August 2019 Nº 238

Executive

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EDUCATED STUPIDITY

Losing Lebanon's knowledge edge

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EDITORIAL

It is about credibility

The concluding statement of the IMF's Article IV consultations includes the following sentence: "Rebalancing the economy in the current framework of an exchange rate peg requires strong implementation of a large and credible fiscal adjustment and ambitious structural reforms."

Here at Executive this sentence sparked cynical jokes. We sensed from the reaction from our politicians, expected of course, that they had wholly misread this sentence, and so we feel compelled to explain it.

The exchange rate peg, when it was adopted in the early 1990s, was a measure to ensure the monetary stability necessary to implement any state plan to trigger a prosperous cycle, a more efficient and effective use of public resources, functional public services, a thriving private sector, and an educational landscape that takes full advantage of the human resources of our country. It is only in these circumstances that a stronger local currency would render the exchange rate peg unnecessary, and so would lead to the adoption of a floating exchange rate.

The 1996 Grapes of Wrath operation wiped out one of the components of this hopeful thinking, yet our nation building preserved its momentum even though geopolitical forces in the region became entrenched. Despite all the setbacks, the reconstruction of Lebanon continued until the 2005 assassination of Prime Minister Rafik Hariri. Even with this, the prospect of prosperity was still on the table—there was still hope.

It is only after the 2006 war that we knew we would be punished for increasingly aligning ourselves with the eastern hemisphere as it began to strengthen its grip over Lebanese politics. The exchange rate peg in such an environment remained the only way to keep monetary stability when socioeconomic security was eroding, due to corruption, ignorance, and short-term thinking.

The governor of the central bank must be rolling his eyes at the absurdity around him. Our politicians obviously have no idea that fiscal adjustment comes hand-in-hand with structural reform, which in turn relies on economic performance, purpose, and efficiency. And this is exactly what this sentence from the IMF is saying. The key word in the sentence above is "credible." We need credible fiscal adjustment if we are ever to undertake the structural reforms this country so desperately needs.

It is all about credibility, my dear ministers—and you have none.

Yasser Akkaoui
Editor-in-chief

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Published by NewsMedia sal
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PEACE OF MIND

LAST MONTH

ZOOM IN

Data from the Ministry of Tourism (MoT) shows that the first six months of 2019 witnessed a year-on-year 8.3 percent increase in tourist arrivals to almost 924,000 persons. The growth of tourism in the first half of 2019 comes on the back of a financial year increase of 6 percent in 2018 to 1.96 million tourist arrivals. (Sources: MoT, Lebanon This Week, Blominvest blog)

Cabinet work stalled over Qabr Shmoun incident

On July 2, Prime Minister Saad Hariri decided to postpone a cabinet meeting following tensions over the shooting in Aley that took place the preceding weekend. Two aides of Minister of State for Refugee Affairs Saleh al-Gharib were killed in Qabr Shmoun following a confrontation between his convey and armed men affiliated with the Progressive Socialist Party (PSP) who had been blocking the road. The clash took place in the context of a tour of the area by Free Patriotic Movement (FPM) leader, and foreign minister, Gebran Bassil, accompanied by the Lebanese Democractic Party (LDP)-affiliated Gharib, which had met with backlash from local supporters of the PSP. There are conflicting narratives as to who fired first between the LDP and the PSP. Tensions have continued to rise as LDP leader Talal Arslan has called for the Aley shootings to be taken to the Judicial Council, Lebanon's highest judicial court usually reserved for high-level security incidents; the cabinet is split down the middle on the issue. An attempt during the month by General Security head, Abbas Ibrahim, to negotiate between the two sides over an agreement to have the case tried in front of the military tribunal has hit a dead end after being rejected by Arslan. At the time of writing it had been over a month since cabinet had last met.

Labor crackdowns lead to protests by Palestinians

Labor Minister Camille Abousleiman announced on July 10 that inspectors had raided 214 businesses as part of a crackdown on illegal labor in the country, in part to prioritize Lebanese labor. Employers had been given a one-month grace period to register their foreign workers and enroll them in the National Social Security Fund (NSSF), but despite this, 20 shops were shuttered, 129 were given violation notices, and 24 warnings were issued. Primarily, the raids targeted Syrian refugees, who are limited to working in the agriculture, construction, and environment/cleaning sectors,

LAST MONTH

QUOTE OF THE MONTH

"They know we are lying to them, and we know that they know we are lying to them, this is the truth so there is no problem."

