lebanese economic model of the past 30 years has not been conducive for fixed capital formation, the best path to the future will have to comply with the basic economic equation of achieving growth by ways of investments but will also be requisite of a government that can secure an enabling environment of a strong legal and regulatory framework, in addition to an agreement with the International Monetary Fund. The government is not the only blameworthy party, she adds: "Talking bluntly, [...] Lebanese people are corrupt as well. I'm [talking about] the majority, whether we like it or not."

> "We need to focus on the [...] industries that were able to stay resilient despite all the crises"

Needs of manufacturing development mentioned in closing remarks of participants included adoption of lean manufacturing principles for improving competitiveness and productivity, preparing draft laws for addressing ESG priorities, and activation of research partnerships between industry and academia. In a concluding comment, Georges Frenn of USAID, complimented participants for their dynamic engagement with the roundtable, saying: "There is a great need to work together and this is exactly what we are trying to facilitate."

Vignette

By Walid Slaiby

WHAT THEY CRAVE

Brands and synergies matter to them, but manufacturers place top value on another brick in the industrial ecosystem

Following the roundtable discussion on Manufacturing, we quizz the chief executive officers of two high-profile companies that are adding value to the real economy of Lebanon: cloud infrastructure component maker Multilane in high-tech manufacturing, and paints producer Sipes International, a stalwart player in the chemicals sector. With all the infrastructure shortcomings of Lebanon, fulfillment of one practical want would set these industrialists' minds onto steeper growth: the implementation of dedicated manufacturing zones or "special economic zones" (SEZs) as building blocks of a real-economy industrial ecosystem.

Chief executive officer of Multilane, Fadi Daou, sums up how he perceives the fundamental problem of manufacturing in Lebanon. "All the existing laws in our system center around a consumer industry and none of them focus on the export sector," he says.

Like approximately 90 percent of systemic industrial manufacturing problems, this battle over the creation of industrial zones or SEZs is nothing new but all the more enmeshed in sticky interests. According to a World Bank report from 2018, Lebanon has had a program for establishing industrial zones "for several decades" and a strategy for such zones was developed in 1995 by the Investment and Development Authority for Lebanon (IDAL). More recent by comparison was that some five years ago, a program for SEZ master-plans and pilot zones was heaved onto the political table as result of a collaboration between UNIDO and the Ministry of Industry. This occurred after several years during which the topic of industrial zones in context of the Syrian refugee crisis had been shouted by UNIDO from the country's development rooftops. Back in 2009, the Lebanese Parliament started to discuss the establishment of a SEZ in Tripoli which was enacted as a law but until now has never seen the light of day. A certain plot of land allotted for the creation of this zone and the appointment of its chairman are all that has been done in this direction so far.

Daou comments that "the Tripoli SEZ was founded as a quasi government organization and it won't be able to operate as an independent free market industry sector."

Daou stresses the need for a private sector-driven SEZ to operate outside the local jurisdiction, saying. "We need to create an echo system or a legal setup that will allow a competitive operation of multinational companies in Lebanon which have been able to operate in the SEZs of Dubai, Vietnam, Tunisia, Malaysia and Thailand." He tells Executive: "SEZs will help us export products rather than export people and will become the foundation for creating jobs."

Wajih Bizri, president of Sipes Group, echoes Daou's views by saying "the best lobby we can do as businessmen and as industrialists is to put an effort to create the SEZs which should be completely independent from anything related to the government bureaucracy."

He continues, "There is a need to have multi SEZs in different areas geographically and demographically to be available for different sectors." According to him, future SEZs will serve as a hub for IT export and for exportable services, adding that "On top of that we can open hubs for small and medium size businesses in these zones and let them develop."

"If we succeed in that then we can talk about developing the five sectors we talked about at the roundtable especially IT, Intelligence, other industrial sectors and even service sectors," Bizri says. He moreover suggests merging some of the industries discussed at the roundtable or having a common export bureau for these industries.

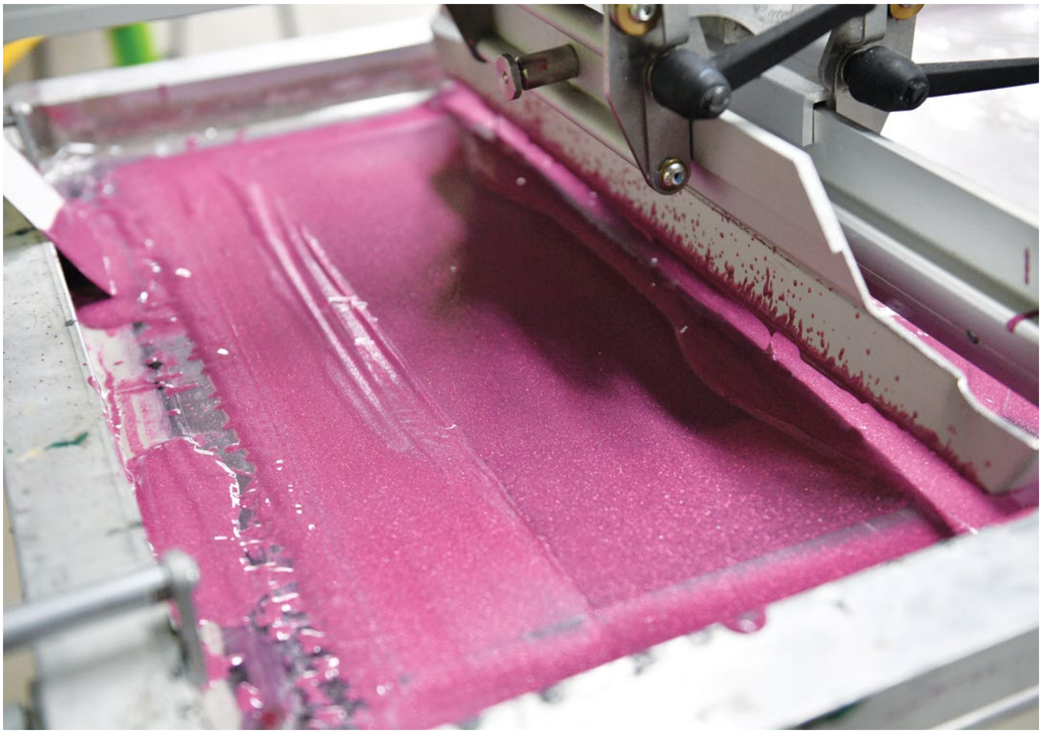
While he considers lobbying with the current public sector a waste of time unless it is restructured according to the International Monetary Fund (IMF) demands, he advocates for bringing in European experts who can assist industrialists and show them the way to export to Europe, especially with the devaluation of the Lebanese pound and the drop in salaries in Lebanon.

🟥 "SEZs will help us export products rather than export people and will become the foundation for creating jobs"

LEBANESE BRAND

When asked about how important the brand of Lebanon is to his enterprise, Daou says, "For me as a manufacturer it is not very critical. In our sector our end customers don't necessarily care where the product is coming from. They care that the supplier, us in this case, is not at risk of delivering a high-quality cost-competitive model on time."

While being committed to these standards, Daou's high-tech manufacturing venture could build a Lebanese brand, a brand which, according to him, "has been damaged because Lebanon is viewed as a country of risk." For some other industries, namely fashion or food products, Lebanese branding could be relevant "for sympathy purchasing," he says.



Daou adds, “The brand of Lebanon can best be improved by us being able to create a more competitive environment in which we can meet the delivery needs of our customers. I believe what we really need to do is to mitigate the risk by removing the financial risk to our market segment to be able to freely transact in the banking sector as we would in any other country and we need to eliminate the historical barriers that have existed in our sector and have prevented us from growing or creating or helping or enabling other companies in our sector to grow in this country.”

For Bizri, the brand of Lebanon has suffered a lot in the past three to four years. However, he says, “It is still an important brand in the agro industries where it has an advantage. Other than agro industries, the brand of Lebanon does not have an added value in the present circumstances because of the lack of transparency linked to Lebanon and its government.”

“To best improve the brand of Lebanon, it is a must to have a transparent government. And we have to start moving forward with the IMF. Besides, we need to have political stability which will eventually lead to some economic stability. You cannot put all your efforts on branding something which cannot be branded,” Bizri concludes.

SYNERGIES

Regarding the creation of synergies with the other industries that were discussed at the roundtable series, Daou says, “I don’t necessarily see from my industry a relevant collaboration with an agro or fashion or hospitality industry which is completely unrelated in terms of their needs. However there are common principles for operating any business in that there needs to be a synergy, for example the most critical thing is the banking sector. Today, we are underwriting the banking sector and it is not as effective and efficient as it used to be. Another area could be rendering the labor laws to be more compatible with the free market economy.”

He emphasizes that access to finance is not what is holding him back but cautions that the current system is not viable for the creation of new industries, adding that the formation of an ecosystem will achieve more than subsidizing the sector. However, the banking sector needs to be stabilized by creating mergers. “There is a need for creating a hybrid model system, a crypto currency for that matter. Any way that will let us be able to transact with our people and to receive money from abroad without being charged a huge amount of money,” he says.

For Bizri, Lebanese industries face daunting but surmountable barriers of finance. "Accessing finance today is very difficult with all the question marks about the Lebanese economy. But it is not an impossible mission. We need to concentrate and depend somehow on the Lebanese diaspora by offering them interesting investment opportunities," he says.

This, however, relates to a bigger challenge that exceeds private sector bargaining. "It is a very difficult mission today to access the money markets and convince them to invest in Lebanon before the government does something very transparent with the IMF," he adds.

SURVIVAL AND GROWTH

Some segments of the manufacturing industry that managed to survive the financial and economic crisis in the country so far are considered a hub for future growth.

"I strongly believe that our industry segment can be a cornerstone for the creation of tens of thousands of jobs in the country," Daou enthuses, citing the success of Multilane in reaching as clients top-shelf names in the knowledge economy and purveyors of global cloud services. "In this sector, manufacturing is becoming competitive and the labor costs in Lebanon have become more competitive and affordable," he says.

Mismatches of supply and demand are in favor of companies that supply quality components to cloud computing infrastructure and create new opportunities for Lebanese high-tech manufacturers with their recently improved cost structures. "What we need to do is create a demand model for these jobs in Lebanon through enabling an ecosystem," Daou explains.

In addition to the tech industry, the agro, pharmaceutical, cleaning and personal care industries are doing very well according to Bizri. "These industries can improve their exports even with the crisis hitting Lebanon. They are working with very high capacities and their possibilities for export are very high," he says.

Export opportunities nonetheless do not automatically solve challenges that have arisen in the past year of domestic distress for Lebanese manufacturers. "My field [of paints manufacture] is down since it is related to construction which is on hold in Lebanon nowadays. So we are facing real problems like not having demand for any construction material," Bizri explains.

PLAN B, SORT OF

Industrial companies that survive the current crisis are considering a plan B in case things become worse.

"We have survived because in our business we don't depend on local consumption. Our market focuses primarily on exports. We are getting fresh dollars and we are able to grow but the risk is the country risk," Daou says. This perception of Lebanon is a measurable impediment and will not just disappear tomorrow. "In the global economic and banking sectors Lebanon is seen as a risk country. Our company, which is growing at a 25 percent rate per year, has mitigated the country risks by having operations in different parts of the world like the Far East, Silicon Valley, Munich, and Dubai," he explains.

The litany of potential disruptions is familiar. Daou cites airport closures, the inability to buy diesel for the company's generators, the loss of all governmental electricity supplies, the cutting off of internet access, and the blockage of the company's imported raw materials or banks' ability of receiving fresh dollar transfers from Multilane's foreign customers as obvious risks. But if the company's ability to supply its customers from its plant in Lebanon were to be paralyzed by any of those potential impediments, it would adapt - just not from Lebanon.

> 🟥 Transacting out of Lebanon is becoming increasingly difficult even for agile manufacturers with strong exports

"We have plans that enable us to click the switch and start operating and manufacturing completely from places outside Lebanon so the supply to our customers will keep flowing," Daou says, adding the sobering view that transacting out of Lebanon is becoming increasingly difficult even for agile manufacturers with strong exports.

For companies that don't have overseas operations like Bizri's company, the situation is still more complicated. "We are trying as much as possible to reduce our overheads and to diversify into different businesses like anything related to chemical industries. Besides, we are trying the possibilities of export today," the industrialist explains. His Plan B is survival of the core, preservation of manufacturing capacity even if hardships strangle the sector further. Bizri says, "In case the situation gets worse, we have to reduce further our overheads and to reduce our working period from six days per week to three days."

ROUNDTABLE 2/5

FOOD PROCESSING AND AGRO-INDUSTRIAL PRODUCTION

Helping the agro-food sector contribute to building a productive economic system

March 30, 2021 | 6:00 p.m. – 8:00 p.m.

PARTICIPANTS

IMAD ABI CHAKER	Confexia, *Owner*
MOUNIR BISSAT	Syndicate of Lebanese Food Industries, *Owner*
ZAFER CHAOUI	Ksara, Chaoui Group, *Chairman*
NADINE CHEMALI	Lebanon Trade and Investment Facilitation (TIF) Project, *Deputy Chief of Party*
FADI FAYAD	Fayyad Food Consulting, *Consultant*
ATEF IDRISS	Mena Food Safety Associates MEFOSA, *Owner - General Manager*
BOURHAN KREITEM	Chemonics, USAID Lebanon Enterprise Development (LED) Project, *Director of Monitoring, Evaluation and Learning*
GEORGES FRENN	USAID, *Economist and Senior Development Specialist*

By Thomas Schellen

FROM LOCAL TO GLOBAL

Loss of imports benefited the agro-food sector locally, but going global is a necessity that requires better understanding of tastes and standards

The agro-food sector is highlighted as a defensive value proposition that has many underused development potentials in the contexts of satisfying local demand and achieving exports. Food safety and certification barriers need to be surmounted and challenges of breaking from ethnic niche markets into mainstream markets with Lebanese exports were confirmed, with the upside crisis risks of temporary cost advantages on labor and local produce inputs presenting opportunities will erode with time but can be maximized with decisive action in the short term. "We want to go beyond advocacy and actually see things happen," says Executive's editor in chief Yasser Akkaoui in the welcome note and introduction to the discussion.

As noted by Thomas Schellen, Executive's editor at large and moderator, the steering committee of the roundtable project, which had been quick to agree that food processing and agro-industries warrant inclusion in the selection of industries with high job generation and productivity gain potentials, pointed to the wine and spirits sub-sector as specific area of interest for discussion by this roundtable.

In opening the deliberations on the sector's issues and concerns industrialist Imad Abi Chaker confirms that the agro-food industry has room to grow. His enterprise Confexia – specialized in the manufacture of chocolates – was confronted overnight with growth potential that exceeded its production capacity which was established a few years ago. “The setback was that we would have planned a bigger capacity if we had known. When we originally planned we did not expect the growth to be what it is today,” he points out, citing fast growing demand to compensate for the loss of imports. He says a second growth challenge for his enterprise is to develop further products “that can be good substitutes for imported products that demanding and often spoiled Lebanese consumers are used to but can no longer afford.”

BY THE MENU

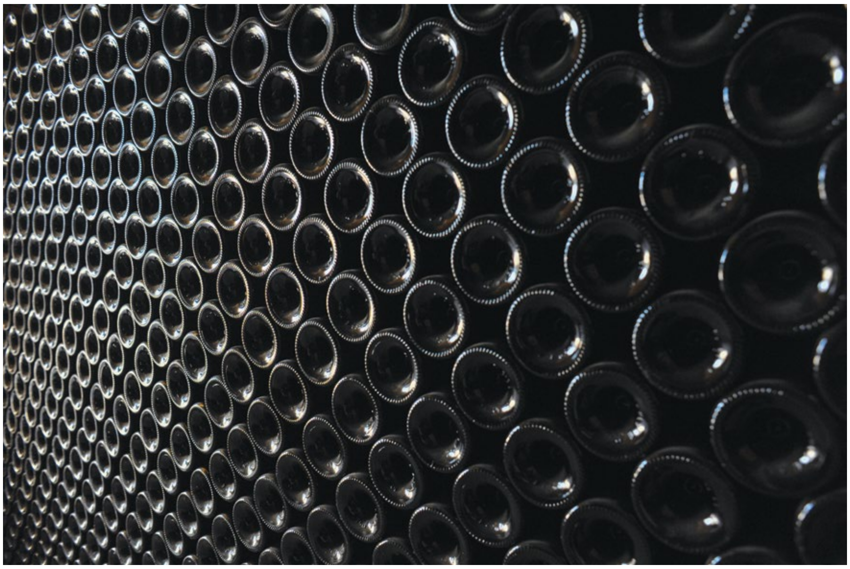
Outlining the situation of the Lebanese wine producers, Zafer Chaoui of leading Lebanese winemaker Chateau Ksara and head of the Lebanese Wine Importers Association, describes Lebanon’s annual wine production as being worth “around 50 million dollars a year in products of which 40 percent are exported.”

While emphasizing that Lebanese wine is internationally competitive on quality and price, he cautions that this promising sector has to “solve administrative problems” to reach full potential. Pointing to global influences of the coronavirus pandemic and the lower purchasing power of the Lebanese consumer as factors behind his expectation that the economy in future will be very different from the years before 2020, Chaoui nonetheless sees persistent handicaps that Lebanese winemakers have to deal with. “The main handicap is that prices for vines to produce grapes is higher than other countries; the second handicap is that our equipment and habillage (bottle, cork,) are imported,” he says.

Mounir Bissat, president of the Syndicate of Lebanese food Industrialists and manufacturer of sesame-based ingredients that are widely used in Lebanese kitchens, concurs that the Lebanese food processing industry is one of the industrial sectors with the highest potentials before and during the ongoing national economic crisis. Consistently among top exporters, the food industry employs a quarter of the industrial workforce and ranks top by value added, he says. Acknowledging that sector challenges have pre-existed the sudden disruption of liquidity and international transfer activities in fall 2019, he highlights new financial threats that existentially challenge food industrialists. “As industrialists, we are in need of credit facilities, and in agro-food there is a three to six months cycle,” he says.

While some food industrialists found themselves during the crisis in less unfortunate positions of having working capital largely in form of inventories and receivables that they could cash out, the disruption of the agro-industrial financing cycle meant that agro-industrial businesses could not securely finance their credit facilities, which created a massive challenge to working capitals. Companies were in need to obtain new working capital to finance export activities and operations.

Delving further into his description of food industrial specificities, Bissat adds agro-industrial exports are a real success story but that the Lebanese exporters’ product niche to date is concen-



🟥 The Lebanese food processing industry is one of the industrial sectors with the highest potentials before and during the ongoing national economic crisis

“A lot of work needs to be done with compliance standards and making new products”

trated in ethnic markets. Widening of the product reach to mainstream products in national markets of developed countries requires bridging of these gaps with the collaboration of academia and consultants. “There are three phases: we need to upgrade the existing products, develop new products derived from the existing products, and we need product upgrading and adaptation to the taste and products of foreign consumers,” he says.

As he describes the situation, there are appropriate infrastructures as far as academia and consultancies, but a gap of communicating industry needs must be closed as a basis for new success stories. “Made in Lebanon” provides a value premium to Lebanese foodstuffs in Arab markets and elsewhere, but there are gaps in market perception and product design as products need to be better aligned with preferences of non-Arab consumers.

With regard to the experiences and challenges in finding access to finance, Bissat says that important funding barriers stand in the way of agro-industrialists attempting to activate holdings in Lebanese dollar (lollars) for the purpose of investing; he points out that such holdings are not suitable for acquisition of machinery and equipment by import, unless there is a substantial discounting.

According to Akkaoui, the financial idea on the table for its fit with the needs of Lebanese agro-industries today is the role of private equity and banks. A second key possibility to develop agro-industries is “your role in upgrading compliance and international best standard practices, whether its environmental impact, social sustainability, and governance, along with a development curve from family-run enterprises to corporate mentalities,” he advises. Funding barriers exist if agro-industrialists want to activate lollar holdings; Bissat points out.

EATING AT THE SAME TABLE

As Nadine Chemali, deputy head of the Trade and Investment Facilitation (TIF) project, funded by the United States Agency for International Development (USAID), confirms, the relative resilience of agro-food processing in context of the current crisis and its important role in employment have reinforced the agency’s attention to the sector. “We believe that the impact [of economic achievements] will not only be on the industry but it has a value chain impact, so on the whole food sector,” she says. In addressing challenges from the current crisis to the need for research and development in this industry and the move from ethnic to mainstream markets, she underscores that “a lot of work to be done with compliance standards and making new products.”

Noting that the TIF project has received a new authorization to work on issues of wine and arak trade facilitation because of its newly increased export potential, she tells roundtable attendees: "We can put our resources together to try to find a solution for this sector. We would love to collaborate to have an impact on the wine and the whole agro-food sector."

According to Atef Idriss, agro-industry expert and food safety consultant, collaboration on industry level is in great need of intensification. With knowledge of food safety impediments and repercussions on consumer health not communicated between industrialists, consultants, and other stakeholders, long-standing quality issues in the industry need to still be resolved and in some cases re-addressed.

"Addressing markets, consumers, [and] addressing our trade partners' priority are core [issues]. In this age of economic meltdown, I am not talking about the Lebanese economic meltdown; I am talking of value chain changing because international trade is changing," he emphasizes. Value chains that stretch across economies with very diverse food safety regimes must be understood and the process by which Lebanese agro businesses are integrating different ingredients in value-added products must be elucidated further, Idriss admonishes.

Pointing to the fact that he has been involved for years with devising plans for agro-industry development that are updated every few years, he asks why the importance of interaction in Arab trade agreements, or of understanding drivers and restrictive influences in intra-regional Arab trade, is mostly still obscure. "This is the market where we are most prone to succeed and deliver," Idriss says. According to him long-standing biosafety issues must be addressed at the places where they occur and cannot be deflected, "otherwise we will always think that the problem is somewhere else."

Commenting on the access to finance challenges of the agro-food industry, Abi Chaker notes that the pressures of losing banking facilitation of trade had advantages by turning the entire market into a cash market as temporary solution where long lead times have vanished. This underlines the need to find new financing solutions and diversify products as to more effectively reach markets.

"Today, the problems are not different than before [the economic crisis]," observes Fadi Fayad, consultant and expert of food entrepreneurship. Some capacities for manufacturing value chain components such as glass bottles and caps, which had been present in Lebanon, were eroded or disappeared entirely, causing the need to import all packaging materials, he points out. "We lost something that we had, because we did not look well after our sector. We need to reestablish the infrastructure, [and] build back those factories so that we can have the basis for the food industry operating," is how he describes one key present problem of agro-industry. "The second [key problem] is that since we do not have the financial resources, and import, we need to find this relationship between the agricultural sector and the industrial sector," he adds.

Common infrastructures for electricity etcetera have to be built. Temporary advantages such as lower labor costs and good exports in some agro product categories are not sustainable as platform for a strong agro-industry. "We need to do more than this to be able to succeed in the agro-food sector, we need to work in a professional way. We cannot hope to build an agro-food sector if we cannot build the things needed to have such a sector. We need to have this infrastructure; this requires solidarity between the sectors and especially on [the level of] the Association, who has representatives on this panel," he emphasizes. If infrastructures are built and greater international competitiveness is achieved, the agro-food sector in Lebanon is very promising, he concludes.

> ■ Modernizing the food safety system in Lebanon is essential for improving both domestic and export market access

SAMPLING GLOBAL OPPORTUNITIES

Participants presented what solutions they thought viable for the needs of their industry. For Bissat, the overdue implementation of the Lebanese food safety law and activation of official accreditation council Colibac are priorities, along with adoption of laws that ease doing business and enable access to finance, by transforming incorporation requirements and making mergers or acquisitions less costly.

Chaoui, who reiterates that the wine sector has seen tremendous improvements in producer diversity and more-than-doubling of total annual wine production over the past three decades, sees the wine sector's top priority and biggest target for the coming years in the development of exports. From the perspective of the consultant Idriss, efforts should be concentrated in the area of confidence creation within the food industry as well as in relations between academia and the private sector overall. Creation of strong aware-

ness on consumer rights as well as building of a Lebanese consumer culture, secure compliance with food safety standards nationally and internationally, and protection of the environment, are his further priorities.

Modernizing the food safety system in Lebanon is essential for improving both domestic and export market access, Fayad concurs. He points out, however, that the Lebanese agro industry has already been put on a track of progress in the area of regulations and compliance with food safety standards, and expresses his view that the financial challenges of the monetary and liquidity crises of Lebanon will increase the food industry's appreciation of donor funding and make use of financial resources more prudent and rational. As to placing greater priorities on research and development, he says, "We have a lot of potential in our country because of our universities, also some research industries, but we need to focus on our applied research, on our needs, and these needs to be determined by the industry." Infrastructures and supply chain components need to be rebuilt, often from zero, he agrees, but besides seeking solutions in export growth, as proposed for the wine sector, Fayad says that focus also needs to be directed to the local market, reasoning that without the mass of the local market, better economies of scale are not achieved and products cannot become competitive.