Syrian Nationalist Socialist Party MP Salim Saadeh, speaking in Parliament about the fiscal reductions in the budget and the reforms pledged to donors at CEDRE, before the budget vote on June 19.

and must obtain sponsorship from an employer. However, the move has sparked mass protests in all 12 Palestinian refugee camps across the country, with Palestinians arguing they cannot be treated as foreign workers as they are not able to provide the documents necessary to obtain labor permits. Palestinians in Lebanon have limited access to employment as most professions with associations, such as medicine, law, and engineering, bar them from these fields; many work in the informal economy, moving between employers, which makes it hard if not impossible to obtain a legal work permit. As of July 24, Abousleiman had taken measures to quell the protests, by, for example, exempting Palestinians from having to enroll in social security, but at the time of writing protests were still ongoing.

2019 Budget passed by Parliament

On July 19, Parliament passed the 2019 state budget, which passed with 83 votes for, 17 against, and 1 abstention. At the time of writing, President Michel Aoun still had not signed the budget, citing issues with article 80 that deals with state hires. As it stands, the article would cause all civil service applicants who have passed the Civil Service Board exams to be hired. This is seen as problematic for those who wish to keep a sectarian balance within the civil service, as it would tip the scales in favor of Muslim representation. These sectarian considerations have held up new hiring for years, despite not being mandated by the Taif accord. The new budget seeks to reduce the deficit to 7.6 percent of GDP from 11.5 percent in 2018. An earlier version had sought to lower it by 6.6 percent. The IMF questioned the 7.6 percent target, estimating the plan would fall short of the intended target, reaching instead a 9.75 GDP deficit. The budget includes efforts to cut public spending and increase revenue generation via measures including implementing a higher tax on interest, from which mineral oil derivatives (gasoline) and VAT-free goods are exempted. Concerned the budget would reduce their benefits, army veterans protested the budget's proposed new taxes on their pensions, and on the day lawmakers passed the budget protestors attempted to storm the Parliament building. Employees of the state-run telecommunications company Ogero also protested cuts to their salaries proposed in the draft budget on July 18, the day prior to its adoption. The budget's passage seeks to assure international donors that Lebanon is making progress as it seeks to unlock $11 billion loans pledged at the CEDRE conference in April 2018. Following Parliament's passage of the budget, Saroj Kumar Jha, regional director for the Middle East department at the World Bank tweeted that the budget was "a good first step." The World Bank, pledging $4 billion in soft loans, is the largest single donor from CEDRE. Jha noted for a "successful outcome," the government needed to implement the 2019 budget, the 2020 budget, and its electricity plan.

LEADERS

EDUCATION

For the power of learning

The government needs to do more to improve the education sector

"Education is the most powerful weapon which you can use to change the world," so said Nelson Mandela in a 2003 speech. Indeed, the impact of quality education—the kind that expands the learner's mind and aids in the development of a well-rounded personality—resonates long after the optimal 18 - 20 years of formal education (15 years of school, followed by at least three years of tertiary education for some). This form of education would make one much more competitive in the job market—and more likely to perform well and grow in a chosen career path—ultimately benefiting the economy. An educated mind can also develop innovative solutions for social or environmental problems plaguing the country or launch businesses that would benefit the country as a whole.

Lebanese families have traditionally valued education, seeing it as an investment into their children's future. Of Lebanon's students, 70 percent go to private schools, which are perceived to be of better quality than public schools, yet they can vary significantly in price and quality. It is sad then that high-quality schools in Lebanon are becoming increasingly inaccessible to the majority of Lebanese who simply cannot afford them. We all remember the story of George Zreik, who died earlier this year after setting himself on fire in protest over being unable to afford tuition at his child's private school. Increasingly higher tuition rates, coupled with a dire economic situation and a higher cost of living, are making quality private schools an impossible dream for more and more parents. Meanwhile, private schools that cater to mid- to low-income families are themselves struggling under the toll of paying teachers' salaries, which were finally increased by Law 46 (2017). Oftentimes this comes at the expense of curriculum development and school enhancement (see article page 24). Quality education in Lebanon is, therefore, becoming increasingly segregated between the wealthy—who can afford to pay the tuition fees in the top-tier private schools or universities—and the middle- to low-income families. Those families constitute the majority of the population in Lebanon, and unfortunately their children are largely not receiving the kind of education needed to equip them with skills needed for the jobs of the future (see articles page 42 and 46).

It is infuriating that despite the proven value of quality education and its impact on the economy—and despite the bleak state of the education sector in Lebanon these days—the Lebanese government still prefers to invest in bricks and mortar, meaning infrastructure, rather than investing in the development of its own people (see story on human capital page 68). Prime Minister Hariri's big win prior to the 2018 elections was to secure pledges for $11 billion in loans and grants at the April CEDRE investment conference—and since then the focus has been on how to implement the fiscal reforms needed to unlock these loans so that urgently needed Capital Investiment Plan (CIP) projects can be tackled. But what is the share of education projects in the CIP list? None. Why is education not a priority for this government? Education is a sector that will have a higher return on investment in the long-term and create more jobs than any infrastructure project.

It is high time that the government takes education more seriously and prioritizes it. We realize that this is a vast sector, with many challenges and aspects in need of reform or restructuring. But the simple act of recognizing education's significance for the future of Lebanon and dedicating the energy and mental power needed toward the betterment of the education system—and toward making it accessible for all Lebanese children (see article page 38)—is a start.

This translates into finding members of Parliament who are more engaged with education; those sitting on Parliament's education committee need to be appointed less because of their political affiliations and power interests. They should be selected based on their knowledge of the subject matter and their dedication toward the improvement of the Lebanese school system. The head of the committee should be open to discussing the proposals and initiatives they are working on instead of refusing to give interviews to any media outlet (which is what Executive was told when we approached Bahia Hariri's office for an interview).

We realize that money is tight, but the government needs to allocate more of the fiscal budget toward making quality education accessible to all Lebanese (we stress on quality education because while public schools are free in Lebanon, their quality, based on the limited resources they have, is questionable). The way in which they do that has to be relentlessly discussed and debated in the educational committee meetings and in parliament sessions. It has to be made a national priority.

There have been certain steps in the right direction—such as the introduction of computer science classes in the middle school classes (or cycle 3) of 553 of the 875 public schools in Lebanon, according to the Center for Educational Research and Development—and they are to be applauded. But they also need to be built upon if the goal is the overhauling of the education system.

If our government truly stands behind quality 21st century education as a basic right for all of its citizens, not a privilege for the wealthy few, and demonstrates its seriousness toward working to achieve that, then we as a country will be reaping the positive results for years to come.


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LEADERS

BUDGET

Missing signals

One hurdle is passed, many more remain to be overcome

Three months is not a long time, depending on one's perspective. If you are a rock that has had Mediterranean waves washing up against you for the last 11,000 years, three months are almost nothing. A blink. On the other hand, if you are a silk moth eager to feast on mulberry leaves, three months is more than you can expect to live under any circumstances. And if you are an annual budget, three months are 25 percent of your shelf life.

For the Lebanese political process, it was a sort of qualified success to see the 2019 budget move over the course of three months through three stages of its life cycle. Beginning with intense cabinet deliberations throughout May, the draft budget endured scrutiny by Parliament's finance and budget committee in June. It then underwent a purported final metamorphosis into a veritable law in the second half of July, albeit with extremely assiduous expenditure of hot air over three days of debate on the floor of Parliament with voting on the fourth day and achievement of a solid majority of almost 65 percent of votes.

The success of the budget process at the end of July must nonetheless be seen as limited or even very limited. This is not only because the 2019 process was late in commencing. What raises the bigger questions is that firstly, the process was kidnapped time and again by competing practitioners of political brinkmanship. Cabinet leaders, stakeholders, and members of Parliament all underperformed in emitting signals of real and traceable reforms. Secondly, the political class failed to send signals of their will to make meaningful sacrifices, such as forgoing part of their own wealth for the sake of the country.

Most of what is known about the budget's removal of privileges from holders of political offices is a rectification of non-productive privileges that should never have existed in the first place, such as the right of MPs and highest officials to import a, however luxurious or showy, car per year and not pay customs excise tax for it. In contrast to sending convincing signals of personal sacrifice as role models that citizens can emulate, the members of the supposedly reform-eager Lebanese cabinet and Parliament have, judging by conversations on the streets of Beirut and squares of outlying villages, excelled only in increasing the Lebanese people's already ample levels of doubts about political sincerity among MPs, their disaffection with the leaders of political parties, and the outright deep systemic distrust that most Lebanese people express, sometimes explosively, when you ask them about their government.

The success of the budget process at the end of July must nonetheless be seen as limited or even very limited.

WHAT COMES NEXT?

As such, budget-making was far from immune to the self-interests of political dons and their influence blocs in cabinet and Parliament; the budget that was voted on in Parliament on July 19, moreover, remained questionable as to its actual capacity to bring achievements for fiscal health and more than questionable as far as the budget's projected net fiscal benefits when juxtaposed with its real economic impacts on enterprises in fragile Lebanon. On top of that, even three months proved not enough time to arrive at a law that could be published in the Official Gazette by the end of July. That was the moment when the sudden, and perhaps not even the last, strange twist in the tale came in the form of the revelation that disputed formulations in one article in the 2019 budget, article 80 containing a provision about specific ranking civil servants and their hiring, was holding up President Aoun's signature.