As the discussions circle back into further detailing the proposed approaches for developing crucial aspects of an agro-food industrial ecosystem in Lebanon, Wissam Ghorra, a member of the management team of the Cedar Oxygen ESG Fund, makes a brief intervention to say that an "interesting percentage" of the fund's portfolio is in agriculture and that development of financing tools for this sector is a priority of the fund's management. "Agro-food is one of the main pillars that we are working on and ready to finance. The facilities of Cedar Oxygen are structured to cater to either local sellers of agro-food, or food industry in general and to exports. This is a crucial sector in which we believe, because it affects other sectors," he enthuses.

As Ghorra asserts, and as Chemali and Bissat agree with regard to the question of in-sector communication and collaboration barriers, or "ego-issues," the agro-food sector is growing.

Chemali asserts that the sector "has the nicest people" as industrial decision makers and enjoys close-knit employer-employee relations on the levels of the factory floors and the farms. Bissat concedes that there are communication issues within the sector for which there are "endless examples," yet emphasizes like Chehadi that ego issues are not festering in the agro-food industry to the detriment of productivity.

More detailed interventions on agro-industrial priority needs, such as had been alluded to in the roundtable to this point, elucidated participants on problems such as quality and certification deficiencies that pose reputation risks or block exports of some produce and agro-industry products to important markets.

FOOD SAFETY POLICIES IN FOCUS

Geographical and quality certifications – with wines being a prominent example – could be advanced much more, to the benefit of products from olive oils to jams and pickles, and thus give a big boost to local production. "There are projects and initiatives that should be adapted if you want to introduce a game changer in our industry," Bissat emphasizes.

As several participants agreed, the lack of agricultural policy and the lack of trust in Lebanese agro-food products constitute bigger and more deeply seated problems for this industry than the national economic and political crises that have been charring the country in the recent past. However, fighting through the policy and trust crises will afford the stakeholders in the agro-food industry to demonstrate "proper leadership," Akkaoui opines. "[Past governments] did not promote any collaborative effort among different stakeholders. I think the crisis should bring everybody together, to introduce these principles. Across all industries, there should be bridges built with the financial industry, consulting firms, [and] branding companies, making our products mainstream," he says.

In addressing fears of distressed Lebanese consumers, discussants showed confidence that local suppliers have enough capacity for serving their domestic markets but admitted to having fears of devaluation and purchase power erosion.

Representing USAID, Georges Frenn commented on the roundtable that the agency has witnessed, over many years of working on development projects, that it could succeed on the enterprise level more strongly than on sector or value chain levels and also did not achieve success on the micro level of farming. "There are still many issues to deal with. The sector has not been growing or has not grown as much as potentially could have," he says, continuing that the recent changes in the situation of the agro-industrial and food production sector need new collaboration and initiatives. "We would definitely need a lot of your insights and to be able to prioritize and focus where support and assistance would be most useful, and most efficient," he adds, confident that roundtable participants could all work together in continued networking efforts or collaborate in other ways to address the needs and opportunities that roundtable participants had elaborated on.

> 🟥 "The private sector [needs to] lead new initiatives [...] but without waiting for governmental action"

His peer Bourhan Kreitem added as his impression from the roundtable deliberations that, in light of the lived tragedy of Lebanon, there is a need for a clear plan. "What should the sector, and the supporting sectors [adjacent to] this sector, should do first in order to get out of the problem? There should be a plan," he says, because many stakeholders in the community of donors will be ready to support many initiatives. Once a government of some sort were to be established in the country, a plan should be ready for discussion and financing. "I would hope that the recommendations [resulting from the roundtable] will really highlight a need for some sort of plan and activity that might be of interest to us as the Lebanon Enterprise Development project and, obviously, USAID, and also to other donors," he concludes.

Closing remarks from roundtable participants Idriss and Chemali emphasize the need, on the side of industrialists, and readiness, on the side of agencies, to restart projects and programs under the umbrella of USAID. Bissat points out how the industry has made substantial progress in certification to standards such as ISO 22000 which has been achieved by more than 50 manufacturers over the past 30 years.

Abi Chaker in his closing remark emphasizes the need for the private sector to lead new initiatives – possibly with support of international organizations – but without waiting for governmental action.

Vignette

By Thomas Schellen

INSPIRING LIBATIONS

Seeking a proper Lebanese drinks equation against a flood of worries

Of the specialized economic activities that the 10 members of the steering committee for the project on private sector employment creation and productivity – organized by Executive Magazine in partnership with the United States Agency for International Development (USAID) – agreed on when determining the five industries that would be the focus of the roundtable series and report, the activity of wine and spirits production as subsector of the food processing and agro-industrial sector, is perhaps the most consistent and at the same time a most ambivalent choice.

The latter appears to apply in the cultural context that this activity is not accepted unequivocally as constituent of a desirable national economy of Lebanon but also in the sense that it relates to some products that are strongly established on domestic and export markets and some products, such as liquors made from domestically produced ingredients, that arrived on the market just a few years ago. It is certainly a convincing proposition from the perspective of a taste shared by many and one that is easily memorable.

When compared with niches such as content production in the media sector [see story page 37] or the digital outsourcing proposition in the tech entrepreneurship and knowledge enterprises sector [see story page 50], Lebanese wine making is an established cultural good. From the agro-economic development perspective, it has, together with olive oil production, since the 1990s commanded attention by international development advocates as one of the economically “low-hanging fruits” in the country’s most traditional sector of agricultural production.

Production of flavorful spirits, firstly the distilling of Arak from grapes and aniseed, is just as traditional an activity as cultivation of wine in Lebanon and the Eastern Mediterranean but not one that has been able to break reputation barriers that kept Arak confined to a niche of connoisseurs. Thus distilling of liquor from local ingredients, and notably the production of gin, is a recent and more promising niche of spirits production. A “2020 Factbook” published by the Investment and Development Authority of Lebanon (IDAL) names two spirits ventures (gin and vodka) among a short list of nine announced investment projects in the agro-food sector for 2018-19, albeit without citing investment amounts. Surprisingly the changing economic conditions and social trends of Lebanon appear to have boosted this promise.

COUNTING BOTTLES

The wine industry in Lebanon does not only have roots dating back millennia, its modern incarnation is highly mature by comparison to other real economy niches under discussion at the five roundtables. Put in numbers, the industry has a total output of 9 million bottles per year according to Zafer Chaoui, current president of industry body Union Vinicole du Liban (UVL) and chairman of leading winery Chateau Ksara. In terms of registered enterprises, the industry advanced from five wineries in the early 1990s to 56 registered at the Ministry of Agriculture, Chaoui informed his fellow participants in the Executive roundtable on food processing and agro-industry.

According to numbers which IDAL cited from Lebanese customs, wine exports have grown annually from 2010 to 2019 to reach a total of $21.3 million – an increase of 71 percent over the decade.

Newer figures cited by Chaoui put wine exports for 2020 up to the month of November at $14.5 million. The wine sector has also increased in geographical diversity and sophistication when comparing the early 2020s to the early 1990s. There have been even a few forays into development of building a wine making ecosystem from biologically responsible and chemicals-free cultivation of grapes to programs that were brought into the country some six years ago under a collaboration of Chateau Ksara and the UK-based Wine and Spirits Education Trust (WSET), a specialized education and certification provider.

Notwithstanding the fact that wine making in some form is one of the oldest human preoccupations practiced in the hill country of the eastern Mediterranean and has seen an economic rise over the past 30 years, it would be difficult or even preposterous to claim that local wine culture is firmly on the way of fulfilling its utmost potential and reaching superior maturity. Its market power in terms of per capita wine consumption is minuscule by comparison with the old-established European wine countries but also by lateral comparison to production and per capita consumption in up-and-coming wine making and exporting countries of the 21st century like Argentina, Chile, Australia, or South Africa.

Furthermore, noting a data deficiency on wine and spirits as part of what still appears as an endemic data gathering weakness of the Lebanese economy, it would be an illusion to think that this sector is fully transparent in terms of its economic role. This opacity unfortunately extends to absence of knowledge on the number of viable enterprises and their output capacity as well as the number of sustainable jobs that are created by the sector directly and indirectly. Lastly, from the supply chain and talent perspective, wineries and their non-viticulture input needs, appear to be hardly integrated with either the manufacturing industry or native vocational or university education.

On both wine and spirits, it is notably easier to find information on the participation of Lebanese producers in foreign trade and taste fairs and the accolades that they received at those occasions than to find economically relevant data. Chaoui discloses to Executive that Chateau Ksara as the largest single producer in the wine sector has 160 permanent employees but cannot provide granular information on either permanent or seasonal employment figures for the Lebanese wine industry. Compared with estimates on the wine industry, however, the annual performance of the country's new spirits, such as vodka and gin, seems still invisible even to analysts and industry insiders. When Executive inquired with the owners of the Three Brothers gin brand about the total domestic market in terms of production and their share in the market, Ralph Malak, chief taste developer and partner in the enterprise, said it was too soon have studies on this market niche.

With data on wine often being estimations and data on gin barely on the radar, the non-existence of a local supply chain even as a manufacture of suitable bottles, and with neither oenology nor viticulture visibly entrenched in the education sector, the potential of the wine and spirits sub-sector is a proposition that has yet to be amplified.

THE YEAR THAT RESHUFFLED ALL CARDS

No person even most fleetingly informed about the recent economic fortunes of Lebanon should be surprised to hear that the 2020 crisis brought immense disruption to the wine and spirits sector. “What happened in Lebanon consequent to the devaluation of the Lebanese pound is terrible,” Ksara's Chaoui confirms to Executive in a follow-up conversation to the agro-industry roundtable. “Wine, gin, whatever, will become luxury products. And

the poorer we will become, the more they will become luxury products," he warns ominously.

"2020 [has been] a life-changing year," summarily sighs Three Brothers' Malak, who was not a roundtable invitee, when asked by Executive about last year in an interview on the situation of the spirits niche.

While by Chaoui's expectation the crisis on one hand will open development opportunities for national industries, the flipside of this coin and driver of domestic wine prices to him will be higher cost for producers that rely on imported materials. "In the wine industry, what we call habillage, meaning the bottle, label, capsule and cork, are imported. Also 90 percent of the equipment, which has to be kept at the highest level, has to be imported. These inputs will follow the price logic of the devaluation and lead to substantial price increases," he reasons.

From the perspective of Malak, whose gin making interest is part of a group that includes wine making, distilling of gin and arak, as well as operations of nightlife venues and resorts, the most direct expression of last year's malaise was the closure of the group's hospitality venues that in his assessment annihilated business for six to eight months of 2020.

In the same breath with which he reminisces on the pain of 2020, however, Malak adds an interestingly upbeat twist to the story of the forced inactivity of their pubs. "We took this time to focus on alcohol production. We doubled the production of the Three Brothers, doubled the production of our wine, and we limited our production of arak," he says, explaining that a target line for restricted monthly output of arak was set in connection with the group's aims to approach markets mainly with socially accessible wine and gin.

The counter experience to the closure of Lebanon's nightlife and its severe repercussions for the so-called on-trade of Three Brothers gin within bars and pubs was a huge boost of demand in the digital off-trade. Simply said the nightlife clientele's thirst for this local gin found its expression in a spike of e-commerce and delivery business. "The demand for Lebanese products and especially the Three Brothers [gin] went up so much. We focused on delivery and on the people who deliver," Malak says. According to him the spike in demand was entirely unexpected but a group-owned alcohol sales outlet, "The Bottle Shop," with a proprietary e-commerce platform as well as distribution via third-party ecommerce platforms helped to sweeten the pain of the on-trade slump.

This explains why the course of the gin maker over the past months has included new investments in semi-automatic machinery and production venues (Malak declined to name the size of the investment) and new product development of a dry gin – that he says is soon to be brought to market – and also of another liquor product distilled from a local agricultural produce that is often going to partial waste. This is without even mentioning the ambition of the enterprise to access export markets in Dubai, Germany, and North America where certifications for Three Brothers have already been obtained. "The plan is to take it abroad while keeping base and operations in Lebanon. We want all the world to know abbot the brand," Malak says. However, the changes for the outlook in both niches, like the situation of wine and spirits in overall societal context, are not lacking ambiguity.

SEEKING THE TRUTH IN EXPORTS

If you want to forget all about the Latin "in vino veritas" phrase (suggesting that wine consumption makes you speak the truth), it certainly appears as if it is the shared truism of the day of most if not all Lebanon's wine and spirits producers that their future is in exports.

"Exports are the main guarantee of the future of wine industry," emphasizes Chaoui. In his view, one major barrier to improvement of exports for members of the industry is the reliance of most wineries on diaspora connections as export channel. It would be better for the industry to penetrate national markets in export destinations and transcend the niche of an ethnic product found in a Lebanese restaurant. However, while exports would secure wine makers' ability to pay for imported inputs and maintain their equipment at high output – quite the rationale for focusing on exports even if this comes at the expense of local affordability of Lebanese wines – Chaoui notes that export potential is overhyped and restricted by the smallness of the supply that producers can bring to export markets. "In my opinion the whole sector sells in value between 50 and 60 million dollars annually," he says.

His bigger fear for the wine industry is the emigration of qualified employees, he adds, before mentioning fear factors that range from bureaucratic and political barriers at regulatory body Institut National de la Vigne et du Vin (INVV) to reputation risks for Lebanese wine in case any producer starts to peddle a fake or unhealthy product.

In collaborative potentials with adjacent industries, Chaoui cites the capacity of chocolate makers that he saw at the Executive agro-industry roundtable, because the combination of wine and chocolate is a culinary theme that has been explored elsewhere but not yet in Lebanon. He disapproves of persistent barriers against effective collaboration among wine makers in the UVL where "many of my colleagues have opinions that are opposed to the ideas of some other colleagues." He also mentions "terrible individualism" that can obstruct progress through collaboration at a time when the greater good might be the industry's better interest. "It is high time that we believe that we can do better together than each one individually," he says.

For Malak, the question of the pricing of and demand for Lebanese products in the pressure cooker-scenario of the Lebanese crisis entails significant positive experiences of seeing solidarity-driven demand, where people voted with their purchases to help one another. When asked if the enterprise has become an economically serious business after all partners contributed to an increase in capital, he says that the idea of the company is that of a brotherhood of bartenders and that "We never want to be serious" – sounding more like a social entrepreneur of the Ben & Jerry type than a ruthless profit maximizer. As to the pricing policy of the venture, he says enthusiastically: "We have settled on a strategy that will be good for us and for the people. All the people in what I call the tribe understand why prices have to be a little higher. At the end of the day, we are more than fair with our prices."

The anecdotal impression of price developments in the off-trade of Lebanese wine and spirits since the beginning of the lira crisis is one of shrunken imports and growing retail prices. These accelerating retail prices might only very imperfectly reflect the fact that, as noted by Chaoui, producers since the start of the crisis had advantages in costs of grapes and labor. It has to be acknowledged that, as Chaoui further notes, these temporary advantages will erode and disappear with time, but the price trajectories of Lebanese wine look uncertain from a consumer perspective.

🟥 Export potential is overhyped and restricted by the smallness of the supply that producers can bring to export markets

The wider cost-benefit computation of wine and spirits might indeed benefit from stakeholder considerations that include more than export-import equations. Street wines of local vintage that, as Malak puts it, one can enjoy without consuming a steak or shrimp dinner are not only appealing from the perspective of being generally preferable over questionable hard liquors that pretend to be whiskeys or Lebanese vintages that have crossed price thresholds of becoming prohibitive for all local earners. Also importantly for the consideration of a future national wine market, these local street or table wines are starting to meet on supermarket shelves with imported table wines in similar price categories. To be sure, some imported wines have even more mind-blowing price tags for a local earner than the priciest local name but it could be a shaky move for Lebanese producers to set price points in disregard of the fact that by far not all of their needs are focused in importation of bottles and ink to print labels.

The trajectory of prices for wine and spirits, which appear to intersect with divergent economic and social narratives in the significant Lebanese communities of wine drinkers and nightlife aficionados, thus hints that the potential of this industry is yet undecided from a job creation, social development and communal cohesion perspective. There are signs, however, that development of this subsector could be beneficial beyond aspirations of job creation and economic productivity.

ROUNDTABLE 3/5

MEDIA, PUBLISHING AND CONTENT CREATION

Taking media creativity, integrity, and professionalism to new heights of regional prominence

March 31, 2021 | 11:00 a.m. – 1:00 p.m.

PARTICIPANTS

GABRIEL CHAMOUN	The Talkies, *Chief Executive Officer*
MARK DAOU	RPR, *Chief Executive Officer*
ALIA IBRAHIM	Daraj, *Journalist*
ELI KHOURY	Quantum Communications SAL (Saatchi), *Chairman and Chief Executive Officer*
AYMAN MHANNA	Skeyes, *Executive Director*
DANY RICHA	Impact BBDO, *Chief Executive Officer - Middle East and Africa*
BOURHAN KREITEM	Chemonics, USAID Lebanon Enterprise Development (LED) Project, *Director of Monitoring, Evaluation and Learning*
GEORGES FRENN	USAID, *Economist and Senior Development Specialist*

Overview

By Alexis Baghdadi

WITH THE WIND IN THEIR SAILS

The media sector knows how to ride the current to its advantage, but it needs to plot its course carefully and watch out for pirates

While the Lebanese Media, Publishing, and Content Creation industry appears to have been largely resilient to the disruption caused by the COVID-19 pandemic, it has had to review its operational models and strategies under pressure from an economic slowdown, inflation, and lack of government support. Yasser Akkaoui, Executive Magazine's editor in chief, notes that in the past two decades, the industry has outgrown its domestic borders – a key factor in its survival. The industry has succeeded so far in maintaining its reputation as a pool of talent and quality in the region, despite important technological and financial advantages its neighbors possess. On the journalism front, Thomas Schellen, Executive Magazine's editor-at-large, mentions the most recent World Press Freedom Index that showed Lebanon in a higher position than other countries in the Middle East. But this competitive edge needs to be carefully looked after and nurtured by the very professionals who forged it and wield it at home in order to preserve its core strengths, namely quality, creativity and freedom, before it can be thrust in new directions and markets to reap benefits.

Laying the tone for the discussion, Akkaoui says: "We can think outside the box to outsmart hopefully the situation and the establishment and to be able to make sure that this space has a chance to strive and continue to be, a success story, a Lebanese success story around the world."

Participants seem confident in the skillset of Lebanese talent, a skillset that can be leveraged to develop promising opportunities. It is worth noting that media and content professionals invested themselves in acquiring their skills and knowhow to offset the limited capacity-building opportunities locally and the near-total absence of government support for the industry. As an example, Gabriel Chamoun, chief executive officer of The Talkies, cites the growing number of talented writers developing their skills through script writing workshops and study abroad programs. "This was lacking for a long time, I wouldn't say today that we have a huge pool of good writers but we're getting there," he enthuses. This type of self-development is essential to grab an early share of what seems like a promising Arabic-speaking content creation market. Despite Arabic being one of the fastest-growing languages on the internet, the language is extremely underserved, and in varying degrees of quality. "While 7 percent of Internet consumers are Arabs, only 1 percent of Internet content, or less, is in Arabic," says Eli Khoury, chairman of Quantum Communications. "International media companies are 'arabizing' their content while every study in the world, including the EU report, show us that people like localized content, they don't want translated content anymore," adds Alia Ibrahim, co-founder of Daraj Media. In her view, taking advantage of relatively lax censorship laws and combining this with talent can help produce much-desired high-quality content in Arabic whether in terms of journalism, arts, marketing or communication. Even if local talent is unavailable, it has become much easier for the media and content production industry to work remotely with best-in-class professionals, noted Ibrahim. The COVID-19 global lockdown provided just the right conditions to jump headfirst into this model. Additionally, inflation in Lebanon has resulted in a relatively low cost of living for professionals earning "fresh dollars," which could help media companies with access to this type of income attract top talent to Lebanon – provided the country can offer one day present enough incentives in the form of security and safe living conditions. This will allow Lebanon to compete globally and sell productions to services like Netflix and Amazon.

ROCKING THE BOAT

After painting such a rosy picture, one might be tempted to think that the industry has a bright future ahead of it, but the reality is that getting there will not be entirely smooth sailing. Several factors threaten the cruise if the self-appointed navigators do not plot their course smartly.

First among the common challenges faced by the industry is the loss of income, brought about by the economic crisis, and consequently of operations and growth capital. Traditional media suffered from the drying up of advertising revenue, increased printing and production costs, and the loss of subscribers who either left the country or didn't renew their subscriptions. Additionally, the relatively well-established traditional media outlets and production companies, either fall under direct political ownership or rely on political funding from local or regional political forces or advertising agencies linked to these forces. "All these models are today in a deep crisis," argues Ayman Mhanna, executive director of Skeyes, as most of them are unable to think in terms of creative business models and build creative links between quality and monetization. The near absence of dedicated investment funds have further aggravated these dire straits, forcing companies to downsize and turn to external markets and fresh dollars to ensure their survival. The issue of revenue is slightly more complex when it comes to journalism proper. "Initially journalism as we all know is very expensive and it's very unlikely to make any profit. So our business model right from the beginning was based on the idea of creating content that can be monetized to fund our journalism," says Ibrahim. Uniquely within the industry, traditional print journalism incurred additional income losses from the COVID-19 pandemic as newsstands closed down due to lockdowns and movement restrictions, forcing these outlets to move to online-first or online-only models – a strategy that wasn't necessarily well-planned ahead.

A second challenge is the state's neglect of the industry, reflected in an antiquated legal environment and zero state-led initiatives to support the sector. Intellectual property laws are largely insufficient, for example. "When it comes to feature films and big international productions, the role of the state or the government is very important. And no country has managed to develop this without an active role from the public sector," says Chamoun, citing examples from Morocco, such as the Centre Cinématographique Marocain (the Moroccan cinematographic center) and the Royal Film Commission in Jordan which offers a 25 percent cash rebate incentive to international productions filming in the Kingdom. For news journalism, the repercussions are on freedom of speech again. "Defamation laws, libel and slander are written in an extremely vague way that is interpreted by the judicial bodies based on the political balance of power of the moment," comments Mhanna.

To be fair, the state has paid some attention to some aspects of the media sector, which brings us to the third challenge: the threat to freedom of expression. This asset is one of the pillars of the industry, without which creativity and quality analysis – but also accurate information – cannot exist. True, Lebanese media professionals enjoy relatively better leeway than their Arab counterparts, but this a statement we should be wary of, warns Mhanna: "It is that very statement that our authorities use to justify new limitations on freedom of speech, arguing that we are 'still better' than Egypt, Jordan or Turkey […] That's an argument we will never accept." In the past two years since the start of mass protests in Lebanon, attacks on freedom of speech have intensified, he laments, painting a dark picture. "Unfortunately, we had to wait for a tragic event, the assassination of [journalist and activist] Lokman Slim, to understand that we live in a country governed by impunity at every single level, not only when it comes to killing journalists or writers, but also impunity in terms of financial management," he says, adding that figures from 2019 to March 2021 showed an unprecedented increase in the number of attacks on journalism and freedom of expression, not matched even at the height of the Syrian

occupation and other crises since 2005. Speaking on behalf of Executive Magazine, Akkaoui states, “We are independent in our journalism, and we have been paying the price quite dearly for the last 20 years, the frequency and intensity of attacks has increased. And we see and feel that oversight.” Limitations on freedom of expression are not restricted to journalism, but extend to other related industries, not least of which in the Arts and Culture fields, noted Mhanna. Theater productions have been denied a stage – literally – since the COVID-19 lockdown and have therefore not come under the radar, but other forms of artistic content have been the target of censorship and attacks by polarized media outlets and so-called electronic armies.

Lastly, the fourth challenge concerns the Lebanese talent pool itself and the infamous “brain drain.” One problem that aspiring media professionals face is the shortfall of academia and training centers when it comes to equipping them with up-to-date and in-demand skills. In a country facing a severe economic crisis, with limited local employment opportunities and insufficient investment in media companies, many fresh graduates and even seasoned professionals are left with the choice between expatriation and freelancing with overseas clients in order to secure “fresh dollars.” This is a highly competitive arena and getting there requires the right connections but most importantly the right skills which, as mentioned above, many Lebanese look beyond the borders to acquire. In journalism, the issue is twofold. Some universities do not offer their students enough quality education and tools. “In the context of journalism, the content creation that journalism does in Lebanon, leaves a lot of room for quality improvement and it has been so for many years,” echoes Schellen. Other universities fall short in terms of preparing and adapting them to the Lebanese context. “They become the local correspondents of the largest newspapers from the United States because they know how to write really well, and they master the tone that appeals to foreign audiences, but they don’t actually have such a strong connection with the ground in Lebanon,” says Mhanna. For Khoury, the talent pool in Lebanon is in danger of drying up: “The ones who remain are three kinds: those who are not really up to it and therefore have no chance to leave; the diehards who love the country and are willing to stay here; and those who don’t have the means to move. Otherwise, the good talents, I’m afraid are almost about to finish.” Chamoun adds that over 50 percent of people in the production field are now in the United Arab Emirates, Saudi Arabia, Qatar or elsewhere.

A SAFE HARBOR?