The resulting pupa of a budget is filled with a body of law of which no one can be sure if it will emerge as a nocturnal moth that just sucks money and is as scary as many in the business community perceive it, or take flight as a butterfly whose scintillating flutter lures investors into committing funds to Lebanon's flowery bouquet of infrastructure, public-private partnerships, Capital Investment Plan, and Lebanese Economic Vision propositions.

Another looming question is even if the budget law will be able to fly; in the most adverse speculation, it might be too heavy to lift off the ground or yet be annihilated by some unforeseen factor. Even if it flies like a butterfly and produces some numerical results of revenue enhancements and cost reductions—albeit no one can predict which ones—and turns out to be the most prolific of all of history's budgetary butterflies in the art of seducing multilateral lenders with the Lebanese scintillation under the CEDRE plan, all that such success will hatch with certainty is an increased national debt.

That running up debts is anything but risk-free and increases a debtor country's dependency on the goodwill of multilateral agencies, such as the World Bank and the International Monetary Fund (IMF) is self-explanatory, but this truth was also made specifically clear last month. Running on this track, there were the various structural reform recommendations by the

LEADERS

IMF in its July 2 Staff Concluding Statement of the Article IV Mission. These were recommendations that were on one side formulated as a long list of "authorities should" statements down to detailed and very precise demands, for example that reforms should include "incorporating Council for Development and Reconstruction (CDR) spending in the budget and passing a public procurement law."

Then there were the fiscal recommendations. Calling it "critically important for debt sustainability," the IMF advised Lebanon in no uncertain terms to implement a fiscal plan "based on credible and permanent measures" able to yield a substantial primary surplus over the medium term. The hints that followed were not subtle. Increase VAT. Stop tax exemptions of diesel and increase fuel excises. Make the temporary interest tax hike into a permanent one. Improve tax collection.

These measures make perfect economic, and in case of proper tax collection, social sense, if the latter is linked to progressive taxation and comes with transfers to the poor but avoids creating poverty traps and barriers to seeking employment. But measures such as the ones so strongly proposed by the IMF that it feels like an imposition and intrusion into the political realm—tilting it further away from democratic processes where social and economic goods should be negotiated inside a polity—can only remind of the fact that the economic thinking of the IMF has no companion of social wisdom. This realization has forced itself upon clear-headed observers time and again in the interventions that the IMF has historically dictated and imposed on states in need of bailouts.

Funnily enough in this context, the IMF, at the end of July, launched its search for its next managing director (and successor of departing Christine Lagarde) with the top two requirements stipulating a "distinguished record in economic policy making" and an "outstanding professional background" with proven managerial and diplomatic skills. Terms like social competency or social policy-making do not feature in the job description.

In Lebanon's case, where there is no request to have a bailout program under IMF tutelage, the fund should restrain itself from prescribing any fiscal measures that would come with crippling impacts on far too many families and entire regions whose social realities no IMF delegation has diligently explored. The social needs of the Lebanese polity with its many fragmentations and insular communities are something no international assessment has ever fully comprehended, let alone addressed.

> Measures can only remind of the fact that the economic thinking of the IMF has no companion of social wisdom.

NEED FOR CREDIBLE SIGNALS

It is a different matter if central bankers consult with the IMF and ask them for monetary and financial advice, which the IMF has expertly delivered, including repeated acknowledgements of the economically counterintuitive, but in Lebanon's case prudent, dollar peg of the Lebanese lira (the 2019 Article IV statement says nothing about floating the lira, but offers instead reassuring sentences such as "The BdL has been the linchpin of financial stability and the guardian of the peg").

This runs up to the conclusion that the only reasonable way fiscal recipes would conceivably be near-imposed on Lebanon's politicians by an institution like the IMF is that the Lebanese political class has failed to do two core jobs, the first being the job of sending signals that the citizenry sees positively and that generate a demonstrable level of mutual confidence between government and people of Lebanon. Moreover, the political class, despite all the efforts invested into the 2019 budget creation process, has secondly not delivered a law nor formula that emits trustworthy structural reform signals.

Executive, therefore, calls for the political class of Lebanon to start understanding the people and their social conditions, to send credible signals of personal sacrifices and commitment to the country's public goods, and to legislate socioeconomically sustainable policies—not waiting until the increasing indebtedness and global financialization of the country gives the voting blocs of multilateral institutions, investors, and financial market players control over the social affairs of the Lebanese.

Furthermore, our law and policymakers need to exponentially increase their efforts to understand the interdependency between structural reforms and economic rebirth. Our political class would need to start sending convincing messages showing that Lebanon's power groups can forget their adolescent fantasies of omnipotence, control their jealousies of their co-religionist peers in the next village, and actually get their hands clean by doing constructive legislative work and implementing reforms.

Just like cultivation of the humble silkworm enabled enterprising people in hillside villages to spin silken threads into a pillar of economic prosperity in the period during which the Lebanese polity was still a pupa enclosed by the Ottoman Empire, the 2019 budget still could, in a very unlikely, but almost ideal, scenario of structural reforms and reconstruction of trust, give birth to a reality of political sanity, administrative efficiency, and more sustainable economic prosperity in Lebanon.

Travel Healthy; Travel Prepared

LAU Medical Center – Rizk Hospital launches unique Travel Clinic

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The Travel Clinic has mainly developed a country by country recommendation that you will receive upon visiting.

Furthermore, general travel guidelines outlined by the travel clinic include the following tips and measures prior to, during and post travel, to make sure you are optimally prepared and health-aware:

BEFORE TRAVELING

- Making sure your vaccinations are up to date as some countries require an International Certificate of Vaccination; the Travel Clinic can advise you accordingly and provide you with the necessary vaccinations.
- Inquiring about specific preventive medications for particular destinations, such as prophylactics for malaria for example.
- Packing chronic medication in sufficient amounts for a longer stay, and keeping them in your carry-on luggage to ensure they get there with you.
- Packing sunglasses, sunscreen (at least SPF 15), alcohol-based hand gel (at least 60% alcohol), insect repellent, and a mosquito net in suitcases, depending on your destination.
- Packing a travel health kit that includes prescription medicines in their original containers, copies of prescriptions, antibiotics, first aid items (for wound care), digital thermometer, and medications needed for symptomatic management of pain, fever, nausea, allergy and diarrhea. The Travel Clinic can advise you on all these contents.

WHILE TRAVELING

- Making sure to avoid unpasteurized dairy products, unwashed or unpeeled raw fruits and vegetables, raw or undercooked (rare) meat or fish, and raw or soft-cooked (runny) eggs to prevent food intoxication and diarrhea.
  Drinking enough fluids regularly and in small amounts is strongly recommended as well.
- Staying and sleeping in air conditioned or screened rooms with closed windows or impregnated mosquito nets is crucial to avoid bug bites. Checking your body for ticks after outdoor activities, and removing them carefully and as quickly as possible, is an absolute must as well. If bitten by an insect, avoid scratching and apply hydrocortisone cream or calamine lotion. Not to mention refraining from outdoor drying of your clothes; iron them on both sides instead.
- Protecting your skin from UV radiation is necessary by using sunscreen (at least SPF 15) every 30 mins, wearing appropriate clothing, and avoiding sun exposure from 10 AM to 3 PM.

AFTER TRAVELING

- Taking your prophylaxis and any other prescribed medication is required even after your trip has ended, to ensure full protection as instructed by the Travel Clinic (or your doctor).
- Reporting any insect bites or animal scratches endured during the trip is also recommended so that your physician can be aware and advise on any necessary measures.

In conclusion, LAU Medical Center - Rizk Hospital's newly launched Travel Clinic aims to ensure the welfare and peace of mind of all its visitors, marrying its mission to heal with compassion with the world's hunger for adventure and discovery.

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By Thomas Schellen

THE GAP IS GROWING WIDER

The Lebanese educational landscape

Despite large variances in concepts of what constitutes a good education and the curious inconsistency which individuals tend over time to exhibit on the matter, the value of education as a public good is constant throughout history and across societies as diverse as classical Greece, imperial China, and contemporary America. In our global era of universal human standards, education is affirmed in the Sustainable Development Goals (SDGs) of the United Nations and has become elevated from a lofty but vaporous ideal to a target of nations.

But that declaration of promise for every society was 22 years ago. Although progress toward achievement of the SDGs and the predecessor Millennium Development Goals is being achieved and measured, the quest for quality education is still fraught with question marks (see Last Word page 80).

In the context of globalized capitalism since the late 20th century, it has, for example, become a growing trend to glance over or ignore the development of personal values, social competency, and self-confidence that is coherent with an individual's role in a sane society. But even if one only focuses on the "easier" target of getting a useful education in the sense of its economic utility, the world today, including Lebanon, is faced with growing problems about achieving an education with adequate economic benefits, let alone adopting new targets of education as necessitated by social and technical changes, such as the digital transition.