Some coastlines promise safe harbors for Lebanese media, publishing, and content creation companies, and consist primarily of niche markets targeted to the Middle East region. Dropping anchor in these ports will require collective efforts on the parts of the private sector. Alexis Baghdadi, Executive Magazine’s managing editor, addressed the panelists saying “It’s time to pass the torch of pioneering journalism and by running media content, content creation to another generation while you take on another role, which is not very different from your role, but more advanced, as guides.” Speaking for the United States Agency for International Development (USAID), Georges Frenn reasserts the importance of the sector in terms of the objectives set by donors, namely quality job creation for Lebanese and economic support and diversification. “Usually donors focus on agriculture, manufacturing, tourism, rural tourism and environment, but the [media, publishing and content creation] is very much interesting and this is why we are analyzing this and USAID is putting this sector as one of the sectors to partner with and support with partnerships,” he explains.

Consensus seems to be the need to produce quality content. Chamoun finds it necessary to reiterate the need for additional investment in content creation, “I think there should be an investment fund developed in Lebanon. When it comes to TV series, development is very important. It’s the name of the game. How to develop content from a concept, from an idea, and having what we call 'a bible' that could be then taken by Netflix, Amazon and the other big streamers." Commenting on the small quantity of Arabic content online, Ibrahim finds that it is mostly of poor quality, and identified this as an opportunity for Lebanon. "Today the production that makes money is drama, where we cannot compete on the production level because everyone is doing it," she says, "We have an edge in what we've always been good at, becoming, or re-becoming the hub of the best writers, the best archivists and researchers and storytellers, and produce high quality content for this type of production. I genuinely believe we would first be contributing to closing this gap of Arabic content that is very sellable to international audiences, we can even do it in English." While Arabic is important, Khoury notes that content should not be exclusively in Arabic. "Out of 10 million pages roughly consumed on the internet, 54 percent are in English. So I wouldn't shackle myself with language. I would push for the authenticity and locality of the story, irrespective of the language." Mhanna mentions the availability of international funds for quality content and journalism that could be targeted by local companies, asking "[Are] the owners and CEOs of the very established TV stations in Lebanon ready to actually introduce some real new type of content that is truly high quality journalism even if it would put [them] at odds with some of [[their] previous friends and sponsors."

Mark Daou, chief executive officer of RPR, leads the exploration of examples for collaboration within the sector. Among those are "free zones," such as in the United Arab Emirates, which could give creative industries room to develop their financial capabilities, offer them financial and legal facilitations, and probably create new employment opportunities. Another idea he discussed involved infrastructure and technology clusters that would solve a lot of technical difficulties for players in the industry. "Those centers will create a lot of knowledge that will create impact and it will allow a lot of young people to aspire to belong to a community that is physically present or at least virtually present," he says.

For Dany Richa, chairman and chief executive officer of BBDO Middle East, Africa, and Pakistan, winning at the future of the industry requires having the necessary future skills: "You'd be surprised how talented the people that we have are. We don't have enough of them, and this is where we need to work with universities to graduate more people in neuroscience, in data, analytics, coding, instead of grooming them unfortunately for the jobs of the past that we're trying to hang on to." Daou agrees that the private sector should actively engage educational institutions. "We should make sure we continue to get the flow of talent into our institutions to be able to flourish, because the reality is, we will not be able to recruit from abroad to Lebanon." Here Akkaoui is prompt to point out that in the absence of public policy and safety net, "the disparity between professionals with access to "fresh dollars" and those still getting paid in Lebanese pounds will increase, and with it the misery."

The public sector remains very largely absent from the discussion, amidst calls for more collaboration with the industry. "We need to contribute to building a strong public sector but we don't have the luxury of time for it. We have been trying to push cultural actors to start thinking in terms of policies for the sector instead of only asking for money for their performance," concedes Mhanna. Akkaoui adds: "We're not as disappointed as the primary, secondary and tertiary industries, who depended on public policy, or public initiative [...] which allows us to get organized, it's most probably the industry where we can see much more cooperation between different stakeholders." Ibrahim intones, "We need a strategy because, we're really functioning in a vacuum; there's no state, there's a failed state and we're literally doing the job of the state so this could also be an opportunity. Money alone will not solve the problem [we need] an overall strategy to educate properly and to keep them in the country, create an ecosystem where they can function. With some strategizing, it's doable." According to Richa, Lebanese people around the world are willing to help by commissioning work to Lebanon and employing Lebanese outside Lebanon. "It's really encouraging that the diaspora is creating a platform where like-minded people can closely collaborate with one interest in mind, the interest of our people, because honestly we're the only ones thinking about our people, our government aren't thinking about our people, they're thinking about staying in power and it's sad, it saddens me," he concludes.

> ■ The public sector remains very largely absent from the discussion, amidst calls for more collaboration within the industry

By Alexis Baghdadi

FORGING A SILVER BULLET

By articulating their priorities, Lebanon's darling medias can mobilize huge support from their many friends abroad

Lebanese advertisers, journalists and content producers who took part in the Media, Publishing and Content Creation roundtable discussion organized by Executive Magazine in partnership with the United States Agency for International Development (USAID) were unanimous in agreeing they have a strong competitive edge over their regional peers, but also warned against the risk of losing this edge due to the continuous brain drain and the difficulty of accessing finances amidst an increasingly inhospitable business environment.

Tapping into the Lebanese diaspora and international donors were among the solutions proposed at the roundtable to finance operations. Following the discussion, Executive talked with

Eli Khoury, chairman of Quantum Communications and a veteran of the media landscape in Lebanon, to pick his brain about more or less concrete proposals the sector needs to align behind and join efforts to achieve.

E ***Do you have any comments on the Media, Publishing and Content Creation roundtable by Executive Magazine in which you participated?***

The gathering was nice and pertinent, and I thank you for it. If there is one thing that left me hungry, is the fact that the discussion revolved too much on preserving the industry itself and not the challenges we have to contend with in this country, to maintain any kind of industry; from destroyed purchasing power to utilities and other basic needs. It is easy to get stuck in our comfort zone and maneuver through the difficulties to get by. I would say that, to ensure our survival we only need to spend around 25 percent of our efforts on the industry, and 75 percent on fixing the damn place.

E ***What are the specific competitive talents that Lebanese professionals have in the media, content, and publishing industries among their regional peers? Why do they have this edge?***

Traditionally, we have dominated the communications and media industry in the region for generations, even during the civil war. The later Gulf boom metamorphosed it into a combination of Lebanese and British knowhow. While they brought in the technical skills and a global language, we brought in an almost seamless multicultural sense due to an indigenous and intuitive "marketeer" DNA that we seemed to possess. Today we may have lost our edge but not necessarily our fundamentals. However, we are fast running out of time.

E ***Do you think, given the reduced access to education and tools as a result of the financial situation, that the local talent pool will be able to continue to evolve its skillset and retain its competitive edge?***

I keep telling students and newcomers that the lack of facilities in academic institutions is not an excuse, especially since the Internet offers so many answers. When we were learning our trade back in the days, we too faced magnificent crises and wars – I wish we had the Internet back then, we had to learn through the limited press articles and books we could find or afford. Today, those who really want to learn and perfect their skills can easily do so, as long as they have the will to do it.

E ***What is needed at the local institutional/vocational training level for the Lebanese talent pool to continue growing its skillset?***

The issue is twofold in my view. We now have an unprecedented brain drain at both levels; the faculty and the students. Many of the best teachers, mentors and professionals are either already gone or they are not as available as before because they are busy surviving. Additionally, many potentially kick-ass students, those who are dedicated to learning their craft, have already "swum" abroad or are awaiting the first chance to do so, for they have access to the best universities and scholarships offered by embassies. Even the best of mentors, professionals or students who insist on staying, are not able to produce, train and progress properly due to the environment which is not in the least conducive to retaining talent.

E ***There is a stated need for a community or hub of professionals to close ranks and support the sector. How do you see the role of such a hub concretely?***

Any good deed nowadays is certainly most welcome, even if it just means fixing a window after the Beirut Port explosion. Any good citizen is bound to contribute wholeheartedly to any initiative. But I must admit that I am somewhat against such an approach, as I increasingly feel as if we keep doing it in vain. Intruders run the place to the ground, we rise to patch it up, only for them to destroy it again, and so on – and it gets worse every time. The thing is, we as a society and a republic are not bankrupt, we have all the capital and assets that this wonderful country, our long history and our hardworking parents have endowed us with. We are merely a cashless hostage. We media professionals, for instance, remain very well equipped with the knowledge and tools, even now, but to be really effective, we must agree on one diagnosis, we might not agree on the remedy, as good doctors sometimes do, but we must agree on the assessment at least, if we ever want to truly relieve the environment and go back to a lasting normality.

> "We have all the capital and assets that this wonderful country, our long history and our hard-working parents have endowed us with. We are merely a cashless hostage"

We must let go of personal and communal egos and stop beating around rotten ideological bushes – or avoiding them altogether. The one and only reason why we cannot agree on the diagnosis, remains the fact that we do not agree on who we are. If we, one day, tackle this core issue, we can then rain hell on those who destroyed our country and those who might wish to in the future. The remedy may be disputed left or right, but the diagnosis cannot be, else the patient dies. Some may justifiably lack the courage to grab the bull by the horns, that's fine, but let them not pretend they are doing the best they can. I will go farther and say that more of us should have the balls Executive showed, when it published with a black cover or with nothing but blank pages. We need guts.

E *Do you believe in the power of the diaspora to support local or Lebanese professionals in the media, content, and publishing industries. Are we talking about individual access to markets and funding only? Can you think of examples?*

I might sound controversial, but I will say that COVID-19 gave me hope. It transformed us into a Zoom and online society. Today, not just in Lebanon, people around the world are connecting online to discuss how to reshape the world we live in. With enough momentum, this can create a gigantic power. We can collect millions from the diaspora, we can support the industry and other industries, while over the head of the corrupt government without letting it lay its bloody hands on a single penny. But again, we need to stop giving out fishes and start giving out fishing poles. We do not need Band-Aid we need ER.

> ■ "We need to stop giving out fishes and start giving out fishing poles. We do not need Band-Aid, we need ER"

E *Are there larger-scale ways the diaspora or the hub can support these industries, with policy reforms for example?*

If we as civil society don't do something to fix the problem, nobody else will. But for that, you need a local anchor, not only the diaspora, and large scale action – all conditions considered. There are many good, small and large but fragmented attempts by the diaspora and NGOs; though varying in focus, as a result of varying in diagnosis, hence with little to no effects, and sometimes damaging ones. Otherwise, yes a lot can be done and at worthy scales.

To recap, is there a concrete plan to help the sector?

We need to lobby and continue fighting for our rights, on the streets or with the tools of our trade. That is a given. I would also propose building a center that defies the situation and provides the basic needs for professionals, from electricity to technical facilities, tools and access to multinational or even bitcoin financing. My guess is that there are many who would be willing to back such a project, including embassies. I read of several funds calling for [requests for proposals] for such kinds of projects. But one must tell people how one wants to be helped.

E *Might the diaspora or international community withhold support to large-scale initiatives in these industries, or impose stringent conditions due to the political crisis and government mismanagement of the economy and other factors?*

It all comes down to why someone wants to help us as a nation, how they see us. There are some who want to help preserve the simple things they hold dear in this country, like the food, nightlife, beauty or freedom, etc. It is a love affair with many ingredients; but when the ingredients that make it up get degraded, there comes a time for one party to end it. If their heart is in the right place, then they will continue to help, but we also have to put in the work and give them hope. This isn't always easy. Many, myself included, almost lost hope after the August 4 explosion, but I am not ready to give up yet. I guess it becomes instinctively unavoidable for some.

E *Do you believe there is hope for the sector yet? Does this hope extend to the rest of the country?*

People have often accused me of over-optimism. I believe there is big hope, and for a reason I will explain. Our problem is one of identity. Today, there are those who would like us to believe that before sects and ideologies, Lebanon was nothing but a void or a negligible fragment of anything but a nation. This is what is wrong first. This is why our constitutions have never been respected or implemented, like any decently successful country. This is why unwritten or written pacts don't last and get broken at the first sign of change in balance. To deconstruct one's tradition and history for any rational or emotional reason, be it mythical or cast-in-stone factual, is not modernism – in fact quite the opposite. A rich multicultural mosaic that thrives on the exchange of ideas, values, art and assets, this is who we were and still are and will be. History speaks louder than politics. Decades of regional conflicts didn't end us. 30 years of war didn't end us. Our nation and history seem to be stronger than religion, ideologies and tyranny, most importantly, despite many of its own people. E

Vignette

By Thomas Schellen

HARD CASH FOR HARD TALK?

Content’s economic potentials of dystopian challenges

If you contemplate how local creativity has fared in the past 20 to 30 years, and especially if you contrast Lebanese creative and cultural content productions with productivity and innovation in the real economy, content has traversed a very long road in a very short time indeed. There could hardly be greater diversity, for example, between a 2007 play on the glory and fall of heroic Queen Zenobia and a 2021 animation movie on the fictitious Arab dictatorship of Alephia, nor could their creative pathways be more constructively conflicting.

The first production, Zenobia, being a Mansour Rahbani tale set to music and dance, extols the near-mythical queen of the fleeting Palmyrene Empire of third century AD fame and her tragic desire to build an identity. The second, Alephia 2053, being an hour-long animation movie in the dystopian genre, advocates a very young-adult message of fighting corruption, martyrdom for the cause of freedom, and ridding the world of yet another hereditary, oppressive (and of course male) tyrant dynasty in the mid-term future.

CASHING IN ON CREATIVITY

The sole common touch point of these two content productions – diametrically opposite to each other in terms of artistic style, visual language and narrative, technology and target audience, and historical projection line of past and future – is their shared ingredient of Lebanese creativity. Both were concocted in the creative cauldron of overlapping, fragmented, contradictory, and complementary belongings that arguably distinguish this country and set it apart from much larger states in the Arab world and from your average small society anywhere.

Thus, in order to test the hypothesis that content creation is one of the economically potent subsectors of a media and communication industry that could help pull Lebanon out of its self-inflicted swamp of job insecurity and sub-standard productivity – the topic that was on the agenda of the third roundtable organized at the end of March 2021 by Executive Magazine and the United States Agency for International Development USAID) – Executive inquired about the economy of their latest content production with Spring Communications. This digital agency is the company whose unit Spring Entertainment launched Alephia 2053 online at the start of astronomical spring on March 21 and witnessed more than 8 million YouTube views of the feature by end of April.

At the start of his conversation with Executive, Rabi’ Sweidan, the head of Beirut-domiciled Spring Communications, creator and co-producer of Alephia 2053, is full of exultation over the achievements of his new production, which he dubs the ”first-ever dystopian entertainment in the Arab world.” According to him, the animated feature’s reception by audiences in Arab countries over its first month has not been varied in response to the dominant political ideologies of said countries but rather reflects national demographics and internet penetration. In other words, it is digital entertainment that, once released and having gained momentum, eventually goes on to move following its own trajectory.

The conflicts of competing ideas and the intensive discussions that are endemic to Lebanon [are] a fount of creativity rather than an obstacle

However, while Arab and other viewers of Alephia 2053 would easily be reminded of fairly recent and even some ongoing totalitarian experiences (according to Sweidan, viewers from countries such as Algeria, Iraq, Syria, Yemen, Sudan and others said that the story resonates with them as a home story with elements of their reality), the tale's dystopian-totalitarian framing in the perspective of its creator also has elements of purposeful departure from content obsessing over a falsely glorified past into content that speculates to a more productive future.

"If you are always looking at the past, [you are] walking backwards and we believe that you will tumble in the present [time] and fall in the future," Sweidan says, conceding that for him as content creator and producer this future also is one of hoped-for economic and commercial rewards. "We are basically a strategic content and communication agency [that is] driven by a purpose. Content is one way of what we believe is the future of communication. We are a content-driven agency and believe that we can make money out of it," he tells Executive.

Sweidan fundamentally holds the view that conflict, meaning first of all the conflicts of competing ideas and the intensive discussions that are endemic to Lebanon, is a fount of creativity rather than an obstacle to it. Consequently, he has no problem at all in associating the Lebanese paradigm of abundant conflict with creativity and the potential for marketable content that to him seems to follow creativity as surely as the vernal equinox follows upon the winter solstice. He cautions, however, that this market potential for Lebanese content is not in Lebanon but from Lebanon, meaning directed at other markets. "The big question for me is not if there is potential. The big question is the challenge whether it can be monetized to benefit the creators of the material, and the creative community and industry in the wider sense. The potential is there for the Lebanese, the challenge is how you can monetize it," he says.

In this regard, his recipe for finding acclaim and pulling viewers to the firm's content has been to follow the circuit of international creative festivals around the – mostly developed – world that provide conventional or digital content of Lebanese origin with exposure which financially restrained content creators could never buy with their own means. According to Sweidan, Spring made its bet on the pull-potential of such exposure more than ten years ago and scored award nominations and awards for several productions.

This vision and the fast success of his latest production in terms of high viewership notwithstanding, Sweidan admits that the forward-going potential of Lebanon-based production houses is limited by the cowardice of capital in the face of uncertainty. "The more the situation is uncertain in Lebanon, the less people are willing to come and invest in this talent," he says.

DRAINS ON CREATIVITY

In terms of barriers faced by Lebanese communications and ideas-focused enterprises, Spring's experiences as outlined by Sweidan show that content creation as industry in Lebanon today is in the same boat with journalistic media and marketing communications agencies. This entire industry is assailed by challenges of a small native market, difficulties in access to finance and risk capital, intense commercial competition from rivals with deeper pockets in regional and international markets, and uncertainty pressures that push creative talents into seeking stability away from Lebanon – a burning problem in 2021 inadequately subsumed under the long-standing moniker of brain-drain.

Notably, although the latter point of the industry's sensitivity to adverse developments in the country's living environment must be assumed to be a universal deterrent to anyone's will of accepting the laborious burden of rebuilding this country's economy, the vulnerability of minds was during the Executive roundtable series of March 2021 highlighted more in the media and knowledge economy roundtable contexts than in the roundtables dedicated to real economy and hospitality sectors.

Acting as a content focused and purpose driven enterprise, the Spring Communication venture moreover shares another key denominator with the, by no means excessively large, realms of quality-oriented marketing communication and authoritative journalistic media in Lebanon: a fierce determination to be independent.

On the other hand, content creatives face a contradiction that is inescapable when local origin-content seeks to compete with others in a global or even Arab village of content consumption. This is the question of what actually is Lebanese content or Lebanese creativity. "I don't know how one can identify Lebanese content per se in an era where identity is seen as a personal self-assessment or choice in a fluid universe of identity choices," Sweidan notes.

In this sense, Alephia 2053 might be seen as neither fully Arab nor fully dystopian but as a work of anti-totalitarianism that draws inspirations from many diverse sources which are as far apart in time and space as 1917 Petrograd, 1934 Nuremberg, 2003 Baghdad, or 2021 Pyongyang. Thus the particular production value of Alephia 2053 is perhaps not that is part of a by now well-established and almost tired genre of dystopianism – after all, the last decade's myriad dystopian fantasies in their end-of-world rationales did not anticipate the universal infodemic and overwhelming infections of social media as the most damaging and consequential geo-dystopian experience of this age. Rather, the appealing element from the regional cultural perspective might be that the production is not ignorant of the Arab experience and approach in seeking for a culturally acceptable solution to the universal problem of human tyranny.

FUEL FOR CREATIVE JUICES

However academic this discussion of Arab contributions to the dystopian genre could be, and how far or near a global content culture and such a culture's aggregate wealth of diverse local inputs might reside in the future, the content entrepreneur Sweidan has experienced concrete disadvantages not because of global-local identity conundrums but because more powerful and organized states in the Arab sphere have entered the competition over influencing global perceptions of their societies – and thrown financial resources at the task. "Creativity for us is a form of soft power and a driver of social influence. Arab countries around Lebanon have realized the importance of creativity and are spending 100s of millions of dollars [on their creative industries]. What is very difficult is that I am competing with investments from countries that have a lot of money and have decided on policy level, government level, that this is very important for them," Sweidan says.

On this uneven playing field of Arab content production, Spring largely auto-financed the production of Alephia 2053 by contributing to the venture an – undisclosed and even uncharted but very large – number of man-hours. Taking such efforts forward into a monetization model for a Lebanese content creation industry will require mobilization of investors into digital-era technology, prominently including artificial intelligence, Sweidan says. And it will not be something that any one niche content company should go alone. "There will now be a need to work in an ecosystem that can complement the work of the creatives while ensuring the most important aspect for creative companies, which is independence," he emphasizes.

> 🟥 "What is very difficult is [competing with] countries that have a lot of money and have decided on policy level [...] that this is very important for them"

Creation of this ecosystem of content creation and communication-driven companies in Lebanon, however, requires something beyond private sector sharing of interests. Here, Sweidan is not bashful: "Our homegrown talent, for whatever reason, is world class. Our digital content is world class. At the same time, the competition in the region is starting to copy us and move with great speed. In the short term, if you ask me, we need a bit of stability just to know where we are standing. This is not something that the private sector can do. This is something that the public sector can do. In the longer term, if there is one thing that I would love, it is for the government or the public sector to designate the content creation industry in Lebanon as a strategic pillar for the country."

ROUNDTABLE 4/5

FOOD & BEVERAGE AND HOSPITALITY

Aiming to export successful F&B concepts and develop job-creating quality hospitality ventures

March 31, 2021 | 2:00 p.m. – 4:00 p.m.

PARTICIPANTS

MAYA BEKHAZI	Syndicate of Owners of Restaurants, Cafes, Nightclubs and Patisseries
JOUMANA DAMMOUS SALAMA	Hospitality Services, *Chief Executive Officer*
ANTHONY MAALOUF	Lebanese Franchise Association (LFA), *Vice President* - Casper & Gambini's, *Owner and Chief Executive Officer*
ROMEN MATHIEU	Euromena, *CEO*
GEORGES OJEIL	Four Seasons, *General Manager*
AREF SAADE	Shogun, *Owner*
BOURHAN KREITEM	Chemonics, USAID Lebanon Enterprise Development (LED) Project, *Director of Monitoring, Evaluation and Learning*
GEORGES FRENN	USAID, *Economist and Senior Development Specialist*

Overview

By Wissam Assouad

PLANNING THE POST-COVID19 FEAST

As pandemic restrictions ease out, hopes rest on tourism amid larger economic uncertainties

The fortunes of the Lebanese hotel industry and of enterprises in the hospitality sector have been entwined not only with the economic problems that erupted in late 2019 and coincided with the people's outcry for systemic change when the Lebanese community took to the streets protesting yet another increase of taxes and demanding a change to their fragile status quo way of living. Losses of purchase power of the disenfranchised population and the demand for ousting corrupt decision makers in political class came together with the pandemic of Covid-19 and the physical destruction wreaked by the August 4, 2020, explosion at Beirut Port to in a ruinous deluge that shook the hospitality sector of Lebanon from the bottom to the top.

THE FOOD & BEVERAGE AND HOSPITALITY INDUSTRY

The food & beverage business has always relied on tourism with its backbone being the internal Lebanese community purchasing power. Figures from the Ministry of Tourism show that 1,592,301 visitors entered Lebanon so far in 2017 (until October 2017).

Since 2017, the F&B industry has been on a slow decline, reaching its tipping point and rapid fall with the revolution in 2019, and then a bigger decline due to the COVID-19 pandemic in 2020. According to Yasser Akkaoui, Executive Magazine's editor in chief, the F&B and hospitality industry "is reliant on physical contact, is reliant on physical movement, which puts you (the industry) at a specific risk that is beyond other industries. And of course the attractiveness of Lebanon to tourism has been diminishing in the last few years, not only because of COVID-19, pre-COVID, it has been impacted due to certain political and geopolitical lines that Lebanon has adopted, and of course because of the purchasing power and the economic situation which diminished the propensity of consumers to spend on restaurants."

Maya Bekhazi Noun from the Syndicate of Restaurant Owners in Lebanon says that "It's very important to note that the F&B business in Lebanon was at one point mainly sustaining on tourism, on tourists or, on Lebanese expats who would come to Lebanon to spend in Lebanon money; and people in Lebanon also, a lot of people used to. The spending power came also from families who used to send to their families money from the outside in order to spend."

The main challenge the sector is facing, she explains, is one being faced across the Lebanese economy: the dollar liquidity crisis and increased price of the dollar in the unofficial foreign exchange market, which is impacting both the ability of businesses to secure necessary funds to pay importers and their bottom lines. "Today, as restaurant owners, we spend most of our day identifying which suppliers take Lebanese pound versus dollar or checks versus cash," Bekhazi says. "Most of them are now asking for cash in dollars while very few of our customers are paying their restaurant bills in dollars anymore—and when they do it is by credit card, not cash. So, we are having to buy dollars at the market exchange rate, which can reach 2,400 Lebanese pounds to the dollar on some days, while as restaurants we follow the official rates of 1,515 Lebanese pounds on our POS." She explains that restaurants cannot increase their prices by much for fear that consumers will no longer dine out, and so this is a losing situation for the sector.

It takes a drastic approach and steps to revive an industry relying on physical and social contact. The political instability severely keeps impacting the internal Lebanese market and the purchasing capacity of the Lebanese community. Also, the tourism sector is struggling mostly in terms of safety in Lebanon due to political unrest; while travel restrictions due to the pandemic came in as the cherry on top of the downfall.

Diving a bit deeper on the political side, the fluctuation of the Lebanese pound is also seriously crippling the F&B industry and not helping the stability of the products and services offered to the public. While the official rate in the banks is still fixed, the market and organizations face a different reality buying much needed material and products with rates up to 15,000 Lebanese pounds per dollar. This instability continuously affects product and service prices which is showing a gradual increase in monetary value, and unfortunately a decline in the overall quality. Several brands and products have become scarce such as baby milk formula, medicines ...etc.