In Lebanon, these problems are exacerbated by one particular barrier, educational financing. This barrier to accessing a quality education applies universally to private households, whether they are seeking to enroll their children in primary and secondary school, or are moving them into tertiary education, of which Lebanon has an impressive number with large variances in reputations and tuition costs.

Stratification into different tuition and quality categories across Lebanon's regions (see story and infographic page 24) frequently begins with pre-school and extends through the educational system, where 70 percent of costs are covered privately by Lebanese families. The top tier of tertiary education in Lebanon generally is perceived as consisting of private universities based in Beirut, such as the American University of Beirut (AUB) and the Lebanese American University (LAU) on the English side, and Université Saint-Joseph (USJ) and École supérieure des affaires (ESA) on the French side. According to the available statistics, about one quarter of the country's 120,000 students in a given cycle attend one of these pricey universities, as contrasted to about 37 percent that attend the public Lebanese University—an institution that is perennially battling a set of political and administrative challenges (see comment page 36). The balance of 38 percent of students in tertiary education are distributed over the fragmented landscape of around 35 privately owned institutions of medium- to medium-high reputation (and commensurate tuition fees), which are legally not-for-profit enterprises and mostly opened in the 1990s and after.

The financial barrier to accessing quality education applies universally to private households.

HISHAM AND ALI

Irrespective of the specific institution and education level, it is easy to get testimonies from parents on the financial challenges. Hisham and Ali are two 40-something fathers. Ali owns a taxi. Hisham owns a hair salon. Both men are retired from the Lebanese Armed Forces, and both belong culturally and economically to the Lebanese middle class—which today means, primarily, that each of them passionately laments how the leaders in the nation's political theater cannot be trusted.

In further parallels, both their families include two working parents and children in education and both struggle financially. Ali, who has two kids aged five and 12, is clear on his next major expenses: $2,800 of school tuition for his younger and $3,200 for his older child. “My wife is working full-time. I bought this license and taxi company to be able to give our income an extra push so that I can pay [for] school,” he says, adding with exasperation: “All that I work for is to pay for schooling. It is the same with me as for so many people in Lebanon.”

Hisham is looking at a new level of tuition stress; two of his children will soon enroll in a highly reputed university that will cost around $16,000 of tuition for the year starting this fall, and jump to $33,000 of tuition for both his children one year from now. “I have talked with the bank, and they will give a loan that covers about 30 or 35 percent of total tuition. But how can I pay tens of thousands of dollars each year? I have put a ‘for-sale’ sign on my house,” he exclaims, while the flat screen TV in his hair salon shows live pictures from the budget debate in Parliament. Hisham turns up the volume. Just now, two MPs are haranguing over who should talk for how long.

THE TWO FACES OF LEBANESE EDUCATION

As it is with practically all public goods in Lebanon, except for security, the allocation of public funding to education is rather low in international comparison when expressed as a share of GDP. Described in a 2017 education public expenditure review (PER) of Lebanon by the World Bank Group, the government expenditure in the first half of the 2010s was equal to 2.45 percent of estimated GDP and 6.4 percent of all expenditure. According to the researchers, total government expenditure on education was about $1.2 billion annually and slightly below out-of-pocket annual education expenditure of private households of estimated $1.3 billion. Bank loans and structured savings instruments for building up education reserves are available from banks and insurances, but not used extensively in the country (see box right).

When private allocations of funding in Lebanon are taken into the equation, the country’s total expenditure on education reaches a comparable level to what in many other nations is managed under paradigms of progressive taxation, transfer payments to weaker income groups, and public administration.

Moreover, the share of education in total government expenditures has fluctuated rather extensively. By World Bank data collections, public expenditure on education—consisting of government spending on public and private education institutions, education administration, as well as subsidies for households and other private entities—reached 8.58 percent of all government expenditure in 2013, but in previous years had vacillated between 5.5 percent in 2009 and 2010, less than 6 percent in 11, and a bit over 7 percent in 2016. And the fiscal commitments to education are not encouraging. “While government expenditure in absolute terms has gone up since 2005, the percentage share of education expenditure as a percentage of total expenditure has decreased by 17 points during the last decade,” the PER noted.

Top-reputed private schools in Lebanon are nests of quality education where future careers are being built for children from age three.

The deeper one looks, the greater the disequilibrium between public investment in education and private households’ burden of education expenditures appears. Additionally, whereas investment in education in Lebanon has “high returns” according to the World Bank—when comparing the income levels of people with a university degree against those of less-educated individuals—the opportunity cost, speed, and degree of certainty of labor market returns on investments in tertiary education in the domestic economy of Lebanon are factors of significant concern that are not mentioned in the report. These factors include the high unemployment of labor market entrants, and a high likelihood of university graduates will have to accept jobs that are socially, skill-wise, and geographically distant from their area of study.

Furthermore, the overall level of entry-level remunerations in Lebanon’s difficult economy is at increasing disparity to the growing cost of education. Kim Issa, director of advancement and alumni relations at the International College (IC) in Beirut, teaches undergraduate students at LAU

What happens when a family's pockets are not deep enough to finance their children's education? The answer that has come to prominence in the more capitalist societies of the world—led by the US—has been: get an educational loan. The results in contemporary America have been, well, impressive. On one hand, the percentage of millennials with bachelor degrees and above is the highest in history and 10 to 15 percentage points higher than in previous generations. On the other hand, sources such as the Federal Reserve and the College Board are reported to say that around 70 percent of students enter working life with the burden of student debt. According to a recent statistics by San Francisco-based Fintech site Credible, some 43 million borrowers of student loans in the US owe a total of almost $1.6 trillion—or more than $33,650 in average education debt per student.

In Lebanon, most people still do not face the dismal choice between practically being indentured by education debt for half of their lives and not pursuing a higher education. On one hand, Banque du Liban (BDL), Lebanon's central bank, has exhibited its customary prudence in the area of education lending. BDL has instituted privileges and exemptions from some retail banking regulations for educational lending as far back as Circular 81 in 2001 and has included some subsidies for educational loans in the course of providing various stimulus packages to the Lebanese economy in recent years. According to a statement cited recently in *The Daily Star*, BDL has extended support for educational loans issued in Lebanese lira over the past 10 years for a total amount of LL303 billion ($201 million) with around 11,250 student beneficiaries.

Lebanese banks over the years have offered a number of short-term school loans—education experts told Executive that many families would shun these one-year finance facilities because of the associated fees and also because they felt confident that negotiating payment schedules with schools would be easier and bear less formal risk in case of missing a payment. Banks and insurance companies also attempted to market education savings plans and a variety of savings-cum-life insurance schemes that have, to date, increased in convenience, customization options, and transparency, but not necessarily in terms of uptake with a Lebanese population that is still overly shy when it comes to voluntary insurance.

Banks contacted by Executive confirmed that families in search of long- and short-term education loans still have options in the retail lending market, even as the banking sector has in recent months been tightening the total lending portfolio by more than $3 billion, according to BDL numbers cited by Bank Audi.

BML Bank tells Executive that they offer loans with 1 percent interest on a one-year tenor, the length of time until the loan is due, for $1,500-$3,000 to help parents facilitate tuition payments at primary and secondary schools. Dana Alaywan, head of marketing and communications at BML says that the total amount of these loans disbursed is confidential. When asked about the trend of banks deleveraging loan portfolios, Alaywan says, "Deleveraging loans will not impact student loans since we get new people whom are requesting loans every month, and settling a loan fully without delays is something positive."

Ronald Zirka, head of retail and marketing at BLF, corroborates this by saying that BLF's educational loan was not affected by the general deleveraging trend because it is subsidized by BDL. BLF tells Executive that they granted around 200 educational loans for university students in 2018 amounting to $3 million. By the close of June, 80 loans had been granted totaling $1 million, equaling 5 percent of total lending as of the same time period. Additionally, findings in BLF's corporate social responsibility report from 2016-2017 show that they spent $173,816 on educational scholarships and donations in 2017.

There are other options, but these chances are often slim or very slim, such as a family's hope to earn one of a handful of full-time scholarships at schools and universities. In other, more widely accessible solutions, banks and universities can work in partnership to help students pay tuition. At the Lebanese American University (LAU), where, according to information on their website, tuition ranges from $597 per credit hour for new nursing students ($7,135 per 12-credit hour semester) and $906 per credit hour ($10,850 per semester) for pharmacy students, the administration began offering loans with subsidized interest by partnering with banks. However, only around 10 percent of students use this option, says Ghada Abi Fares, director of financial aid and scholarships at LAU. According to her, around 52 percent of students receive some kind of tuition assistance, including financial aid and scholarships. Another option to offset high costs is to look for an external scholarship, but she said the number of students who secure these is only around 50 to 60 per year, and they typically cover only a small portion of total costs.