According to data tallied by the Chamber of Commerce, Industry and Agriculture of Beirut and Mount Lebanon (CCIA-BML), 280 food and beverages producers are presently registered as members of the CCIA-BML and employ a total of 17,149 employees according to an estimate based on the classification of companies in each category. Total registered capital, at incorporation, of these firms stands at around USD 290 million. The majority of producers, nearly 79 percent, are small and medium enterprises.

Joumana Dammous, chief executive officer of Hospitality Services, voices her concern and optimism emphasizing that "it's quite breathtaking, I mean it's really, how can I say, it's really very heartbreaking to see how difficult and how many challenges we all have to face, but as just said, we are, I think there's something about us as people that makes the whole situation different, we react, we are proactive people, and if you will go through all of us, through each and every one of us, you'll see we're all creating new solutions. Honestly, the events industry has been totally devastated, events have totally disappeared from the equation at this time, we've been suffering as event organizers for the last year and we had to reinvent ourselves totally."

WHAT NOW?

To move forward, industry stakeholders have to collaborate on finding new and better ways to get the industry out of the slump. As Georges Ojeil, general manager of Four Seasons hotel in Beirut, puts it: "We are so proud of Lebanon, we are so proud of the people of Lebanon, and we will never be cheap. We are full of heritage, we are, you know, full of history, and then full of knowledge, and then even promoting Beirut as an accessible destination, this would bounce back eventually with time because we're going through economic collapse that would eventually balance in some time when the demand would be here."

The optimism is here, the Lebanese resilience is rooted in its culture and history. Our cuisine made it around the world with an astounding reputation mainly thanks to our large diaspora and to the attractive Lebanese tourism, culture and history.

Akkaoui's approach to moving forward was in line with many of the participants at the roundtable. Looking forward to reviving and helping both the industry and the job market need a new and upgraded approach. "We need to look at how this disruption has impacted us. Lebanon has always been the country where we validate ourselves. Where young people or maybe less young people would also as entrepreneurs always venture into new concepts, and there was quite a turnover on these concepts, a lot of them succeeded, a lot of them grew in Lebanon and outside of Lebanon and we can name many."

"And this is the biggest disruption, first Lebanon being this entrepreneurial hub where young

🟥 It takes a drastic approach and steps to revive an industry relying on physical and social contact [...] the tourism sector is struggling mostly in terms of safety in Lebanon due to political unrest, while travel restrictions due to the pandemic came in as the cherry on top of the downfall

people or concept developers would have the courage to go and launch their concepts out of Lebanon, refine them through user experience or consumer experience, and once they reach a certain maturity within the local market, it was time, and a guarantee for success outside of Lebanon, because the Lebanese consumer is sophisticated enough for them to take, to crash-test if you will, these concepts, that's why somehow, if you succeed in Lebanon you can succeed anywhere else in the region, and so this is the first disruption," Akkaoui adds.

The first question is how do we make sure that these young entrepreneurs can still be incentivized to launch these concepts out of Lebanon? And second, does the consumer have the purchasing power to take these concepts for a test drive? It is all about innovation. The Lebanese restaurateur has also been innovative, not only in the recipes, but also in the systems that they are using, and they are even innovative in the legal frameworks they use to export these concepts, so franchising.

COLLABORATING FORWARD

First, we need to get the ball rolling, to find and act on initiatives that revive the Lebanese Industries. Following that step, there are many maneuvers and funding opportunities from the Lebanese diaspora and from donors such as the United States Agency for International Development (USAID).

"USAID has the partnership opportunity open for the actors of this sector and the associations including the restaurants association so we can invite you to propose your ideas for partnerships where we can put our resources together and bring some donor funding to support initiatives on the short term on the medium term and maybe later also on the longer term … we've mapped the stakeholders, we've mapped the chains, we've mapped the systems and we've put all the numbers that we had knowing that a lot of the statistics can be missing particularly the last 2 years but with the help of all the stakeholders I think we can help rebuild this together, put the baseline but especially put the plans for the future to regain the maximum share and the maximum growth that will support the economy of the country," says Georges Frenn from USAID.

Involving the private sector to take part in the reforms of the F&B and hospitality sector is a must nowadays as Bekhazi mentions: "We can't even prepare our own profit and loss statement with this current situation. However, all this is still a survival mode; what would make it a long-term recommendation would be definitely to have the private sector take some, a share in reforms, without reforms the whole sector would not be able to survive on the long term."

"There's always hope. There's always hope, and as Lebanese we hope, hope is something that pulls us and drags us. So yes, there is hope but as everybody said, as we are all in this together we need to pass this moment, this very tough moment we are all facing in order to rebuild ourselves, and while we are doing that use this time to train our teams, to organize ourselves, to take this moment at the moment to be ready when things are better," says Joumana Dammous emphasizing the need to keep moving even in tough times like these. While the funding is scarce, she says the focus and efforts should shift to planning and strategizing, and when opportunity comes knocking again on the Lebanese hospitality's door, the sector will be ready to get back into action.

Akkaoui' vision falls in line with most of the participants in spreading hope and the call for action. His perspective is that "COVID-19 will release its grip on us most probably within the coming few months or early 2022 and this will be the right time to go out there maybe and seek investors or present to investors in order to invest in these concepts' expansion outside of Lebanon. So I see these synergies and I see this is the perfect time to launch initiatives that allow entrepreneurs that have really invested a lot in the last few years in making sure and validate during which they validated their concepts, this is the right time to accompany them to help them creating a platform that we can share experiences that will allow them to capture a lot of these concepts."

Q&A

By Hadi Abou Chaaya

PUSHING FORWARD AND OUTWARD

Focus on resilience and initiatives to protect social security

At a time when Lebanon is witnessing the most severe political, economic and even security crises, the ambitions of entrepreneurs in Lebanon refuse to surrender to this reality.

In this context, Anthony Maalouf, chairman and chief executive officer of ANT VENTURES International and vice president of the Lebanese Franchise Association (LFA), points to a number of factors that have prevented the progress of this sector, but lists initiatives taken to protect it and preserve human capital. In his opinion, the Summer season will be a promising one, unprecedented and prosperous for several reasons and factors.

E ***There is no doubt that the hospitality and food sectors depend on basic factors, most notably tourism, which is its mainstay, which has declined due to several factors, which we will mention in the course of the***

interview. First of all, what is your assessment of the reality of the sector today?

Very difficult. I used to say, from experience, that this kind of industry, especially our type of industry (casual dining), is the most resilient in facing challenges and the fastest to recuperate. It is human behavior to go out and have coffee or drinks. So the problem now is how long the crisis will last. Entrepreneurs need to be patient and take a long breather, especially as there is a growing array of difficult and complex crises. Certainly, this crisis that we are living in today is the most difficult of all for many reasons.

If the situation remains unchanged and threatened with more difficulties, this will put additional pressure on you as entrepreneurs and as owners of the company?

In fact, the crisis can be divided into two main parts: the COVID-19 pandemic, which has exhausted the whole world and Lebanon of course, and the economic crisis that has afflicted Lebanon and is still draining it. With the COVID-19 pandemic beginning to recede, movement is gradually returning, especially since we have ventures abroad, specifically regionally. But at the local level, the crisis still exists, especially with the decline in purchasing power.

What are the most prominent political and economic factors that have prevented the sector from developing to a large extent?

There are many political and economic factors that hinder the progress of all economic sectors, especially our sector, which depends heavily on tourism and its multiple seasons. There is no doubt that the absence of political and security stability plays a fundamental role in the lack of progress in the economic sectors, in addition to the complete absence of the State and the absence of a medium- and long-term action plan and vision for the advancement of Lebanon and putting it on the right track to achieve prosperity, growth and success. Everyone knows that 70 percent or more of restaurants, cafes and tourism establishments have closed as a result of the crisis that began before the demonstrations of October 17, 2019, and worsened after that due to several factors. But in particular, and being affiliated with the Lebanese Franchise Association (LFA), we work on the principle of pushing the internal crisis abroad. This is what happened during the July 2006 war, when Lebanese businessmen went to open businesses abroad to protect their interests inside Lebanon. Today we are out again, otherwise we would not have been able to survive. For a large number of actors in various economic sectors, the emphasis is on individual initiative and starting again after every strong shock and constantly searching for solutions to problems and crises.

> “70 percent or more of restaurants, cafes and tourism establishments have closed as a result of the crisis that began [in 2019]”

Several companies have witnessed the dismissal of a large number of their employees, and this certainly applies to your sector. How was this reflected on your performance in terms of service and the quality of the products you offer?

In fact, we had two options: to initiate layoffs between 30 and 40 percent and continue with the rest of the staff, or to reduce salaries and keep up to 75 percent of staff in some cases. Especially during the beginning of the crisis and in cases of complete lockdowns, we were not able to pay salaries. The good thing is that with the return of the dynamics of the franchising process, we decided to pump part of the financial returns from it to our branches in Lebanon, and we called it the “Currency Depreciation Correction Program” (CDC), as we were keen to raise wages and salaries between 35 and 40 percent to enable employees to pass this stage with minimal possible losses.

As for the quality of the products that we offer, the matter may not apply to us directly, but the hospitality, food and drink sectors suffer from it, as there is no longer a qualified workforce to manage the sector as a result of the terrible devaluation of the currency, which prompted some professionals to migrate in search of job opportunities that match their aspirations and the way of life that they were used to in the past. In fact, a large number of competent people migrated, especially to the Gulf countries, even if the offers they received were 50 percent less than what they were in the past.

Being an entrepreneur, what initiatives will you take, in terms of re-employment and job creation, to avoid a societal explosion? Starting with promoting abroad in search of promising markets that protect the survival of companies, and how will this be reflected in creating job opportunities for the Lebanese citizen?

We must definitely take steps in the interest of the workers. The simple solution is for most companies to increase sales as much as possible and cut costs to keep the business running. Personally, we pursued a policy of diversification, as we have entered into the coffee business and now we have the Caspresso brand that we sell to supermarkets. Therefore, we must diversify our business and distribute our workforce in popular branches in order to achieve a material return to remain resilient, as there are no other solutions for us. On the other hand, in regards to re-employment, we are constantly looking for qualified employees who have sufficient knowledge and experience to move forward in managing this sector and improving its services, knowing that we are looking for a long-term relationship, creating careers and offering salary packages that are in line with market requirements and maybe more. Our company has taken the initiative to improve the value of low wages due to the economic crisis, through the CDC program that allowed us to raise wages by 30 to 40 percent as an incentive for employee self-sufficiency and empowerment. We must continue to work to preserve our human resources.

In addition to the above, we redoubled efforts to open new branches in Baghdad, Iraq and Libya. This aligns with one of our primary areas of focus by giving employees career development opportunities that allow for the continuous advancement of our employees and senior positions. This gives us the opportunity to send our employees to work for our franchisees. We are also conducting training abroad, especially in countries that now have large branches such as Egypt and others, or at branches under opening, which allows us to send a team from Lebanon to provide staff with sufficient expertise, similar to what happened after the opening of our branch in Syria last December.

In short, we are working on correcting salaries and sending employees from Lebanon to our branches abroad to earn fresh dollars.

E In light of the fluctuations in all world economies as a result of the COVID-19 pandemic. Is it possible to talk about future plans in the medium and long terms?

There is no doubt that the COVID-19 pandemic had severe economic and financial repercussions, and this was reflected in the countries in which we are active throughout some 40 branches, but with the beginning of the recovery we have witnessed a significant improvement gradually removing the lockdown, because people naturally like to go out to restaurants and cafes. It is true that all world economies have been affected by the crisis, but this has not significantly affected our business sectors.

E What does Lebanon need today to revive the sector in terms of the necessary infrastructure?

The State has many duties that it must perform in terms of infrastructure, from electricity to the Internet, roads, bridges, tunnels and many other things. But I think that relying on the State to manage its simplest duties is a waste of time, especially since State institutions are completely absent. We are used to taking individual initiatives. I think that the summer season will witness unprecedented tourism activity for several reasons, most notably the depreciation of the Lebanese currency's value, which will increase the appetite of tourists from different nationalities to come to Lebanon, as well as Lebanese expatriates. In the hope that a regional political settlement will be reached in the region to remove this uncertainty that burdens all sectors.

> ■ "We are working on correcting salaries and sending employees from Lebanon to our branches abroad to earn fresh dollars"

E To what extent is the launch of new concepts in the world of hospitality and F&B in line with the markets you target? Is it permissible to talk about launching concepts specific to each market separately?

Certainly, and I will give you two examples of that, one local and the other regional.

At the local level, the Batroun region is witnessing a large and unprecedented turnout, similar to what the Faqra region witnessed about two years ago. Therefore, the products that we offer for a specific region differ from others in proportion to the demand.

At the regional level, we allocate special concepts for each country separately according to need and demand. There is always a launch of new concepts due to the continuous development that the world is witnessing; with the difference between generations, the requirements differ, so any new development that you present to people at the global level is considered promising if the requirements are met. ■

ROUNDTABLE 5/5

TECHNOLOGY AND KNOWLEDGE ENTERPRISES

Enhancing core strengths and specializations in the digitized knowledge economy landscape

March 31, 2021 | 6:00 p.m. – 8:00 p.m.

PARTICIPANTS

ELIE ABOU SAAB	Creapix, *Owner*
BASSEL AOUN	Kafalat sal, *Program Manager*
JIHAD BITAR	Smart ESA, *General Manager*
GABRIEL DEEK	ISOC, *President*
FARES KOBEISSI	BlueRing, *Chairman and Chief Executive Officer*
MICHELLE MOURACADE	Alfanar, *Country Director*
NICOLAS ROUHANA	IM Capital, *General Manager*
NASSIF SHALHOUB	Credly Advisors, *Business Advisory, Partner*
WISSAM YOUSSEF	CME Offshore, *Chief Executive Officer*
BOURHAN KREITEM	Chemonics, USAID Lebanon Enterprise Development (LED) Project, *Director of Monitoring, Evaluation and Learning*
GEORGES FRENN	USAID, *Economist and Senior Development Specialist*

Overview

By Nabil Makari

WE CAN REBUILD IT, WE HAVE THE BRAINS – BUT FOR HOW LONG?

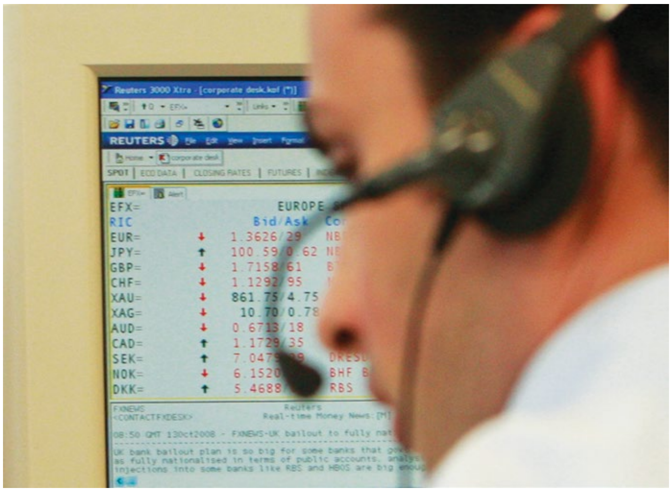
Hanging on to Lebanon's professionals in the technology and knowledge enterprise industry should be the number one priority

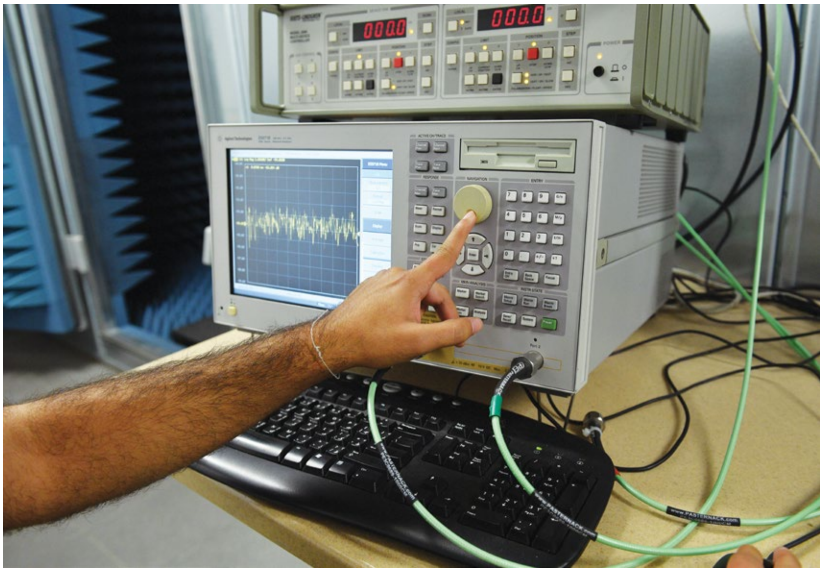
According to the United States Agency for International Development (USAID) Trade and Investment Facilitation (TIF) project report, related to the Information and Communications Technology (ICT) sector in Lebanon, around 500 companies are active in the technology sector in Lebanon, among them 300 ICT companies and 200 startups, with the ICT workforce being estimated at between 15,000 and 18,000 persons. The report mentions that "Lebanese ICT companies are highly export-oriented." However, these numbers are likely been affected by the economic crisis.

The first problem, which was expanded on, was the lack of finance for technological companies in Lebanon. Nassib Shalhoub, partner at Credly Advisors, mentions that, "In terms of startups and the ecosystem, we are currently witnessing a significant downturn." For him, after the "significant crowding out effect" due to high interests rates in banks on depositors' accounts, the ecosystem in Lebanon is currently struggling, and many companies are migrating to regional hubs, to the United Arab Emirates in particular. Fares Kobeissy, chairman and chief executive officer at Bluering, mentions the fact that many companies are leaving Lebanon, and that the biggest challenge, in his view, is "still how to access capital and financing," not only in the form of equity but also from banks. Summing up, for Kobeissy, the two biggest challenges are the access to finance and helping companies reaching new markets. This was also confirmed by Gabriel Deek, president at ISOC, in his belief that Circular 331 of the Central Bank of Lebanon (BDL), which guaranteed partially banks' investments in startups, was a good idea but "could have been much, much better." In addition, for Deek, one of the main issues is to access capital. With regards to the same circular, Jihad Bitar, general manager at SmartESA, comments: "the good side of 331 is that it changed the culture," but on the negative size "it brought some laziness and a habit of not being very professional and of overspending money to a lot of the ecosystem." For Bitar, with regards to startup financing, the main issue is at the seed stage land pre-seed where, according to him, it is extremely difficult to access capital: "You are going to get lollars, not dollars, if you move to angels." For Bitar, the moment that Kafalat stopped giving grants was the moment "this started to slowly kill the ecosystem."

FIREWALL FOR FINANCE AND MARKETS

For Bassel Aoun, program manager at Kafalat, "access to finance is a common major point," and venture capital funds are, like most businesses, suffering from lack of access to capital. For him, startups and funds, emboldened by circular 331, are currently moving to other ecosystems, believing they can capitalize on their know-how and launch second funds in the region. According to him, historical players on the venture capital scene in Lebanon have managed to raise new funds but outside of Lebanon, due to their track record in the industry: "This is the situation today. Access to finance is a problem on the level of the startup and it is a problem on the level of intermediate players, people that bring the money into the ecosystem." In addition, according to Aoun, the investments tools needed for the financial advisors (for example safe agreements and convertible notes) are not available due to Lebanon's lagging legal infrastructure. This mention of the legal framework was echoed by Karl Naim, managing director at StartechEUS, for whom the legal framework is "completely inexistent in Lebanon" for the tech industry. According to him, Circular 331 "unfortunately did not help the Lebanese startups at the time." Due to this lag in legal infrastructure, it would be very hard to compete with other ecosystems in the region, taking into account that seed or series A funding in the UAE, funding is reaching between $5 million and $10 million, compared to only hundreds of thousands three years ago. Nicolas Rouhana, of IM Capital, confirmed this view by adding that venture capital (VC) and 331 funds are currently moving to Dubai, and that the lack of financing would hinder growth for companies.





The second issue mentioned by the guests of the roundtable has been the lack of support in accessing new markets. For Shalhoub, we are witnessing a migration and value deterioration for successful Lebanese companies, as most of them "established prototypes and validated their concepts" in Lebanese market and therefore still suffer from the local risk, while these companies are, for some, exportable, and others not. For him, there is a temporary decline in the local tech and entrepreneurship ecosystem, which would require access to finance in order to regain its previous strengths. For Kobeissy, Lebanon lacks institutions whose entire purpose is to help local

companies access new markets, and this lack of export promotion is, in his opinion, a big deficiency. For Deek, this lack of access to markets is more important than lack of finance, and for Bitar one of the main impediments to this growth in Lebanon is a lack of talents and soft skills. Bitar, on the other hand, sees the crisis as an opportunity as "only the professional and serious people will continue" their activities in Lebanon, which would rout out those he deems as "not very serious." Echoing Shalhoub and Kobeissy's opinions, Michel Mouracade, country director at Alfanar, laments this lack of technical assistance to entrepreneurs, deeming that such support tis given only in accelerator programs but lamenting that they are not, in his opinion, getting help at the business plan level and their cash flow projections.

> ■ The need to access new markets [...] requires talents, which are leaving due to a brain drain

This need to access new markets nevertheless, requires talents, which are leaving due to a brain drain. For Deek, though the human capital is present, "we are not competitive in terms of educations as we should be," and he adds that imperfect education in ICT is why "access to talent is a problem and an issue for startups." This is echoed by Naim, for whom, though the Lebanese speak three languages, which he deems important, when it comes to "real skills today, digital skills, digital marketing, software development," he sees Lebanese universities as uncompetitive in comparison to their counterparts in Dubai or in developed markets.

FENDING FOR ONE'S SELF

A first solution proposed by the roundtable participants is to focus, with regards to the technology and knowledge sectors in Lebanon, on premium outsourcing. This was first mentioned by Mouracade, deeming that Lebanon could be an outsourcing destination for the digital sector. For Wissam Youssef, chief executive officer at CME Offshore, there are three models for the ICT sector: the Silicon valley model, which he deems impossible to replicate in Lebanon due to the current situation, the mass outsourcing, which he deems difficult to implement due to the fact that Lebanon lacks economies of scale, and the premium outsourcing model.

A general opinion, shared by most panelists and first mentioned by Deek, is the need for self-reliance and not to count on the Lebanese State to implement reforms: "Never rely on the government, never rely on the public sector." For Rouhanna, the Lebanese crisis cannot be solved by the technology sector, but stakeholders can work towards fixing and solving the SME and startup crises.

One measure to solve the access to finance, according to Mouracade, is "to encourage businesses in Lebanon to have a social impact, measure it and communicate on it," as according to studies she mentions, consumers are more likely to spend on a product or service from a social enterprise versus a product or service from a regular enterprise. Mouracade, cited the example of BOT, an outsourcing social media enterprise that Alfanar supports. In 2020, their income, grew by 230 percent because of their focus on outsourcing digital services and because of a pool of 2000 freelancers on their platform: "this is a social impact because many young people will not have other opportunities if it weren't for BOT." According to her, such organizations, which have a social impact and are focused on supporting youth in the digital sector, are also strengthening the social impact sector of Lebanon and this could attract potential investors, adding the global market for impact investing is worth $715 billion, according to the global impact-investing network. For her: "If a company is providing vulnerable communities and SMEs and MSMEs with access to affordable products and services, there is a huge potential as well. In her opinion, this would also help relieve the brain drain as it would attract potential talents and entrepreneurs if they believe their work would have a social impact."

Amine Ghorayeb, consultant at Alfanar, mentioned that he would like to “encourage all companies in Lebanon that think that they have a genuine social impact.” This would, according to him, help mobilize the diaspora and to support local companies having a social impact “by either introducing them to people or by delegating some of its activities to Lebanon.” Indeed, for Gohrayeb, the first question is for those who are vulnerable communities that still have access to technology: how can they access services that are otherwise difficult to access? According to him: “Lebanon is a poor country and getting poorer by the day, and affordability is a key barrier to technology.”

GIVING HOPE TO SUPPORTERS

Another solution mentioned is the need to leverage the Lebanese diaspora for better market access. For Youssef, it is necessary to build on the “emotional connection” between the Lebanese diaspora and the Lebanese community living in Lebanon, since Lebanon has what he deems to be “success stories” in order to “build on those success stories and then approach the Lebanese diaspora with a model that creates jobs in the Lebanese market.” In addition, due to lower cost of operations, he recommended cuing candidates “without having real concrete projects” as this would release these companies doing outsourcing from a turnover problem due to a brain drain. For Shalhoub, this need to reach the diaspora is important, citing quasi government bodies and others, such as the World Lebanese Cultural Union, to enable connectivity between members of the diaspora, thanks to an application called diaspora ID, which connects all the “national councils and continental councils and connections of the Lebanese diaspora in the world.”

Shalhoub, with regards to access to capital, has also highlighted what he sees as a need to change the local mentality: “We have been raised over the past 6,000 years on being traders, and traders are greedy.” For him, valuations made by Lebanese owners in the ICT sector are too high and well above market benchmarks in the rest of the world, and this needs to change. “Why seek immediate relief? Why do you want to be Elon Musk without going through Elon Musk’s journey?” Highlighting the fact that Lebanon is already a risky environment, he recommended building more deferred options for investors to come invest in Lebanon. For Aoun, access to markets requires access to finance, and this could be done by working on brand name, including working on impact investing.

“Build on [...] success stories and then approach the Lebanese diaspora and Lebanese community with a model that creates jobs in the Lebanese market”

For George Frenn, from USAID Lebanon, access to market requires first to stabilize, then to “explore and find niches of growth, particularity on exports, and support them on enterprise level and sector level.”

Thomas Schellen resumes what he sees as the potential for the solutions expressed during this roundtable, with regards to the potential of impact funding, cultural union, and the Lebanese entrepreneurial spirit. The roundtable then moved to final words with participants, with Ghorayeb encouraging all companies in Lebanon to think that they have a genuine social impact, in order to help mobilize the diaspora, as the MENA region is catching up on social impacting with the rest of the world. Rouhana, on his part, hints that IM Capital is working on funds for startups, growth stage companies that have a potential to scale and weather the crisis. Kobeissy mentioned his wish to see the tech community collaborate more. Elie Abou Saab, owner of Creapix, also proposes to use the platform v-expo for an event to enable all tech companies who export their services.

The final note belongs to Yasser Akkaoui who believes that in entrepreneurship, the value is “in the ideas, and so that the ideas continue to flow, we need to create for them an enabling environment.”

Q&A

By Nabil Makari

RENAISSANCE PEOPLE OF ICT

Betting on a multitasking, multidisciplinary workforce to increase competitiveness of quality services

In light of the economic crisis affecting Lebanon, and with the country's talented workforce leaving the country, resulting in a brain drain, Executive sat down with Wissam Youssef, chief executive officer at CME, a multinational technology consulting firm based in Beirut, to discuss the Information and Communication Technology (ICT) sector, the possible new business model for the technology sector, and the role-models that Lebanon could develop. This Q&A follows the Technology and Knowledge Economy roundtable held on March 31, 2021, and the preparation of Executive Magazine's action plan for reinforcing this and other sectors.

E ***During our roundtable, you mentioned that due to the brain drain and the lack of economies of scale it is necessary to focus on premium outsourcing services. Could you expand on what types of services are needed?***

Let's start with a little brief on the outsourcing landscape in general. Usually you have two different levels of outsourcing needs. The first level is outsourcing for low-cost resources, which is typical for South America, Asia, and Eastern Europe. It's more about focusing on obtaining low-cost mass scale resources, and they are available in countries like India, China, Vietnam, the Philippines, and others. This is a good market. However, in Lebanon we don't have the scale to serve a similar market, we don't have a massive workforce, the whole Information and Communications Technology (ICT) sector is currently employing around 10,000, even less, skilled resources. So to serve this market it's going to be really tough on the Lebanese ecosystem. That's why I don't think it's necessarily our main advantage, although today we are competitive on the cost side, but not necessarily on the availability of resources. That's why I prefer to stay away from similar markets, unless there is a special opportunity of course. So this is where it comes to the low-cost layer of the outsourcing market. Then you have the more advanced layer, more focused on the added value, the technology added value, this is when outsourcing occurs not just for low cost but also for availability of skilled resources, and this is when companies look for skilled resources. This is happening all over the world because of the lack of skilled resources. It's not just about low cost but also about skills and efficiency in terms of cost, the balance between quality and cost. This is where Lebanon has a real opportunity because we have skilled resources. This is not about mass, this is not about serving a need of 10,000 or maybe 1,000 resources, this is not the main target for premium services, it is more about filling a gap for a specific innovation product, innovative product or a niche company. This is where I think Lebanon has a real opportunity.

E ***During our roundtable, CME was hailed as a success story. Can you tell us what CME is about? And also do you think that others could replicate this business model in Lebanon?***

Let me give a little briefing of what we do and how we started. I think it is relevant and could be a case study for any new business. We are a technology company; we provide services, including outsourcing, but also products we develop, solutions, in different industries. We serve more than ten different industries, from Telecom, retail, healthcare, digital wallets, market research, insurance etc. It is really diversified, and we have a pretty diversified portfolio of technologies because of our scale. We have been serving customers throughout the past 17 years. We deliver for the whole supply chain system for Subway, everything that starts from the point of sale all the way to inventory management, procurement, operations, sales, compliance etc. Our solutions are deployed in more than 35,000 locations for Subway specifically, and other branches of course, all designed and engineered from Beirut. We also have a support team, 24/7, serving customers all over the world. We also worked with PayPal in the past; we developed for them the next generation mobile payment system that they currently use to compete with Apple Pay and Google for digital wallets. Thomson Reuters was also one of our customers, we supported them in deploying large billing systems for law firms, and we also served Allen & Overy (one of the biggest law firms in the world), White and Case and other big names in the law industry. This is the type of products and services for customers that we served in the past years.

One of the main capabilities that we have now is all-around diversification in terms of industries and technologies. We are also what we call the end-to-end solution provider, because we are not only software vendors, we are also hardware vendors, we design and manufacture hardware. It is not just about the software itself, and this is really unique because when I talk about hardware, it is not about large-scale hardware manufacturing, it is more about the Internet Of Things (IOT), smart devices. This is all engineered here in Lebanon. We are talking about product design, mechanical design, electronic design, and certification [such as the] Federal Communications Commission (FCC), all we can imagine. It is all engineered in Lebanon, prototyped and manufactured in China, and sold mainly to the US market. So this is the model that we have now. I think the main standpoints of CME today are first diversification, and second the track record that we have because it helps us acquire additional customers. The third one is what I call the end-to-end engineering services which is hardware and software, which is pretty unique and is similar to the model that Apple has actually. And the fourth one is about the resources, because all IT knowledge is about the resources. This is what is really unique about Lebanese talent; it's multidisciplinary aspects and mindsets. This is a true differentiator, and this is why we are able to succeed in the premium services as well. And the real case study is around this point, because [we have] a tangible example of this. If we go to India or to the Philippines or China, usually we find someone who is really good; you can definitely find smart people and good developers, but they are more focused on a specific technology or industry. They do not really know how to make the link between the domain expertise and the technology, so it's not just about technology or about writing code. Let's say you are developing an insurance software, it's

> 🟥 "Today we are competitive on the cost side, but not necessarily on the availability of resources"

pretty complicated, the insurance industry is not a straightforward industry, so if you deal with a developer focused on coding, then you need someone else who is going to do the analysis for him, to make the business case. Another resource, a third one, is going to test his work, so you end up hiring three instead of one. Whereas in Lebanon thanks to the academic background we have, [which is] one of the advantages we have, we are multitasking, multidisciplinary, so when faced with a challenge we really have the package, the background, to deal with this and to really play three roles in one: analysis, development and quality assurance. This is exactly what I call premium services: when you deal with someone who is really professional. If you go today and ask a developer to send you a username and password of a production system, one of the options is that he sends everything in one mail, and this is not professional. You will get the information but it is not really professional. A professional developer would have everything stored in a secure location and would send you a link that requires your authentication. This is exactly what I think Lebanon is capable of.

Do you believe the Lebanese ICT sector's credibility has been reviewed downwards? If yes, do you think it can come back again?

There are different problems for the sector's credibility. The Lebanese brand in particular. The first part is related to the government itself, and the way the country is run. When a high-level ranking officer in the government, minister or general director, goes on public media and claims that we [will not be able to provide] Internet by end of January, and this video reaches our customers in the US or the Arab countries, what do you think they will think about this? They will think their business is at big risk. They have huge operations that rely on the Lebanese talents in Lebanon. [That same day] one of the customers received a video on WhatsApp saying that Lebanon will "go dark" at the end of January. Imagine a company is going bankrupt in the next three months [...] do you think the CEO will go on the news and say the company is going bankrupt in three months? Or [will he do] his best to make sure that everything will be managed properly to avoid the chaotic environment? This is really hurting us, and the same happened with electricity as well. I had to cover for our risks, to find solutions to provide our customers with plans B, C and D. Murex are offering to relocate their team to Cyprus, I read an article about it in the Commerce du Levant a few weeks ago. They are doing this because of the noise; financially it makes zero sense because we can operate here.

> "We don't really have an umbrella where all the [...] key players of the [ICT] industry are collaborating"

The second part, and it is also not contributing to build a real plan for Lebanon, is coming from the private sector, because whenever we are successful we go outside of Lebanon, and we claim success from a country outside of Lebanon. And this is not helping. I think we really need to convince the private sector that companies can go wherever they want, have offices anywhere. We are present in all continents, but we always take pride in our presence in Lebanon, we are not trying to hide it at all, this is our identity and we want to create a brand for the Lebanese ICT [industry], and I'm not blaming them, but we need to fight a little bit and create this brand.

How do you see the ICT sector in Lebanon building synergies with other industries?

I think there is a huge opportunity here. It's a great question. I'm going to specify a set of industries that are really on the edge, and the mix between these industries and technology will create a huge advantage [money-wise].

The first one is healthcare. We have the best doctors, until now. The ICT [industry] might help them to stay in Lebanon, because most of the ICT companies pay in fresh dollars, because they sell outside Lebanon. One of the solutions we are developing now is a healthcare or wellbeing practice application. Soon we will be hiring doctors, just to give you the scope of this. [...] If we really want to compete in innovative products, healthcare is a great resource for the ICT sector in Lebanon to create this edge.

Then you have the education sector. We also have really strong academic institutions in Lebanon, {like] the American University of Beirut (AUB), Université Saint Joseph (USJ), the Lebanese University, with hundreds of years of experience. We partnered with USJ to build an education system, an information management system for the students, and it's going to be a partnership between CME and USJ. The ownership of the property is for CME but USJ has royalties in this. This is also going to add value to our offering. When we develop software for an institution like USJ, you really know it is going to be a Class A product, because it is one of the top universities not just in Lebanon. Theirs are actually the same needs as universities in France and Canada.

I just gave you two examples but there are many others like supply-chain, insurance, banking.

You mentioned bench lining during the roundtable? Can you elaborate on it from a policy view? Are you still hiring? How?

I talked about the bench lineup, that is similar to that of sport teams, the bench support for the football team. One of the main challenges in our industry, the outsourcing industry, [is the] speed of mobilization. Whenever you have a customer, the first question is the cost, and then how much time you need to staff the team. Is it a week? Immediate? Three months? If it's three months I am not interested because other vendors can furnish the same service in a shorter time. So it's not just about quality and cost but also availability and mobilization. This is something we struggled with in the past. Again, because of the lack of economies of scale in Lebanon, we don't have a massive workforce. To mitigate this risk, we decided to develop the bench lineup: resources that are hired but are not necessarily assigned to production or an existing customer. There are what I call "overstaffed resources" without them being really aware of course, so they don't really feel the difference between someone who is on the bench and someone who is really on production. So when you do that, you have an availability of resources to engage immediately with your customers. So it's adding up to our real edge now on top of what we have now in terms of cost advantages and quality advantage. This is the main advantage of having a bench lineup, and the reason we couldn't do it before is the cost. Due to the currency devaluation and all that is happening in Lebanon, we are much better on cost so we are able to have an overstaffed team to a certain extent of course.

Globally speaking, do you see a role model for the sector in Lebanon for the moment? You said the Silicon Valley model would not work. Do you only see premium outsourcing as a role model for now?

You mentioned a key word here, "for the moment." You know, if you really want to be successful in this field, you have to have a step-by-step approach, and not an aggressive one. I really like Circular 331 [announced by the Lebanese central bank in August 2014] as an initiative of course; I have a lot of comments on the way it was executed. But 331 was more into building a "Silicon Valley," and right now we don't have funds, and people are not interested in bringing funds into the country. So if you really want the Silicon Valley model you need funds, because it's all about investing in start-ups. And all of the startups are living on funding, so this is not possible in Lebanon today, it is impossible I would say [...] The only chance today is to focus on services, the real added value, the premium services, even if we need to go into the low cost let's do it. If there is an opportunity we will do it. We need to create jobs. People want work. This is the real economy we need to build now. If we start now promoting the professional services business for the ICT sector, then with time the same model that happened with CME will happen with others. Whenever we gain domain expertise, whether from insurance industries, banking or others, we are going to develop our own solutions, and not just be limited by what we provide to customers. When you do that you have a chance to become a Silicon Valley. Maybe in five or ten years.

Thank you for having been part of our roundtable discussions. How do you evaluate the idea of Executive's action plan? What would you like to see in it?

I think, the more we talk about this, it's better. As an ecosystem. One of the main challenges in our ecosystem is we don't really have an umbrella where all the ICT companies, the key players of this industry, are collaborating or communicating. Because we always look at each other as competitors, which is fine, this is the nature of the business. But for the benefit of the country it is necessary to have similar gatherings to brainstorm, throw ideas, even if there is no tangible outcome but it is good to keep the discussions open. Most of the points were discussed three years ago with Adel Afiouni (former minister of technology), with the Investment Development Authority of Lebanon (IDAL), exactly the same model. We did not do anything but I don't blame anyone. At least if we maintain this communication, if we don't give up, we will give hope for others to start. I know that many will give up, but these roundtables, especially if we capitalize on them, regardless of the agenda, regardless of the outlook, if we capitalize on them and send positive stories to the Lebanese people, to the Lebanese youth, the upcoming engineers, to give them a little bit of hope, that's it. I don't blame anyone for leaving Lebanon, emigrating, but today it's being promoted as the only solution, which is not true, at least for the software engineers and the technology sector. We need the other side of the equation, that's it.

Vignette

By Thomas Schellen

GETTING COZY

Can Lebanon position itself as a global digital outsourcing destination?

There are occasions where it is hard to walk a mile in another person's shoes in order to understand and not judge them – simply because the shoes of the other stand under a very distant bed. In the outsourcing scenario this observation is fitting. For a unionized worker in the US state of Georgia (not that there would be high shares of unionized workers there – a political candidate would statistically have to shake 15 employees' hands before meeting one union member) the concept of outsourcing might easily convey an existential threat of job loss that means economic despair and social bleakness for her and her children. For a young knowledge worker in the Transcaucasian country by the same name (but with roughly 7 percent in nominal GDP when compared to the US state), the concept of outsourcing by contrast might flag a personal economic hope to score an outsourced job. She or he would enjoy the opportunity of capturing a slightly larger slice of the global income pie.

In this context of globalized competition for jobs among legally and socially very differently positioned and physically dissociated labor markets, outsourcing in the late industrial and information age has acquired an ambiguous flair depending on how and from where one looked at it. From the Lebanese perspective the idea to attract outsourced ICT services jobs such as call centers, which was theorized at some points in the reconstruction and development era around the turn of the millennium as natural opportunity for multilingual Lebanese providers, was hampered by the disadvantageous cost and unreliable access to required communication infrastructures. Another barrier against applying the outsourcing model locally was the in comparison with Asian outsourcing destinations noncompetitive cost of Lebanese human capital in the dollar-pegged country.

But things are very different now. Outsourcing, once a practice of manufacturers which

Outsourcing is maturing into well-regulated and strategic digital outsourcing, a globalized application of [...] division of labor for improvement of productivity

notoriously externalized not only parts of their supply chain to low-cost industrial locations but also their social obligations, has become services-oriented. Business process outsourcing (BPO) is something that the economy-hugging folks at Investopedia neutrally describe as “a method of subcontracting various business-related operations to third-party vendors.”

THE EVOLUTION OF OUTSOURCING

Advanced from early-globalization era manufacturing practices, the application of BPO in services industries has become diversified. It furthermore appears to be in the process of emancipating itself from the seesaw of inconclusive zero-sum economic logic, by which the job gained in one new manufacturing location is the job lost in an established center of industry.

Instead of just a job being replaced by just another job – at best a questionable temporary gain in the age of rising AI and automation – the emerging paradigm of outsourcing could become a new non-zero-sum employment play as a huge range of digitally interconnected, complex jobs are globally realigned on a socially aware global playing field.

This implies that outsourcing is maturing into well-regulated and strategic digital outsourcing, a globalized application of the fundamental economic behavior of relying on division of labor for improvement of productivity. This incarnation of outsourcing comes with the promise and necessity of compliance with both productivity optimization objectives and high ESG standards, and lately also involves strategies of inclusiveness and social justice for disadvantaged groups.

Naming digital outsourcing as a specific opportunity in the context of new tech entrepreneurial and knowledge enterprise developments at the focus of the fifth roundtable organized this March by Executive Magazine in partnership with the United States Agency for International Devel-

🟥 The social enterprise angle of the Lebanese Outsourcing Initiative could contribute to attracting currently untapped investments from the growing global pool of of impact investment funds

opment, it was prudent for Executive to investigate if the economic play of digital outsourcing is demonstrating a specific potential for Lebanon in context of the national convergence of economic need of underemployed or unemployed professionals, a current if temporary comparative edge owed to the depreciation of the Lebanese lira, and an ongoing trend of proactively tapping into the diaspora and their wider economic networks for creation of economic opportunities for remote professional work from Lebanon.

A practical example that is currently seeking to prove this proposition of creating a digital outsourcing destination identity in Lebanon is the Lebanon Outsourcing Initiative (LOI) launched by the platform Bridge. Outsource. Transform. (B.O.T.). Launched this year by its young parent B.O.T. – a startup company of 2018 vintage that saw very strong revenue growth in the crisis year of 2020 but has yet to write profits – LOI is a directory of outsourcing services that Lebanese providers of such services – individual freelancers and small enterprises – can enroll in, says Charbel Karam, development and marketing manager at B.O.T.

“We took some of our expertise in outsourcing and put it into the Lebanon Outsourcing Initiative. We knew that the need existed for companies and freelancers in Lebanon to acquire clients from abroad. [We] also knew that we could access the Lebanese diaspora across the world. So we created an action plan for Lebanese diaspora to engage with service providers and freelancers in Lebanon,” he tells Executive, emphasizing that the reason why B.O.T. launched this initiative at the beginning of January 2021 was “to give back” to the community in Lebanon.

Marianne Bitar Karam, managing director of B.O.T., describes the LOI directory as a campaign that evolved from a marketing idea for the company into a wider effort of trying to attract attention to SMEs that provide services – which differ from B.O.T.’s portfolio – under the common theme of Lebanon as outsourcing destination. The company, which is supported by social enterprise builder Alfanar and the Lebanese International Financial Executives (LIFE) network, took the initiative of developing the website and starting to populate it with names of services providers after setting up a publicity campaign anchored on a video that features actress Zeina Makki.

“We consider it as a directory of services. Client companies who want to use a service that B.O.T. does not provide, can find [this service] from the website. We do this out of empathy with the Lebanese economy and did not want to do it by ourselves,” Bitar Karam says. According to her, the initiative for the time being is a standalone marketing activity of social enterprise B.O.T and not incorporated as a separate enterprise, which means that there is no vetting of providers or broking of services of the listed providers by B.O.T. All due diligence and negotiation over provision of services is done directly between the directory-listed Lebanese provider and the client who seeks the service, she confirms.

GOOD SAMARITANS

The website of B.O.T. and the services directory by LOI share their base domain (https://letsbot.io/ and https://loi.letsbot.io/home) but the list of categories in the directory goes significantly beyond the seven digital service categories offered by B.O.T., with the latter extending from AI training data and data management to transcriptions and market research.

There is no financial fee or revenue sharing between B.O.T. and entrants in the LOI directory, says Charbel Karam. LOI is an activity that does not generate any income and the intention is to keep it this way. "Today this is an activity by B.O.T. As we develop further into future, we might change its legal status into something more incorporated and get the conversation going. In the future it might become transactional, or adbase or free and subsidized and funded by organizations. We don't know but we definitely hope that it continues to be free of charge," he says.

The funding journey of B.O.T. since 2018 entailed financing support by UNICEF, which has now ended, and current funding commitments by Alfanar that entail technical assistance and also have allowed the enterprise to set its sights on expanding into Jordan.

Current projections for reaching a break-even point should be discussed at the end of this year, adds Bitar Karam, who hopes that success in this year will demonstrate that B.O.T. can access markets and attract international clients. "Today our priority is to prove that our model is scalable abroad," she says but after achieving such milestones the company would seek to attract investors in the following two years of 2022 and 2023.

With B.O.T. still in its early stages, its ability to prove the value proposition of Lebanon as digital outsourcing destination has still to be tested in the new economic realities of a changed global labor environment but Michelle Mouracade, the Lebanon country director of Alfanar, never tires of advocating for this proposition. She points out that B.O.T. saw a 230 percent revenue increase between 2019 and 2020 and asserts firmly, "We believe that Lebanon can become an outsourcing hub."

GROWING NUMBERS AND PROPOSITIONS

In Bitar Karam's and Charbel Karam's view, the proposition will, however, require governmental support "on all levels" from revision of taxation schemes for freelancers that agree to formalize their activity and adoption of a tax formula that is suited for the building of social enterprises to infrastructure improvements and support of outsourcing initiatives by the Ministry of Foreign Affairs and Lebanese embassies.

On the upside of the aspiration of elevating the country to an outsourcing destination, the social enterprise angle of the Lebanon Outsourcing Initiative could contribute to attracting currently untapped investments from the growing global pool of impact investment funds that prioritize ventures which aim to provide economic opportunities for marginalized groups and disadvantaged communities, and measure the impacts they have in this regard, adds Mouracade, who also addressed this topic as participant in the Executive-United States Agency for International Development (USAID) roundtable on tech entrepreneurship and knowledge enterprises.

As noted at the tech roundtable but also at preceding roundtables, the past year's indications of the increased job engagement with the diaspora and remote work angles cannot be expected to last. The tremendous labor cost advantage under the depreciated local currency scenarios of lira and lollar is already being eroded by demands of creative workers to be compensated in hard currency for their remote services. Outsourced labor to Lebanon will have to adjust its remuneration demands upwards in predictable alignment with the real exchange value of the work done here.

> 🟥 The past year's indications of the increased job engagement with the diaspora and remote work angles cannot be expected to last

The remote working propositions of outsourcing will (as will every proposition of long-distance employment contracts from Lebanon) more importantly need to be embedded in a social arrangement of long-term safety of such work and satisfactory social insurance, which is a tall but inescapable order for the next global social contract and stabilization of Lebanese life. By today's visibility, the aspiration for creating the outsourcing destination Lebanon appears to open an attractive but temporary window of opportunity that calls for initiatives to urgently commence and anticipate growing impacts. "The more we have private initiatives [in ICT and tech entrepreneurship] and the more we work together, the more we can change the image of Lebanon and get support from the government," says Bitar Karam.

Opinion

By Maya T. Dada

Lebanon: time to think sustainability

Brands For Less

Because we refuse to give up our business ethics, abuse our customers' trust, and uncontrollably raise our prices, we are closing all our stores until further notice.

We are in this crisis together

لأننا نرفض التخلي عن قيمنا ومبادئنا في العمل، واستغلال ثقة زبائننا، ورفع أسعارنا بشكل جنوني، سنقفل أبواب متاجرنا في لبنان حتى إشعارٍ آخر.

نحن معًا في هذه الأزمة.

Exploring financing vistas through sustainable, export-led models

Lebanon's financial and economic collapse - and failure of the economy's institutional pillars - present an opportunity to rethink the country's economic model and raison d'être, repair the causes, and modernize the way we think about and do business. Putting this within the context of Lebanon's private sector, and in light of the challenging, unstable and negative environment in which private enterprises operate, there is an urgent need to explore alternative operating models, funding options, and business strategies that gear companies for growth while de-risking the operation. In order to do that, private enterprises will have to initiate a qualitative transformation that embeds sustainability at the core of their values and decision making: sustainability to ensure economic viability; improve institutional resources and capacity; respond to the ecosystem in which the business operates; and satisfy consumer-led demand.

Fundamentally, the private sector in Lebanon has always had the right ingredients for success: commercial wit – possibly inherited from our ancestors and facilitated by our geographic positioning – agile businessmen & business acumen, highly skilled labor or potential to produce the skilled workforce, and a business community that survived in doing business under harsh conditions despite the continuous absence of a business conducive environment and supportive policies and policymakers. Whilst fundamentals are there, challenges are numerous. Two crippling challenges have emerged for private enterprises following the financial collapse. The first is the absence and complete stoppage of funding from traditional commercial banks, considered to be a main inhibitor for growth and threat to private sector survival. The second is the scarcity of foreign currency in the local market, a necessary resource for obtaining raw material, and preserving income and value.

EVOLVING FAMILY BUSINESSES

With the absence of lending from commercial banks, other channels will have to be tapped for access to capital, such as local or foreign private investors, development banks, or funds, which – on top of their commercial incentives – may have developmental & social incentives. Moreover, capital may not be restricted to loan-based products, but can include a whole array of simple or blended products from equity to senior debt. Funding may be in local dollars, in which case there is ample supply but less demand, or 'fresh' dollars, in which case there is ample demand but less supply. Investors, particularly institutional ones, offer important networking, technical assistance, synergies, opportunities for reaching out to other markets, connections to potential customers and suppliers – but most importantly offer long term value and position the company for growth, modernization and better resiliency.

Most institutional investors nowadays are responsible and socially conscious investors, who will require the companies in which they invest to comply with their environmental, social and governance (ESG) standards. Therefore, to be able to access capital from such investors, family-owned businesses in Lebanon must transition to an institutional mindset and embed ESG standards that reflect their own values and those of their potential partners. Owners will have to understand that their decisions must not only create value for their family, but also their employees, value chain, community and other stakeholders. Sustainability issues will be at the core of decision making for institutional investors when considering investing in any company.

What does that mean for most Lebanese companies? It means that the issue is not only to have a convincing story about the company's economic feasibility and viability; owners must go beyond. To transition from a family mentality to an institutional one, it implies that family members must accept to institute a functioning and effective board of directors that provides discipline, accountability, and objective and expert opinions from independent members. Lebanese enterprises that wish to access capital are advised to develop written policies and procedures to ensure transparent decision making based on the company's values and principles, integration of checks and balances, a code of conduct that clarifies rules and standards, and very importantly transparent and accurate reporting. Written policies and procedures ensure commitment and adoption across the firm. New partners would be looking at a corporate governance structure that promotes trust between stakeholders, better risk management, and sound decision making to ensure long term sustainability.

Companies are required to understand the impact of their decisions on the community in which they operate, and manage their environmental and social impacts to support sustainable value creation. Energy use and their implications, proper waste management and disposal of hazardous waste, toxic emissions, natural resource conservation, adequate working conditions, health and safety measures, diversity and inclusion, engagement with community, among other issues are ones that must be understood, assessed and addressed.

The earlier Lebanese companies incorporate ESG concerns into their framework and decision making, the better they are positioned to access capital, overcome the credit constraints in the local market, and ensure smoother onboarding of new partners and long-term value creation.

> ■ The issue is not only to have a convincing story about the company's economic feasibility and viability; owners must go beyond

EXPORT-LED RECOVERY

Most Lebanese companies cannot operate without access to foreign currency, a scarce resource nowadays. Foreign currency is used to import raw material, make required investments, and preserve value in an environment with a depreciating currency. To access foreign currency, Lebanese companies must focus on an export-led recovery. Are we ready for exports?

Despite the devaluation, there generally does not seem to be an opportunity for Lebanese products to compete on account of price – because economies of scale are lacking – but rather to compete on quality, uniqueness, and sophistication. This comparative advantage is important because it does not only position Lebanese enterprises for exports into more sophisticated markets, but also creates more highly skilled jobs, opportunities for economic growth, and prospects to transforming the economy into a more modern economy.

Additionally, exports help Lebanese enterprises de-risk by dissociating them from a contracting economy and a volatile currency. The key is to understand what products can make breakthroughs by understanding what consumers in offshore markets are looking for; then work on modifications, required certifications, and consistency.

There is no reason why Lebanon's private sector recovery cannot be export-led. Trade has been a pillar for prosperity for all people who have occupied our land many centuries ago. It all goes back to our history and geography. Lebanese are culturally diverse, having inherited aspects of different cultures and civilizations. Geographically, our land is unique in being accessible to the GCC, Europe and North Africa, with a Mediterranean that has made openness possible, and that has made trade our skill. We have a huge diaspora with reach to all continents. Sometimes we forget our potential. Sometimes we need a crisis to be reminded. Sometimes we need to look at our history – not our present – to build a future.

Maya T. Dada is a banking professional, credit risk specialist and ESG expert

Opinion

By Nada Rizkallah

A crash course to avoid the crash

The insufficient environmental, social and governance awareness in the Lebanese industry

Given the enormous investments needed to bring the Lebanese industry towards sustainable, low-carbon development, the financial sector will have to play a major role in allocating affordable and cheap funding to sustainable investments that shall contribute to the green transformation, while discontinuing any funding provided to activities that harm the environment. Indeed, awareness has been rising among central banks and regulators that the financial system has to take into consideration the environmental challenges and climate risks facing the real economy. In fact, the central banks play an important role as guardians of the financial and macroeconomic stability, as the climate change and environmental damages may have direct consequences on the prices stability and levels of inflation.

This included Banque du Liban (BDL) which developed a set of industrial and sustainable energy subsidized funds granted through the Lebanese banking sector, to deal with this challenge in practice, prior to the unstructured sovereign default announced by the resigned government and the severe financial crisis still heavily weighing on all the Lebanese economic sectors. In this respect, the Lebanese banks provided long-term subsidized financing at low interest rates that were only eligible for disbursement, subject to sustainability assessments performed by accredited institutions and were monitored by both the banks and the regulators. This contributed earlier in the acceleration of the awareness and implementation of sustainable measures, to enable the funded industrialists to apply further enhancement of their sustainability policies and adopted measures.

NO ESG, NO MONEY

As a matter of fact, Lebanon suffers from one of the highest negative environmental, social and governance (ESG) scores, reflecting its severe exposure to environmental risks, extremely high social risk and weak governance measures. The United Nations Development Programme (UNDP) estimates total solid and chemical waste arising from industry to be around 326,000 tons per year, with most of it generated in Mount Lebanon and the Greater Beirut areas. Many environmental issues like the chronic waste management crisis and the absence of any recycling measures, as well as water, air and noise pollution can be resolved if strict ESG measures are adequately implemented, by imposing on the government and companies to take due actions to enable them secure any future funding or equity investments.

In order to engage and implement strict ESG policies, a serious and trustworthy government has to be formed engaging action for the immediate execution of the long awaited political and economic reforms, including reinitiating the negotiations with the International Monetary Fund (IMF), in order to re-establish trust in the country and resume the path to financial stability that can revive economic activity and future investments in the country. The promised financial pledges from a number of foreign donors will bring economic aid to Lebanon. However the multi-development banks (MDBs) and other donors, such as the World Bank, International Finance Corporation (IFC), European Bank for Reconstruction and Development (EBRD), Agence Française de Développement, etc. are only expected to offer financing that would be fully integrated to support reforms including sound environmental management, which would reflect the importance provided by them for supporting the environmental agenda in Lebanon. Nonetheless, this will not be enough to solve all the country's problems, unless the authorities apply the necessary reforms and prioritize ESG factors as part of their full economic and financial recovery plan.

In parallel, joint initiatives by the Ministry of Environment, the Ministry of Finance and the BDL have to be closely incepted with the donors, in coordination with the Association of Lebanese Industrialists (ALI) to join efforts, with clear objectives to reduce the industrial pollution in targeted industrial companies. The Ministry of Environment will have to strengthen its monitoring and enforcement capabilities for all financial sectors to follow suit. In fact, they jointly need to set up several prerequisite mechanisms for financing the abatement of the industrial pollution within the industry sector and to provide the necessary technical assistance for ensuring the ESG implementation and the sustainability of these interventions. The banking sector will also have to resume its active lending role in the economy, by implementing transparent ESG policies in its lending criteria, otherwise it will not be capable of raising new direct cheap financing from MDBs. In fact, for previous loans granted by MDBs, local banks were required to implement strict social and environmental management systems (SEMS), consisting of assessing the environmental and social risks and opportunities arising from any borrowers' business activities, prior to granting or renewing any related facilities, that were regularly monitored by the donors.

RAISING THE ISSUE

The major issues and difficulties anticipated and previously faced are the weak participation and awareness of the industries in the implementation of pollution abatement measures which may affect achieving the set targets and the additional efforts that may be required to align the technical reports completed by the industries to meet ESG requirements.

While Lebanon is still suffering from the regional political constraints and the continuous delays in the formation of a decent trustworthy government, it would be still recommended that the LIA initiate immediately more active and focused collaborations among industrialists to create and implement enhanced sustainability awareness, including practical measures and collaborations to improve the ESG implementation and proceed with the needed lobbying with some credible deputies to promulgate or at least prepare the needed regulations. In parallel, this would pave the way to pre-secure in due time the terms and conditions required to raise cheap financing and enhance their performance capacity, to meet the growing ESG and competition needs. The benefits could be immediately witnessed with potential cheaper production costs, higher exports raising fresh funds liquidity, obtaining fresh funds financing (e.g. through Cedar Oxygen), while awaiting political stability and reforms.

In fact, it would be a good initiative for the industrial sector to provide special attention and focus on how integrated supply chains opportunities may be initiated among stakeholders, in order to adopt local alternative resources to save on the import of raw materials and save on paying very high sums in foreign currencies. For instance, manufacturing industries of plastic packaging, nylon bags, water pipes and tanks, cartons, etc. that are importing most of their raw materials could eventually coordinate with the recycling industries and other concerned parties, to recycle existing plastic and paper waste in Lebanon to be used as part of their raw materials. This would have several benefit edges including the reduction of the cost of acquiring raw materials, cheaper and more competitive products that can be exported, attracting fresh funds and actively contributing to the ESG implementation, while maintaining a stable supply chain and contributing to lowering pressure on the Lebanese pound and inflation. This will eventually have spill-over effects that would benefit end-consumers and all the local economy.

> ■ It would be a good initiative for the industrial sector to [focus] on [initiating] integrated supply chains opportunities

Finally it would be worth highlighting that the absence of standardized data about business practices relating to social and environmental concerns is a key barrier limiting the flow of socially responsible investments, especially in the MENA region. Another challenge lies in educating all relevant stakeholders about the importance of ESG standards in investment and lending decisions by training existing resources, communicating with clients and ensuring continuous board and management engagement. Some basic methods that could be used to create more public awareness are: regular roundtables among all stakeholders, lectures, seminars, TV spots and programs, fairs, cleaning campaigns and press releases. NGOs, academic universities and institutions could also contribute to sponsor initiatives, organize seminars and environmental fairs to combat pollution. The visual media and programs also play an important role in exposing the environmental problems with scientific documents broadcasted to introduce different pollution problems objectively.

Nada Rizkallah is the deputy general manager at Group Credit Libanais

Opinion

By Nassif Shalhoub

Attracting capital to fintech in Lebanon

Fair value formulas guarantee continued investments - not unicorns

According to the Pulse of Fintech H2'20, a bi-annual report on global fintech investment trends published by KPMG, overall global fintech funding across mergers and acquisitions (M&A), private equity (PE) and venture capital (VC) was $105 billion across 2,861 deals in 2020. The spending was reduced during the first half of the year but rebounded nicely in the second half, leading to the third largest investment period in Fintech ever.

In Lebanon, however, the story was different. What was once the MENA region's third most advanced fintech startup ecosystem, hosting 14 percent of the region's fintech startups, and the fourth most served market by fintech companies, with 27 percent of MENA fintech startups serving the Lebanese market back in 2015 and 2016 as per the Fintech Sector in Lebanon 2018 Factbook by the Investment Development Authority of Lebanon (IDAL), has lost several competitive advantages.

The banking failure and informal capital controls witnessed after October 17, 2019 threatened to put a sector that was heavily relying on payment innovations and banking solutions out of business. Security concerns after the August 4, 2020 Beirut Port explosion, as well as the need to live a normal life without worrying about how to secure basic needs, have also pushed a lot of talent to relocate.

BRIDGES TOWARDS FINANCING

But the picture is not all black. The currency devaluation is an opportunity to invest in a more cost-efficient talent base. The burn rate can be slower in real USD terms for startups that are able to find export markets while keeping a considerable cost structure in Lebanon. If consultants are able to do it, then fintech companies should also be able to, provided that they secure bridge financing to help them alleviate the decrease in sales caused by COVID-19 travel restrictions and transition into new operating models.

Is this bridge financing easy to obtain? From my experience, investors do not shy away from risk, they shy away from non-matching risk/price formulas. Instant gratifications and unicorn dreams should be forgotten for the time being and serious Lebanese fintech players should be more rational and less greedy if they wish to attract capital.

Does less greed mean lower valuations? Adopting the simplest strategy indicates that, but if you position your venture properly from an M&A perspective and you structure the deal properly, then less greed means acknowledging the current situation and lowering the immediate consideration while building a higher future upside within a win-win framework.

The IFRS 13 standard defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." The key principle is that fair value is based on the perspective of market participants rather than the entity itself, so fair value is not affected by an entity's intentions towards the asset, liability or equity item that is being fairly valued. A target requesting funding should be able to distinguish between fair value and a specific price to be achieved during a transaction, and should be aiming for the highest pragmatic price.

THE HIGHEST PRAGMATIC PRICE CAN BE ACHIEVED THROUGH:

1- Preparing well for your pitch and your audience. Not all investors are tech savvy and many find fintech propositions as an alien language;

2- Choosing a good timing: valuations are time specific, hence you see different prices for listed companies on a daily basis;

3- Building reasonable projections: no one likes to buy fish in the sea. Your potential is different from your history and different from what you can reasonably achieve while looking forward at each valuation date. You cannot attract investors by making them pay for the benefit they bring to you or the risk they take with you;

4- Acknowledging and incorporating the risk in your pricing: closing a transaction is mostly about building trust and this cannot happen if investors perceive you as living in denial or unable to realistically assess your situation; and finally

5- Building an efficient capital raising process: you cannot be in the market for too long and you cannot achieve the best price if you become the talk of the town! Any fund raising should be well structured with a clear process and timeline.

In conclusion, attracting capital to Lebanese fintech players has become difficult because of the macro situation, yet not impossible. Players with the right solutions can still attract funds if they plan and execute the process adequately.

Nassif Shalhoub is a business advisory, partner at Credly Advisors

Opinion

By Josiane Fahed-Sreih

Lebanese industry: from productivity to prosperity

Encouraging more competitiveness in Lebanese industries

The Industrial sector in Lebanon is a major contributor to the Lebanese economy by employing a large number of workers, and by being the largest source of hard currency to the country especially after the major economic collapse and the scarcity of the dollar that started in 2019. The Industrial sector in Lebanon is becoming more and more innovative and sophisticated just like its counterparts in innovative countries, and will become one of the major sectors that will witness increasing investments. With the development of oil and gas and the reconstruction of Beirut after the August 4, 2020 explosion, the industrial sector is set to become more competitive and serve the needs of the country.

In 2018, the sector accounted for around 8 percent of GDP ($4.2 billion) and employed 20 percent of the local labor force (around 318,000 employees). There are over 4,700 industrial firms in Lebanon the largest portion of which is in agro-food production (26 percent or 1,245 firms), followed by construction materials (12 percent) and chemical products (8 percent). Industrial exports stood at $3.5 billion in 2019, accounting for 95 percent of total Lebanese exports. The top five Lebanese industrial exports in 2019 were pearls and precious stones (41 percent), mechanical machinery (6 percent), electrical machinery and equipment (5 percent), plastics (4 percent), and essential oils and cosmetics (4 percent). Key export destinations in 2019 included Switzerland (30 percent), the United Arab Emirates (12 percent), Saudi Arabia (6 percent), Syria (5 percent), and Iraq (4 percent). The share of medium and high-tech manufactured exports of total manufactured exports had reached 21 percent in 2017, indicating promising technological capabilities in the sector, knowing that industrial permits increased by 16 percent from 375 in 2011 to 1,086 in 2018.

Knowing that Lebanon is part of several multilateral agreements, most notably the EU-Lebanon Association Agreement, the Taysir agreement, The European Free Trade Association (EFTA), the Greater Arab Free Trade Area (GAFTA), the US-Generalized System of Preferences (GSP) and others, this by itself is a trigger for open market competitiveness and for the sales of the locally produced products.

The industrial sector will become more competitive if some of these measures can be taken. Therefore, I recommend the following:

1- Encouraging private-public sectors partnerships.
2- Encouraging cooperation with academia by developing programs that can position Lebanon at the forefront of innovation, such as green industries
3- Encouraging and supporting SME creation that would create jobs and position Lebanon as a pioneer in enterprise creation knowing that Lebanon’s workforce is highly educated and savvy, compared to other Middle Eastern and gulf countries.
4- Offering technical support through the development of programs that encourage manufacturing.
5- Providing tax incentives to encourage people to invest in manufacturing.
6- Lowering the cost of manufacturing on all fronts from energy to land costs.
7- Creating industrial zones where the cost of land and other costs are low.
8- Advancing the transition towards a green economy while reducing the numerous environmental risks lying ahead and accelerating the shift away from carbon-intensive industrial production to more sustainable models.
9- Offering incentives to move to a green economy as per European circular economy developmental goals.

Josiane Fahed-Sreih is the director of the Institute of Family and Entrepreneurial Business at the Lebanese American University

Opinion

By Michelle Mouracade

Could social enterprises lead Lebanon's economic recovery?

When doing good translates as doing well for businesses

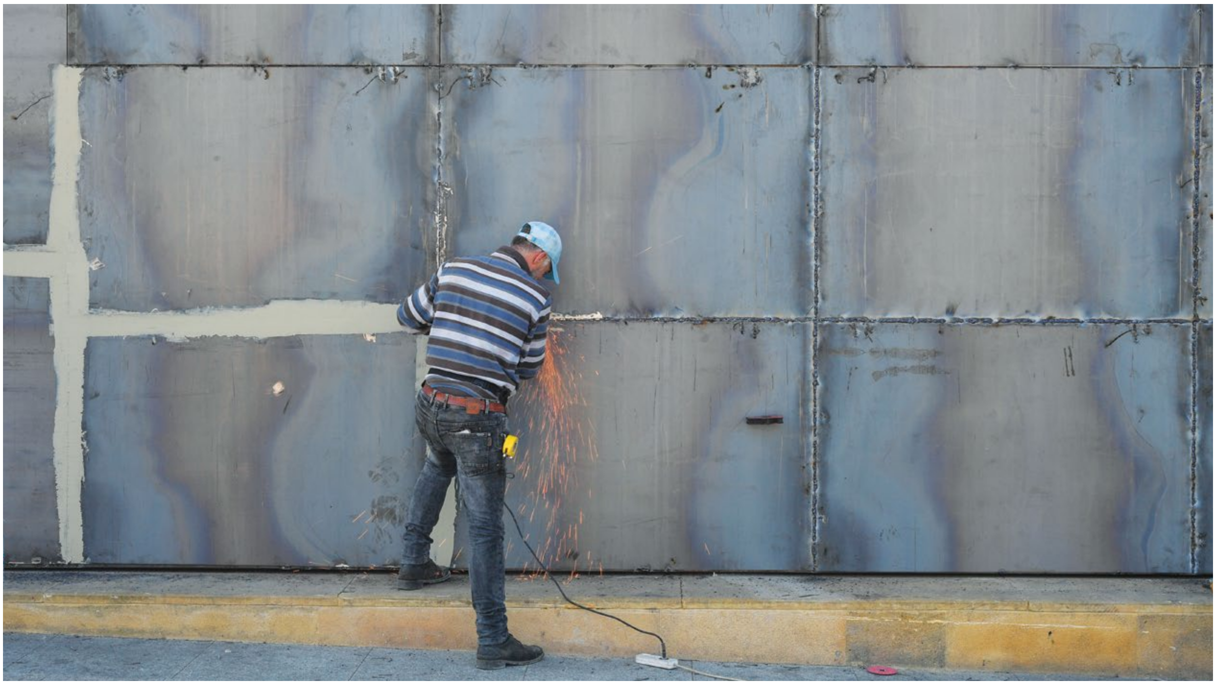
As Lebanon continues to sink into its worst economic and financial crisis, the ongoing political stalement further undermines its ability to implement desperately-needed reforms and receive any kind of financial assistance. In such dire circumstances, attracting foreign investment is clearly a challenge.

There is, however, a significant and untapped opportunity in "impact investment." In addition to seeking a financial return, impact investors aim to support social enterprises, companies that generate a social and/or environmental impact that is measurable and scalable. In recent years, institutional donors have increasingly recognized the untapped potential of social entrepreneurs as new actors seeking sustainable market-driven solutions to old problems. But support remains limited to short-term funding for start-ups, with a lack of longitudinal follow-up to ensure successful implementation. As a result, both growth-stage social enterprises and those graduating from accelerators are left struggling to survive with scarce resources. This is the funding gap that impact investors have their eyes on.

With the deteriorating socio-economic situation and the need to create economic opportunities with impact, there time is ripe for Lebanon to be a magnet for such impact investments, tapping into a global market valued by the Global Impact Investing Network at around $715 billion.

Historically, one of the main factors hindering impact investment growth in Lebanon was the small pipeline of investment-ready social enterprises. The fact that social enterprises can only register as either regular companies or non-profits is also confusing and misleading. Although there are clear advantages for social enterprises to have a separate legal entity – including to benefit from tailor-made tax incentives – this has not prevented established social enterprises such as Fair Trade Lebanon, Souk El Tayeb, BOT and FabricAID, from operating as such and attracting impact investors.

Regardless of the legal entity un-



der which it's registered, three main criteria have to be met for a company to qualify as a social enterprise. First, it needs to be solving a social, cultural or environmental problem by applying private sector business principles (i.e. selling market-based products and services). Second, its impact should be measurable, scalable and clearly mentioned in the company's bylaws. Third, it should reinvest the majority of its profit into the growth of the business.

So is the pipeline of social enterprises in Lebanon small or are we simply not classifying and supporting "businesses with impact" the right way? We believe it is the latter, if we support "businesses with impact" in better modelling, measuring, scaling and communicating their impact, they could be classified as social enterprises and easily attract impact investors.

This is the mission of impact-focused accelerator programs and venture philanthropy organisations that provide social enterprises with grant funding, training, management support and access to markets. However, there are very few ecosystem players whose mission is to support social enterprises in Lebanon – Makesense, Fondation Diane and Alfanar are the only ones entirely focused on this sector. Moreover, as social enterprises grow, their funding needs can no longer be covered by grants, and can only be matched by impact investments.

Such impact investments also offer great opportunities for competitive financial return. The average realized gross returns of private equity impact funds in emerging markets in 2020 ranged between 11 and 18 percent.

Today, there is a real opportunity to strengthen the impact sector in Lebanon and attract impact investors and their fresh funds, while helping solve ever-growing social challenges. This will take time, but if ecosystem players come together - including social entrepreneurs, the diaspora, angel investors, institutional donors and foundations - the stage could be set for one of the most attractive impact investment markets in the MENA region, while supporting vulnerable communities in a more sustainable manner.

As Nobel Laureate economist Muhammad Yunus said, "When you hit the darkest part, you come up with the brightest ideas." In doing so, we need to "throw away the old thinking and be outrageously bold" to reshape society post COVID-19.

Impact investment can significantly contribute to saving Lebanon's socio-economic fabric. There has never been a better time to do this, by supporting social enterprises, paving the way for impact investment to be the norm, and building the foundations for a more equitable Lebanon that provides for its people. ■

Michelle Mouracade is the country director at the Alfanar venture philanthropy organization

Noting that due to the absence of any national census in the past 90 years there is a high degree of uncertainty of Lebanon's demographic and economic at the best of times, the below estimates illustrate the magnitude of the 2019-2020 impacts on the economy. World Bank projections for Lebanon in 2021 at this point see a further significant, near-double-digit, contraction in the national GDP with the implication that the Lebanese economic crisis has the potential to go down in history as one of the severest economic crises recorded in any country since measurements of recessions began in the mid-19th century.

PROJECTIONS FOR 2021 INCLUDE A 9.5 PERCENT CONTRACTION OF REAL GDP AND A 10 PERCENT CONTRACTION OF GDP PER CAPITA.

LEBANON TOTAL POPULATION

6.86 million (2019 estimate)

TOTAL LABOR FORCE

2019	2.42 million
2020	2.32 million

LEBANON NOMINAL GROSS DOMESTIC PRODUCT

2020	$33.4 billion
2019	$52 billion
2018	$55 billion

GDP PER CAPITA*

2020	$4,890
2019	$7,380
2018	$7,720

World Bank methodology (Atlas Method)

CONTRIBUTION OF SECTORS TO DOMESTIC GDP (%)

	2018	**2019 (est.)**	**2020 (proj.)**
INDUSTRY	12.0	10.6	13.5
AGRICULTURE	4.4	5.0	5.0
SERVICES	72.2	74.3	77.6

ESTIMATED REMITTANCES

	2018	**2019**	**2020**
	$7.2 billion	$7.5 billion	$6.2 billion
Contribution of remittances to GDP	12.7%	12.7%	32.6%

Sources: World Bank, International Labor Organization, Statista.

The only readily quantifiable verticle in Lebanon's media, publishing and content creation sector is the advertising sub-sector, although the most recent figures for 2020 start from a previous low due to diminished overall spending and increased reliance on lower-cost social media advertising.

IPSOS 2020 VS. 2019 AD SPEND BY MARKET

Market	**2019 estimate** ***(rounded in USD million)***	**2020 estimate** ***(rounded in USD million)***	**Difference**
Pan Arab	622	527	-15%
Lebanon	133	57	-57%
UAE	741	526	-29%
KSA	1,055	769	-27%
Kuwait	317	269	-15%
Qatar	108	88	-18%
Bahrain	38	34	-10%
Oman	35	27	-23%
Egypt	370	328	-11%
Iraq	61	78	+28%
Jordan	74	51	-31%
Morocco	233	173	-26%
Pan Asia	35	25	-29%
Tunisia	60	45	-26%
Algeria	152	128	-16%
Syria	1.4	5.7	+308%
Total	**4,033**	**3,127**	**-22%**

Source: IPSOS.

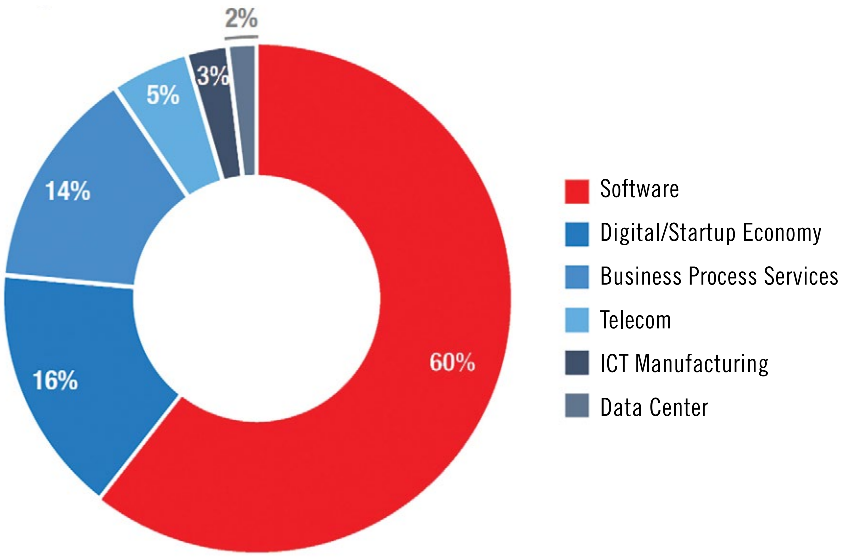
IPSOS 2020 VS. 2019 AD SPEND BY MEDIA IN LEBANON

Market/Media	**Estimated 2019 Ad Spend** ***(rounded in USD million)***	**Estimated 2020 Ad Spend** ***(rounded in USD million)***	**Difference**
Cinema	1	0	-70%
Magazine	5	1	-75%
Newspaper	3	2	-47%
Outdoor	30	5	-85%
Radio	7	3	-60%
TV	62	25	-60%
Digital	25	22	-12%
Total	**133**	**44**	**-57%**

Source: IPSOS.

Technology and knowledge enterprises held an important share of Lebanon's GDP up till 2018-2019. With GCC and MENA rivals enjoying better operating environments, Lebanese players have naturally honed a competitive edge in the less cost-intensive software development sub-sector.

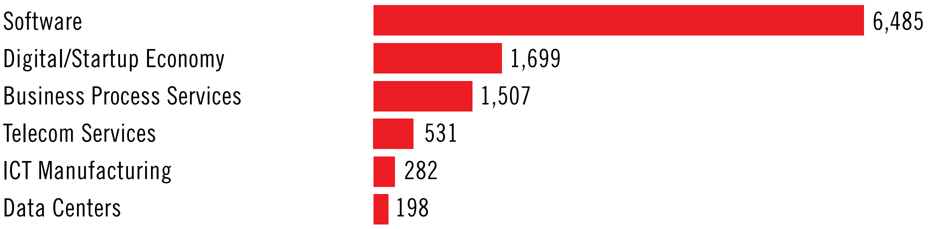
ESTIMATED WORKFORCE DISTRIBUTION IN THE LEBANESE ICT SERVICES & MANUFACTURING SEGMENT (2019)



Source: IDAL ICT Database.

ESTIMATED NUMBER OF EMPLOYEES BY SUB-SECTOR IN THE LEBANESE ICT SERVICES & MANUFACTURING SEGMENT

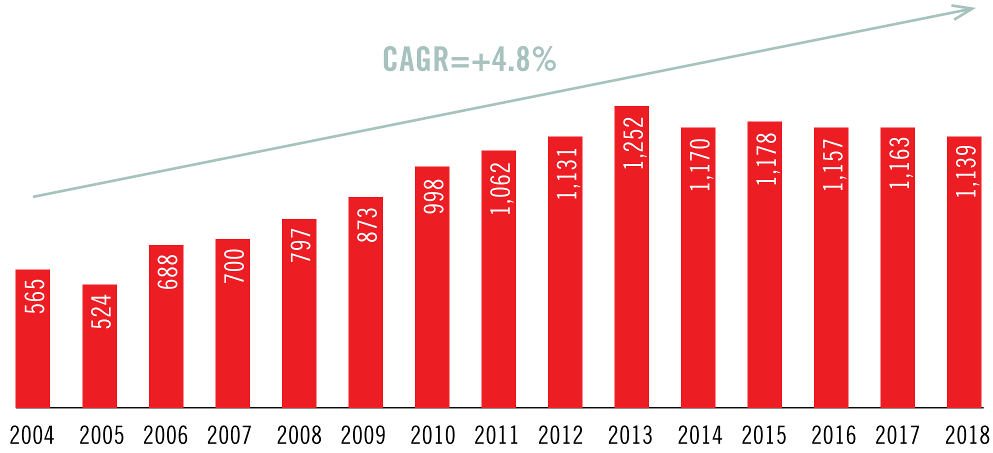
SUB-SECTOR ESTIMATED NUMBER OF EMPLOYEES



TOTAL **10,702**

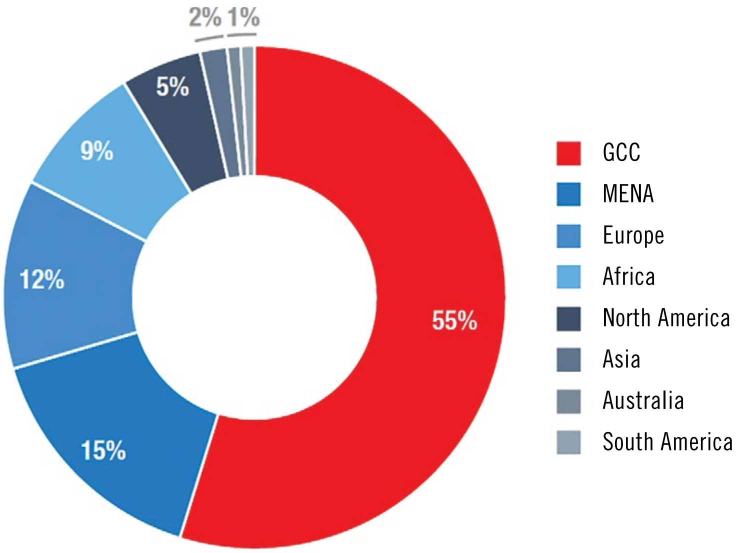
Source: IDAL ICT Database, Estimate.

LEBANESE ICT SECTOR GDP CONTRIBUTION (IN USD MILLION)



Source: Central Administration of Statistics, National Accounts (2004 – 2018).

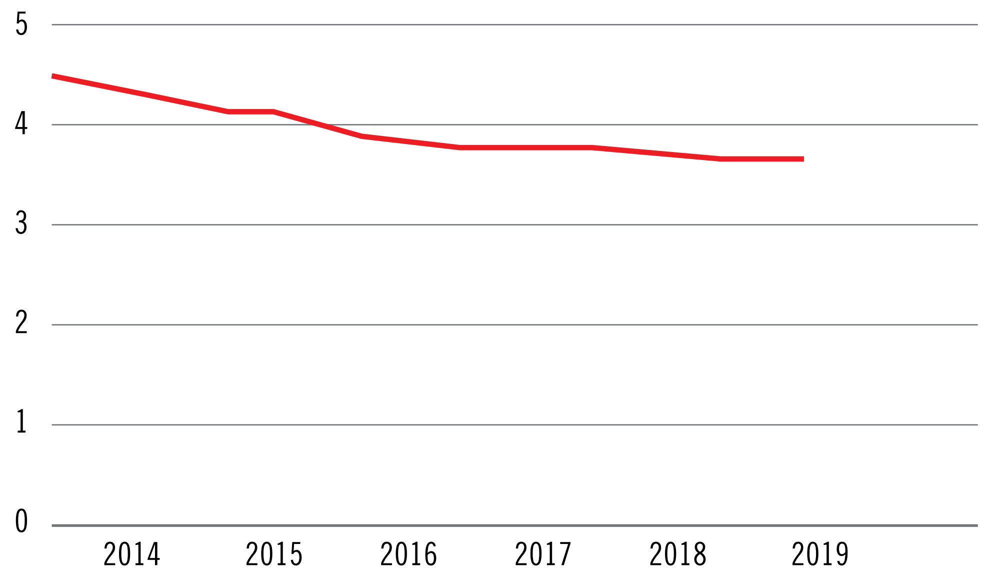
EXISTING ICT EXPORT MARKETS FOR LEBANON



Source: IDAL ICT Export Survey 2019.

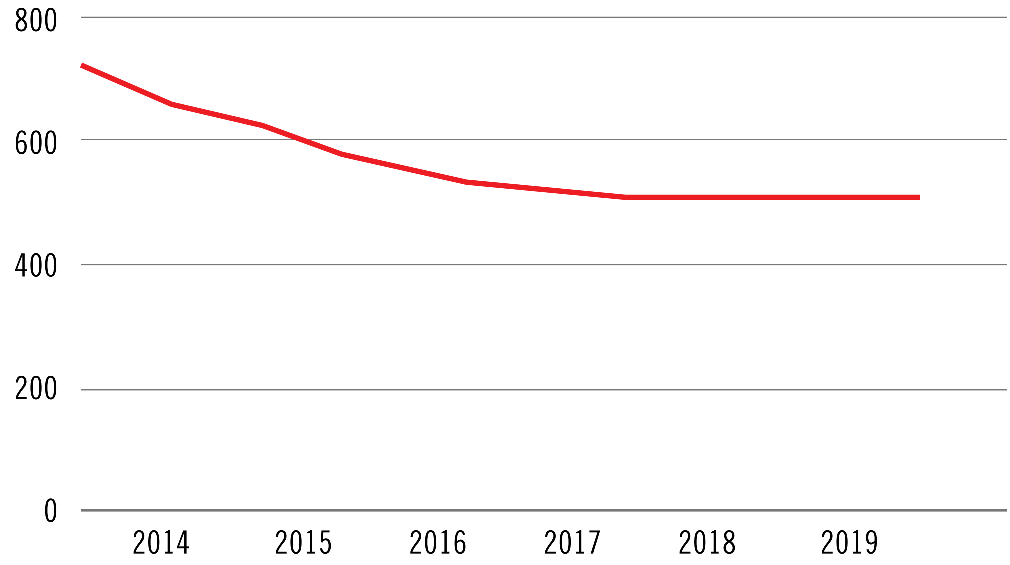
🟥 Manufacturing value added (MVA) of an economy is the total estimate of net-output of all resident manufacturing activity units obtained by adding up outputs and subtracting intermediate consumption.

MVA IN USD BILLIONS (CONSTANT 2015)



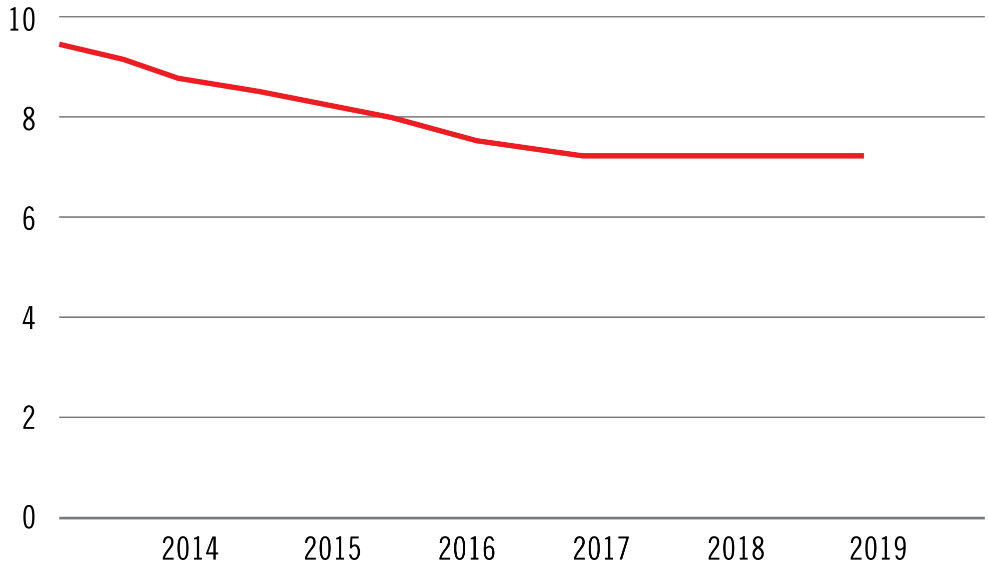
Source: UNIDO.

MVA PER CAPITA IN USD (CONSTANT 2015)



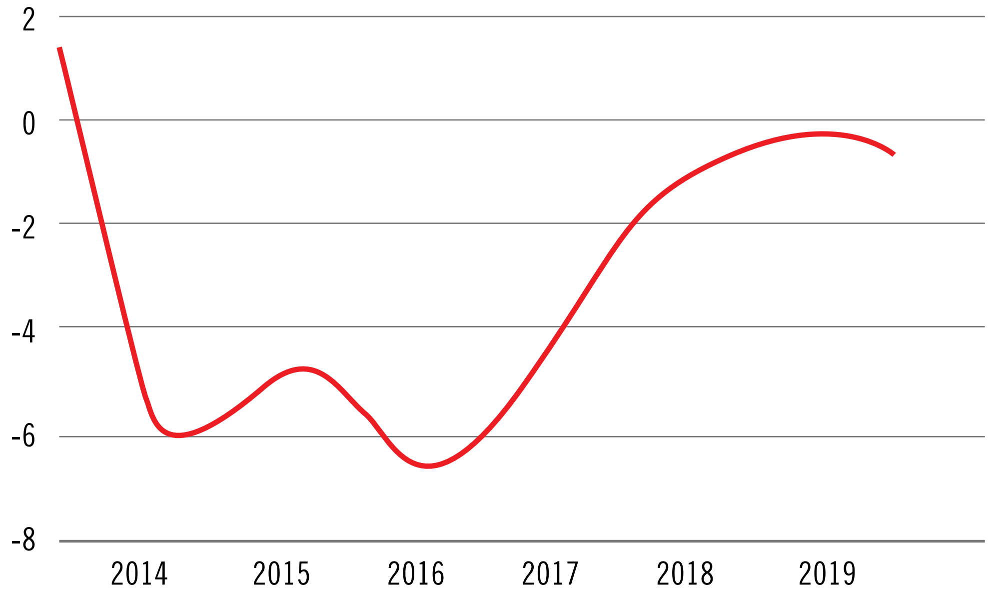
Source: UNIDO.

MVA SHARE IN GDP (%)



Source: UNIDO.

ANNUAL MVA GROWTH (%)



Source: UNIDO.

Taking into consideration that current and accurate data on Lebanese agriculture is not evident, substitution of imports could increase the sector's contribution to GDP, especially if attention is given to exports.

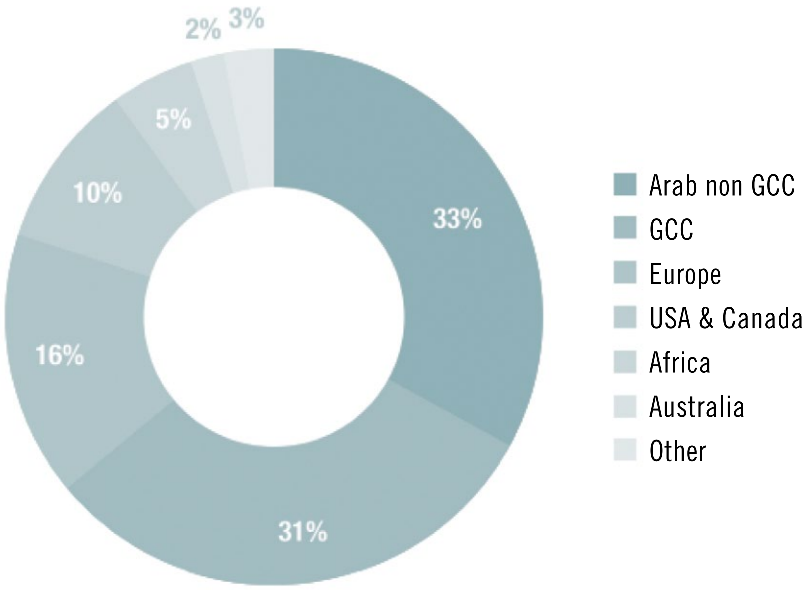
LEBANESE AGRICULTURE PRODUCTION (ESTIMATION JANUARY 2020)

Value of production (in USD)

	2018	*2017*
Field Crops	180,880,100	187,850,000
Industrial Crops	197,800,000	181,650,000
Vegetables & Flowers	294,750,000	211,500,000
Forest Products	7,200,000	3,720,000
Prohibited Crops	12,450,000	15,800,000

Source: FAFS AUB (Faculty of Agriculture & Food Sciences).

EXPORTS DESTINATIONS FOR AGRO-INDUSTRIAL PRODUCTS (ESTIMATION 2017)



Source: Lebanese Customs.

AGRO-INDUSTRY

Sector Overview

The agrofood sector is one of the major contributors to the Lebanese economy. In 2016 (latest available figures) it generated an estimated 35% of the industrial sector outpout and around 32% of the country's GDP, with an estimated size of $2.33 billion

As per a survey by the Ministry of Industry, the sector employs an estimated workforce of

20,607

Accounts for

25%

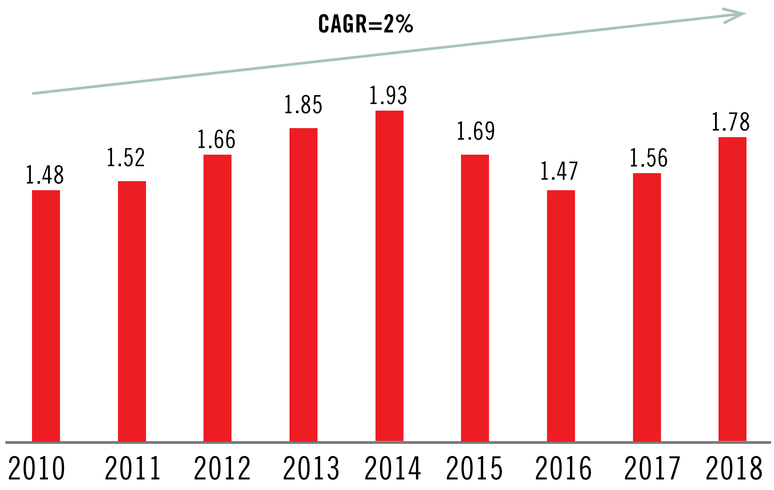
Of the Industrial sector workforce

22.6%

Of industrial entreprises are involved in agro-industrial activities

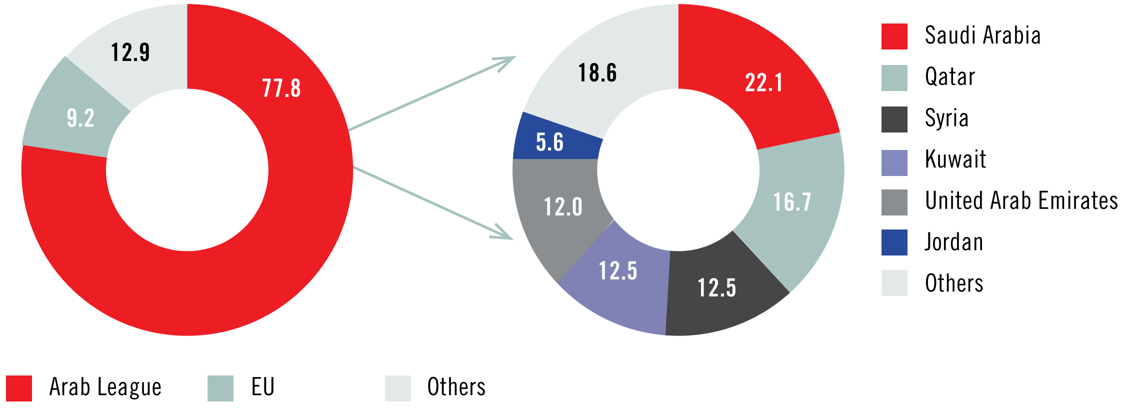
Source: IDAL.

CONTRIBUTION OF THE AGRICULTURAL SECTOR TO GDP (%, 2010-2018)



Source: CAS National Accounts Estimates, 2018.

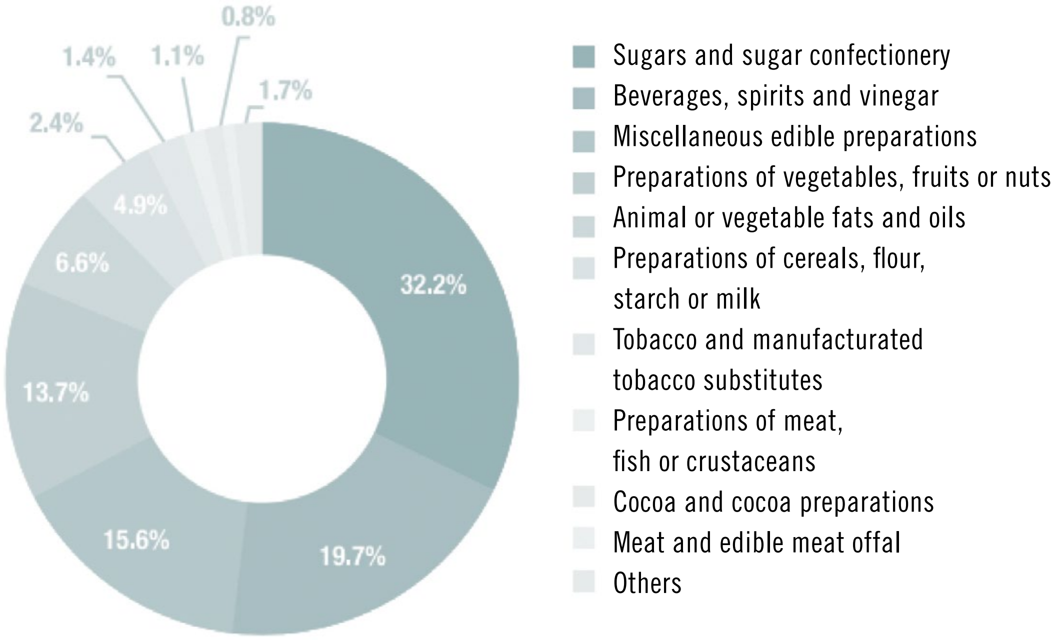
TOP EXPORT DESTINATIONS OF LEBANON'S AGRICULTURE PRODUCTS (%, 2010-2018)



Source: Lebanese Customs.

COMPOSITION OF AGROFOOD EXPORTS BY CATEGORIES (% IN 2017)

% I 2017



Source: Lebanese Customs.

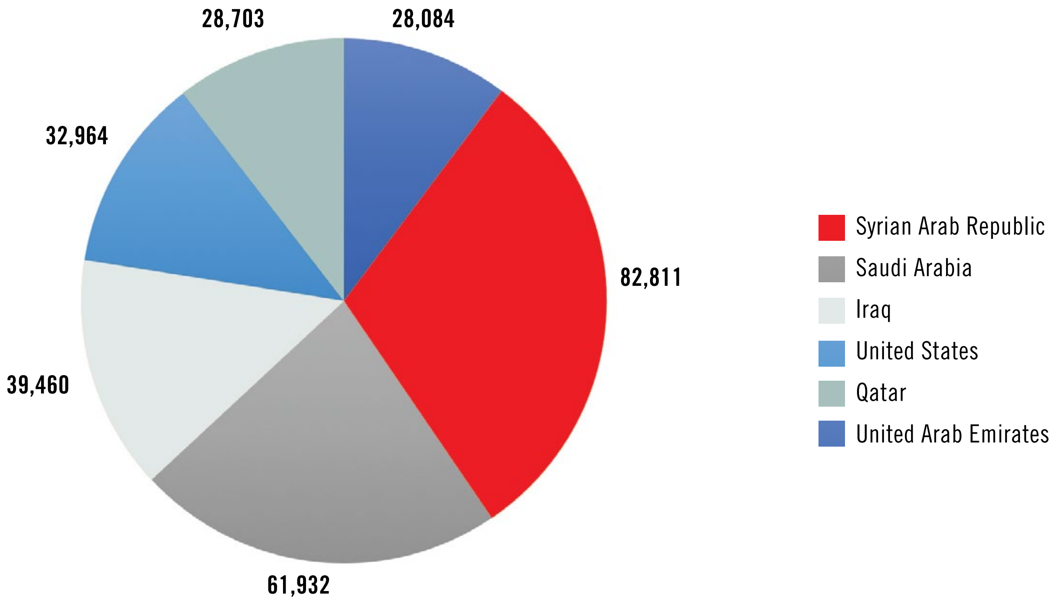
While recent valid data is not in sight and the regional turmoil further affecting the F&B sector, focusing on growing exports would alleviate some of the financial duress experienced by players in the industry.

MAIN EXPORTS OF F&B PRODUCTS (IN USD THOUSAND)

Product description	**2017**
Dairy products, eggs, honey	6,127
Animal or vegetable fats and oils	35, 938
Preparations of meat and fish	16,111
Sugars and sugar confectionery	68,891
Cocoa and cocoa preparations	37,316
Preparations of cereals, flour, starch or milk	43,805
Edible preparations	94,357
Beverages	60,020
Residues of F&B products	414
Tobacco	28,991
Total	**500,235**

Source: Chamber of Commerce Industry & Agriculture of Beirut and Mount Lebanon.

MAIN EXPORT MARKETS OF THE F&B INDUSTRY IN 2017 (IN USD THOUSAND)



Source: Chamber of Commerce Industry & Agriculture of Beirut and Mount Lebanon.

CAPITAL CONCEPT S.A.L.

STRATEGY - FINANCE - GOVERNANCE

Registery of Commerce of Beirut 1004399 | Capital 30 000 000 LL. Fully Paid
Al Bourj Building, Martyrs' Square, Beirut Central District, Lebanon
Tel. + 961 1 991 911 | **Fax.** + 961 1 997 050 | **E-mail.** info@kconcept.biz

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UN-Habitat and the Municipality of Beirut launched a new Municipal Social Cell (MSC) to mitigate social and protection issues encountered by vulnerable urban host and migrant populations within the city of Beirut.

Abu Dhabi's Omeir Travel extended its partnership with Amadeus to pursue its digital transformation and developing integrated travel services for consumers in the UAE and around the world as part of the company's plans to expand into more B2B and retail outlets in the UAE. This also includes the development of an Omeir Travel one-stop-shop mobile app that meets customers' travel and accommodation needs and is expected to be introduced to the UAE market very soon.

The United Nations in Lebanon launched its new bilingual website as part of its continued efforts to further bolster its public outreach efforts in Lebanon and the region. This new website provides the public with an opportunity to learn more about the structure of the UN in Lebanon, its different activities, key initiatives, scheduled events and main results achieved at the national level.

Under the patronage of the **Lebanese Ministry of Public Health, UNICEF and the French Development Agency (AFD)** signed a grant agreement for the renovation and completion of the new building of the **Karantina University Public Hospital**, which was heavily damaged following the Beirut port explosions on August 4, 2020.

The United Nations launched a new global campaign titled "Only Together" to support its **call for fair and equitable access to COVID-19 vaccines around the world**, stressing the need for coordinated global action to ensure vaccines are accessible in all countries, starting with healthcare workers and the most vulnerable population segments.

Business France, the national agency supporting the international development of the French economy, participated in the 17th edition of the **Dubai International Humanitarian Aid & Development Conference & Exhibition (DIHAD)** through its International Organizations and Donors department.

Emirates and **TAP Air Portugal** signed a Memorandum of Understanding to expand the codeshare partnership currently in place between both airlines. Under the new agreement, customers of both airlines will benefit from seamless connectivity on many new routes across the Americas, North Africa and East Asia. Emirates and TAP Air Portugal will also explore ways to enhance the co-operation on their respective frequent flyer programs, including reciprocal earning and redemption opportunities and popular benefits such as lounge access.

INFINITI Middle East appointed Nadim Ghrayeb as the new general manager for marketing, customer experience, and PR of INFINITI Motor Company's International Markets group effective March, 2021 and reporting to Nasif Siddiqi, managing director of INFINITI International Markets.

The iconic Lebanese restaurant **Barbar** announced its partnership with **Kitch**, the region's first hybrid, delivery-focused, cloud kitchen and premium store-front operator, to expand its operations to key cities in the Gulf Cooperation Council region. Barbar will soon open its first restaurant in Dubai and in other key cities in the region.

The European Union and the United Nations Development Programme launched the **Energy Innovation Hub** in collaboration with Nucleus Ventures to further support Lebanon's Clean Energy Transition.

Port operator **Gulftainer** shortlisted 10 highly disruptive start-ups from six continents to compete for the latest supply chain innovations at its **Future of Ports 2021** event and discuss the future of the industry with innovators and industry leaders before a live virtual global audience.

Fakeeh University Hospital, a state-of-the-art healthcare facility in Dubai Silicon Oasis announced that its digital transformation with Systems Applications and Products in Data Processing

(SAP) is set to enhance experiences for more than 700,000 patients per year.

MEED hosted the one-day virtual event **MENA Oil and Gas Technology Summit** in Dubai, bringing together stakeholders from national oil companies, large end users and utilities companies to explore topics including digitalization, automation, cybersecurity and asset integrity within the region's oil and gas sector.

Dubai-based Salesforce introduced **Rebate Management**, a new technology that allows companies selling through distributor channels to automate and leverage intelligent analytics for their rebate programs while providing greater visibility into program value and collaboration to sales teams and channel partners.

As part of its efforts to provide a diverse and all-encompassing product line, **Al-Futtaim Engineering & Technologies**, part of Al-Futtaim Group, announced in March that it has agreed with **LG Electronics Gulf FZE (LGE)** to distribute the South Korean company's range of Commercial Air Conditioners (CAC) in the UAE.

The Middle East and North Africa branch of the Public Relations and Communications Association (PRCA MENA) announced the launch of its NextGen Group to support practicing PR and communications professionals from fresh graduate to account director levels across the MENA through events, information, and advice.

Marriott International, Inc. signed an agreement with real estate company Al Saedan Group to open three hotels across Saudi Arabia, including the country and territory's first Renaissance Hotel, the world's largest Aloft Hotel and a Courtyard by Marriott in the Holy City of Makkah. All three properties are projected to open by 2025.

Huawei signed a Memorandum of Understanding with the **Holy Spirit University of Kaslik (USEK)** and the Arab Open University in Lebanon to establish the Huawei ICT Academy for students at the universities' respective faculties.

In March, journalist and gender equality advocate **Aziza Nait Sibaha** launched "Taja," a free, biannual digital magazine in Arabic and French, as part of **the media platform Tajasport exclusively dedicated to women in sports in the MENA region** and promoting the practice of sports among young girls and women in the Arab world.

The Abu Dhabi Early Childhood Authority (ECA), in partnership with the **Authority of Social Contribution – Ma'an**, launched a project to develop family counseling services in Abu Dhabi and enable the concerned authorities to support parents of children aged between 0 and 8-years to help them to cope with the challenges posed by family conflict issues.

PepsiCo Inc., in partnership with local non-profit organization Ajialouna, launched its **Tomooh scholarship program** for 2021, marking 16 years of supporting disadvantaged Lebanese youths in pursuing higher education.

Akhbar Al Aan's as part of its efforts to provide an innovative platform targeting for young generations to express themselves, Akhbar Al Aan launched its new positioning 'The Story Belongs to Everyone' inspired by some of the most important and influential stories known in the Arab media.

Uber will drive digitization across their business operations across the Middle East and Africa (MEA), leveraging its partner **MasterCard's** single infrastructure to meet all types of payments needs across Uber Rides, Uber Eats, Uber Pass, and Uber for Business. This transformation will drive digital payment acceptance, reward loyalty, while supporting Uber's continued social impact collaboration.

During the holy month of Ramadan, **Abu Dhabi Media,** extended its strategic agreement with the video on-demand service STARZPLAY to broadcast six new Arabic and GCC drama series.

Palo Alto Networks (NYSE: PANW) established a new cybersecurity consulting group in Dubai to help enterprises respond to emerging threats as they navigate an increase in costly, crippling cyberattacks.

ZonesCorp, one of the largest operators of purpose-built economic zones in the United Arab Emirates, signed an agreement with **Block 7 Investments**, a joint venture between EFIRE Capital Holdings Limited of Abu Dhabi

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and Serba Dinamik Holdings Berhad of Malaysia to develop the Block 7 Innovation Hub in the heart of the Industrial City of Abu Dhabi (ICAD).

Hyundai Motor partnered with the ocean conservation organization **Healthy Seas** to combat ocean pollution, nurture sustainable marine ecosystems, and support a circular economy in Dubai.

Marriott International launched its Tahseen program in partnership with **Cornell University** for the third year in Saudi Arabia, reinforcing its commitment to developing Saudi Arabia's future hospitality leaders. This year's program will host 52 candidates for the 12-month curriculum.

In solidarity with the people of India who face a record surge in COVID-19 cases, **Yas Island,** Abu Dhabi's premier leisure and entertainment hub, displayed the flag of India on its grid shell light canopy, extending a message of hope and unity.

Abu Dhabi Maritime launched a new digital service to streamline the management of Abu Dhabi's slipways — ramps for moving boats and other water crafts to and from the water — while also easing congestion at peak times.

As part of State efforts to support frontline workers and implement short and long-term solutions for their wellbeing, **Abu Dhabi's Frontline Heroes Office** announced a **Higher Education Scholarship Program** supported by Sandooq Al Watan and the private sector, and in partnership with the Ministry of Education. Through the program, eligible "frontline heroes" and their children will have access to scholarships for government and private universities and colleges across the UAE.

Huawei announced its business results for the first quarter of 2021, which were in line with forecast. In Q1, Huawei generated $23.17 billion in revenue, a 16.5 percent decrease year-on-year. Its network business maintained steady growth, while consumer business revenue declined, in part as a result of selling the Honor smart device brand in November 2020. Huawei's net profit margin was up 3.8 percentage points year-on-year at 11.1 percent, boosted by a patent royalty income of $600 million.

Marriott International, Inc. signed an agreement with **RDK Tourism Investment LLC** to amplify its luxury presence in the United Arab Emirates (UAE) with the addition of The St. Regis Downtown Dubai. This is expected to further enhance the company's luxury footprint across the UAE where it currently operates 17 properties and more than 6,000 rooms across seven luxury brands.

In the presence of US Ambassador to Lebanon Dorothy Shea, **Insure & Match Capital (IM Capital)** celebrated the achievements under the Middle East and North Africa Investment Initiative (MENA II), a $20 million program funded by the United States Agency for International Development (USAID) launched in 2014. The initiative is dedicated to providing matching capital, equity guarantees and crucial support to early-stage businesses and investors to leverage private investments and develop the investment ecosystem while contributing to economic growth and job creation in Lebanon.

The Authority of Social Contribution – Ma'an revealed the 10 winning teams for the fourth cohort of its Ma'an Social Incubator that will see social entrepreneurs develop their original ideas into sustainable solutions to help protect Abu Dhabi's environment.

Abu Dhabi Ports, rated A+ (stable) by S&P and A+ (stable) by Fitch, issued $1 billion 10-year bonds ("The Notes") under its recently established Euro Medium Term Note Programme ("EMTN Programme"), to be jointly listed on the London Stock Exchange (LSE) and Abu Dhabi Securities Exchange (ADX).

Culture Resource (Al-Mawred Al-Thaqafy) and the Arab Fund for Arts and Culture – AFAC announced the selection of 43 cultural institutions and spaces which will benefit from their joint support initiative, the **Lebanon Solidarity Fund**.

EVENTS

CONFERENCES

	ORGANIZERS	CONTACT	WEBSITE
LEBANON			
6-7 Jul	**INTERNATIONAL CONFERENCE ON ECONOMICS AND SOCIAL SCIENCES** TheIRES	info@theires.org	theires.org
5 Nov	**CHIEF HAPPINESS OFFICER CERTIFICATION - I HAVE LEARNED ACADEMY** I Have Learned Academy	+962 3 614 493; info@ihavelearned.me	www.ihavelearned.me
DUBAI-UAE			
13-17 Jun	**MASTERING COMMUNICATION, NEGOTIATION AND PRESENTATION SKILLS** Euromatech Training and Management Consultancy	+971 4 457 1800; info@euromatech.ae	www.euromatech.com
2-3 Jul	**INTERNATIONAL CONFERENCE ON ECONOMICS AND BUSINESS MANAGEMENT** International Academic of Science Technology Engineering and Management (IASTEM)	+91 8280862844; info@iastem.org	iastem.orgg
29-30 Sep	**SEAMLESS MIDDLE EAST 2021** Terrapinn	+971 4440 2500; joseph.ridley@terrapinn.com	www.terrapinn.com
27-28 Oct	**25TH GLOBAL WOMEN LEADERS CONFERENCE** Woibex	+9714 - 3326688; info@woibex.com	www.woibex.com
ABU DHABI-UAE			
2-3 Jul	**INTERNATIONAL CONFERENCE ON ECONOMICS FINANCE AND ACCOUNTING** AcademicsERA	+918 763 630 140; info@academicsera.com	academicsera.com
2-3 Sep	**INTERNATIONAL CONFERENCES ON ECONOMICS AND SOCIAL SCIENCES** TheIRES	+91 760698637; info@theires.org	theires.orgg
19-22 Oct	**INTERNATIONAL COUNCIL ON ARCHIVES ABU DHABI CONGRESS** International Council on Archives	ica@ica.org	www.ica.org
SAUDI ARABIA			
28-29 Jun	**INTERNATIONAL CONFERENCE ON ECONOMICS FINANCE AND ACCOUNTING** AcademicsERA	+918 763 630 140; info@academicsera.com	academicsera.com
20-22 Sep	**IFN KSA MEET** REDmoney events	+603 2162 7802; infoevents@redmoneygroup.com	redmoneyevents.com
27 Sep	**GLOBAL TRADE REVIEW SAUDI ARABIA** Global Trade Review	evirtue@gtreview.com	www.gtreview.com
11-13 Oct	**THE 2ND SAUDI INTERNATIONAL MEDLAB CONFERENCE** 1st Arabia	+966 566 676 512; info@saudimedlabexpo.com	www.saudimedlabexpo.com
25-28 Oct	**FUTURE INVESTMENT INITIATIVE** Public Investment Fund	info@futureinvestmentinitiative.com	futureinvestmentinitiative.com
BAHRAIN			
10-11 Jul	**INTERNATIONAL CONFERENCE ON MANAGEMENT, ECONOMICS & SOCIAL SCIENCE** Researchfora	+918 8 951 885 3; info@researchfora.com	www.researchfora.net
10-11 Jul	**INTERNATIONAL CONFERENCE ON SCIENCE, ENGINEERING & TECHNOLOGY** Researchfora	+919 8 951 885 31; info@researchfora.com	www.researchfora.net
10-11 Jul	**INTERNATIONAL CONFERENCE ON ADVANCES IN BUSINESS MANAGEMENT AND INFORMATION SCIENCE** Researchfora	+920 8 951 885 31; info@researchfora.com	www.researchfora.net
14-16 Sep	**LEADERSHIP EXCELLENCE FOR WOMEN AWARDS & SYMPOSIUM** Middle East Energy Events	+971 4427 0739; info@e3-worldwide.com	www.lewa-symposium.org
IRAN			
11-12 Nov	**INTERNATIONAL CONFERENCE ON MANAGEMENT AND INFORMATION TECHNOLOGY** Academics World	+91 707 765 633 8; info@academicsworld.org	academicsworld.org
KUWAIT			
28 Jun	**IFN KUWAIT FORUM** REDmoney events	infoevents@redmoneygroup.com	redmoneyevents.com
28 Jun	**PRIVATE INVESTORS FORUM** REDmoney events	infoevents@redmoneygroup.com	redmoneyevents.com

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EVENTS

	ORGANIZERS	CONTACT	WEBSITE
JORDAN			
22-23 Jun	**INTERNATIONAL E-ENGINEERING EDUCATION SERVICES CONFERENCE** Tafila Technical University	+962 322 503 26; conference@e-engineering.org	e-engineering.org
12-14 Oct	**JORDAN INTERNATIONAL CHEMICAL ENGINEERING CONFERENCE** Jordan Engineers Assocation	+962 6 5000 900; jiche@jea.org.jo	www.jeaconf.org
EGYPT			
9-11 Jun	**CITYSCAPE EGYPT** Informa Connect	+202 232 269 69; info@cityscapeegypt.com	www.cityscapeegypt.com
14-Jun	**IDC'S EGYPT CIO SUMMIT** IDC MEA	info@idc-cema.com	www.idc.com
14-15 Jun	**SKYSCRAPERS & HIGH RISE BUILDINGS CONFERENCE** Arabian German For Exhibitions	+202 227 035 84; info@skycraperegypt.com	www.skyscraperegypt.com
12-13 Jul	**INTERNATIONAL CONFERENCES ON ECONOMICS AND SOCIAL SCIENCES** TheIRES	+917 606 986 371; info@theires.org	theires.org
12-13 May	**INTERNATIONAL CONFERENCE ON ECONOMICS FINANCE AND ACCOUNTING** AcademicsERA	+91 8763630140; info@academicsera.com	academicsera.com
1-4 Mar	**THE ARAB CONFERENCE ON ASTRONOMY AND GEOPHYSICS** NRIAG	+202 255 41100; info@acag-conf.org	acag-conf.org
OMAN			
13-15 Sep	**THE OMAN PETROLEUM & ENERGY SHOW** OPES	+968 246 601 24; satyam.chopra@omanexpo.com	bondevents.com
9-11 Nov	**OMAN INTERNATIONAL CONFERENCE WATER ENGINEERING AND MANAGEMENT OF WATER RESOURCES, MUSCAT** Institution of Civil Engineers	ice.midlands@ice.org.uk	www.ice.org.uk

EXHIBITIONS

	ORGANIZERS	CONTACT	WEBSITE
UAE-DUBAI			
28-30 Jun	**ISS WORLD MIDDLE EAST** TeleStrategies Inc	+1 703 734 2639; talucas@telestrategies.com	www.issworldtraining.com
31-2 Jun	**INDEX** DMG Events	+971 4 438 035 5; info@indexexhibition.com	www.indexexhibition.com
27-1 Jul	**ACCOUNTS RECEIVABLE: PLANNING, ORGANISING & ACHIEVING BEST PRACTICE** Euromatech Training and Management Consultancy	+971 4 457 1800; info@euromatech.com	www.euromatech.comm
12-13 Oct	**THE REGIONAL SHOW FOR INNOVATION, TECHNOLOGY AND STRATEGY** TERRAPINN	+971 04 440 2501; jamie.hosie@terrapinn.com	www.terrapinn.com
29-30 Sep	**SEAMLESS MIDDLE EAST** Terrapinn Middle East	+971 4440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
UAE-ABU DHABI			
30-1 Oct	**CITIZENSHIP EXPO** Dome Exhibitions	+971 52 570 2847; dony.cyril@domeexhibitions.com	citizenshipexpo.comm
BAHRAIN			
14-16 Sep	**GDA INTERNATIONAL DOWNSTREAM CONFERENCE & EXHIBITION** Middle East Energy Events	+971 4427 0739; info@mee-events.com	www.gdaconference.org
17-21 Oct	**BAHRAIN PAVILION @ GITEX** Worksmart for Events Management and GITEX	+973 667 086 01; gitex@worksmartbh.com	www.gitex.com

	ORGANIZERS	CONTACT	WEBSITE
EGYPT			
1-3 Sep	**DIGI SIGN AFRICA** Middle East Trade Fairs	info@digisignafrica.com	www.digisignafrica.com
30-2 Oct	**BUILDING FUTURE EGYPT** Arabian German For Exhibition	+2 010139 79 441; marketing@batimat-egypt.com	www.egypt-projects.com
25-Oct	**SMART VISION INVESTMENT EXPO** Smart Vision	+201 222 688 770; info@smartvisioneg.com	smartvisionexpo.com
28-30 Oct	**TECHNOPRINT** Printing Industries CO-OP Association (TAG)	+202 2282 5880; marketing@technoprintexpo.com	www.technoprintexpo.com
15-17 Nov	**HACE EXHIBITION** Egyptian Group for Marketing	+202 226 191 60; info@hace.com.eg	www.hace.com.eg
KUWAIT			
10-13 Oct	**KUWAIT OIL AND GAS SHOW AND CONFERENCE** Informa Markets - Bahrain	+973 17 550033; ali.haji@informa.com	kogs-expo.com
20-21 Oct	**KUWAIT FINANCIAL TECHNOLOGY CONFERENCE & EXHIBITION** 12events	+96522461473; info@12.events	http://12.events/
QATAR			
9-11 Nov	**HOSPITALITY QATAR** IFP Qatar	+974 4432 9900; ghassan.nawfal@ifpexpo.com	www.hqshow.com
27 Nov	**THE TRADER EXPO QATAR** HQBC	+971 588255046; info@theforexexpo.com	www.theforexexpo.com
OMAN			
31-1 Apr	**GHEDEX SOHAR** NIH Office of Intramural Training & Education	+969 24 656 060; info@oite.com	ghedex.om
1-4 Sep	**CHINA TRADE WEEK OMAN** MIE Events	+971 (0) 4 425 3337; john.george@mie.ae	www.mieevents.com
SYRIA			
14-18 Jun	**EXHIBITION OF INFORMATION AND COMMUNICATION TECHNOLOGIES** BuildEx	+963 11 6061; info@syria-tech.sy	www.syria-tech.sy
24-28 Jun	**INTERNATIONAL EXHIBITION FOR CONSTRUCTION** BuildEx	+963 11 4433 444; info@agexhibitions.com	www.arabiangroup.com
24-28 Jun	**HEATING, VENTILATION, AIR CONDITIONING AND WATER EXHIBITION** BuildEx	+963 11 6061; info@hvac.sy	www.hvac.sy
SAUDI ARABIA			
11-13 Oct	**INTERNATIONAL EXHIBITION FOR PEOPLE WITH SPECIAL REQUIREMENTS (DIAA 2020)** 1st Arabia Team	+966 920 020 025; info@1starabia.com	www.diaaexhibition.com
11-13 Oct	**SAUDI REHAB EQUIPMENT EXPO** 1st Arabia Team	+966 920 020 025; info@saudirehabexpo.com	www.saudirehabexpo.com
11-13 Oct	**SAUDI INTERNATIONAL MEDLAB EXPO** 1st Arabia Team	+966 920 020 025; info@saudimedlabexpo.com	www.saudimedlabexpo.com
15-18 Nov	**SAUDI BUILD** Riyadh Exhibitions Company Ltd	+966 920 024 020; info@recexpo.com	saudibuild-expo.com
15-18 Nov	**SAUDI ELENEX** Riyadh Exhibitions Company Ltd	+966 920 024 020; info@recexpo.com	saudielenex.com

LAST WORD

By Alexis Baghdadi

The end of the li(n)e

The future of media narratives

In May 2021, clashes in Palestine took their habitual toll of innocent human lives. After a "ceasefire" agreement was reached and both sides unsurprisingly claimed victory. But what most observers failed to predict and still struggle to comprehend, are the new "nuances" in public debates. The repeated use of terms like #apartheid, #settler-colonialism, and #ethnic-cleansing prompted many to ask "Has Israel's 'narrative control' collapsed?"

While the usual lineup of commentators and self-anointed experts debate ad nauseam about the "truth," the real issue is changing media consumption trends. This discussion goes beyond conversations about the mainstream press versus idealized citizen or activist journalism, referred to as the "fifth estate". It forces a reevaluation of the core role and responsibility of media institutions, outlining a true evolution.

FAKES AND BREAKS

Notwithstanding the tragic loss of lives, the issue extends beyond geographical borders to the way and the reason why information is relayed and consumed. As far back as we know, the purpose of information, from reindeer bone carvings to the first newspaper in the 17th century down to its online descendants, is to document events. It follows that the holder of the pen, so to speak, controls the narrative; a reindeer's equivalent of a podcast would tell a story about a one-sided and bloody speciesist conflict. Social media platforms are only the latest iteration of such vehicles of information, thanks to which more people than ever can now articulate and disseminate information.

Thanks to this new tool, narratives previously kept in check have gained prominence, but the resulting information overload has polarized media institutions and tainted the alternative space with biased and misinformed micro-discourses, leading to distrust of the media in general. En vogue discussions involve an arena where the "mainstream media" and the fifth estate vie for relevance by earning income, likes, or followers to establish themselves as opinion makers, shapers or influencers – just as Roman gladiators hoped for the "thumbs up," a symbol of approval we still use in modern emoticons. One could endlessly rhetoricate about ethics in the many declinations of journalism as independent, investigative, analytical, citizen, activist, social, solutions-based, etc., with no clear outcome other than its self-promotion. Looking at the institutionalized media outlets in Lebanon and mushrooming "independent" platforms shows how these have become slaves to their labels and made themselves targets for condemnation and commendation, interchangeably. Nor is "fake news" limited to one era or form of dissemination. "Disinformation" has existed since the cognitive revolution made us human, essentially enabling us to "tell the thing that isn't there," ni other words: to lie.

NO MORE TALL TALES

Attempting any type of narrative is no longer viable, a demise harried by the "war" between fake and real news. But this reductionism does not hold up against thousands of voices and nuances. One can conjure up an image of humanoid figures in an M. C. Escher landscape, each upholding their own narrow perspective. The only entity at some advantage is the external viewer who at least sees the whole picture. Media institutions and consumers are similarly unable to shift perspectives. Their own limitations of identity and purpose restrict even their format; they borrow each other's tools, but only in form, not delivery, obstructing the proper flow of information and negating narratives.

One exit strategy from this rigged playing field is for media institutions to graduate from players into coaches. Absolute objectivity and a dominant narrative remain more than ever elusive ideals. But educating people about how to navigate these subjects is within reach. The media have a golden opportunity to reposition themselves as educators about ethical and responsible use and consumption of information. International players like AFP and Reuters already host Fact Check platforms. In Lebanon, organizations like SMEX and SKEYES are also experimenting with this but unfortunately lack the wider reach of media outlets because of their activism label. Meanwhile, institutions like An Nahar and even the National News Agency operate fact-checking services, yet these are widely perceived as lacking credibility. We need a comprehensive strategic approach that combines competencies from academia, civil society, mass media, and social media to deep-dive into the proper usage of media channels while also appealing to the lambda social media users and content creators. Such a dream team can actively contribute to building a more constructive public discourse and eventually engage policymakers in higher stakes: upholding and improving existing media freedoms and ethics we risk losing otherwise.