While the borrowing road to attaining higher education appears less inviting in Lebanon than in many developed countries, the assumption of such long-term obligations at an age when any bet on a student's personal economic future has lately been overshadowed by heightened risks from economic slowdowns to displacement of many white-collar jobs by automation and artificial intelligence, the informal use of family resources for the finance of their children's, grandchildren's, nieces', nephews', and cousins' education cannot be dismissed as old solutions. Although stressful and often requiring personal-level "unconventional finance" or financial engineering, they may yet prove to be more resilient solutions than extreme reliance on bank loans.

in their final year before graduation. In Issa's experience, students predominantly have no illusions about what salaries they can ask for if they enter the domestic labor market. If fresh graduates receive salaries of $1,000, or even $8,000 from the more desirable local employers—a reasonable expectation based on the career options offered by major Lebanese banks—the existing dichotomy between domestic salary prospects and education costs at top universities is not abating.

Ample anecdotal evidence from the current student cohorts, therefore, point strongly to the long-standing propensity of bright young Lebanese with top education accomplishments to search for careers almost anywhere else in the world, because the home market has no viable offers for them.

Thus overall, the aggregate investment that private households in Lebanon make in their education seems to stand in direct inverse relation to the investment made by the public sector and, in an economic sense, to the domestic return on education investments. In this sense, the lack of information on the education sector's current and expected contributions to the economy (see comment on page 32) and total factor productivity is just the beginning of the opacity on what education means for the GDP of Lebanon.

Assessing the return potentials of education investments in the Lebanese context is made additionally difficult by the extreme long-term character of education investments, and the vagaries of having to make these investment decisions at a time when the aspirations of young students are immensely lacking visibility on the side of sustainable personal occupational inclinations, and on the side of future market demands for their expensive skills and the assessment of how much the education sector contributes to the country's total factor productivity and GDP.


The quality education at these private schools comes at prices that exceed average private school tuitions up to four times. At IC (pictured) the average elementary school tuition is $11,464 per year.

Even more opaque is the potential of the Lebanese education system when approached under the question if the system will be able to fuel the human capital formation in Lebanon in the near- to medium-term to a similar extent as in the past 50 years, when brains were widely perceived (by the Lebanese and by Arab and other alert employers outside of the country) as the single exportable and internationally most competitive asset. A hint on the questionability of this potential already by existing metrics comes from a barely average standing of Lebanon in the World Bank's new human capital index (see comment page 68).

> In Lebanon, there is a definite suggestion that wealth inequality contributes to differences in educational attainment.

PLACING BETS ON LEBANESE VIRTUES

In Lebanon, there is a definite suggestion that wealth inequality contributes to differences in educational attainment, and also a view that such gaps are not shrinking. With regard to the former issue, the World Bank's PER highlighted the gap in education attainment between students coming from high-income households and low-income households as very high. The PER said, "Significant wealth inequality exists in the performance of students," and added "inaccessibility of private schools to the poorest implies that private schools are hindering equity rather than promoting it."

Having to agree fundamentally with the analysis that top private schools are not doing enough to promote equity of education in Lebanon, IC's Issa, nonetheless points to pull-on effects that highly reputed private schools can bring to the education landscape by positively interacting with underprivileged schools. Top schools, which have a survival need to provide prime education methods to their clients, according to Issa, can convey ideas and methodologies such as professional fundraising from their successful alumni to financially less fortunate schools, just as underprivileged schools can be inspired to emulate new methods introduced in top schools such as creation of leadership centers and progressive teacher evaluations.

Another field where Lebanon's education providers can open new ways are related to adoption


You see a bride playing a sonata.
At Fidus,
we see John Lennon's USD 2.1 million
"Imagine" piano.

of future-oriented pedagogical tools and courses. There is a new draft law in this regard that in some minor Lebanese miracle was sponsored by MPs and drafted with a preamble that highlights how important tech education today is for development of the global economy. The draft substantially proposes, to noteworthy detail, adding to the national curriculum lectures that cover subjects such as online ethics, robotics, programming, and artificial intelligence. There are furthermore practical examples from several years of coding programs that give good indications of what works in Lebanon in this regard (see article page 42) and noteworthy edtech startups, several of which profess to more than just their next venture-capital raising and economic growth targets (see story page 50).

In the unlikely event that reform of Lebanon's public sector thinking would result in a marked shift from the current reliance on more or less clandestine savings and tax avoidance of the upper-third of income earners, with the implied need for out-of-pocket finance of health, education, and retirement by these relatively affluent families to the detriment of those who cannot accrue such savings and who would, in a more redistributive system, be net beneficiaries of financial transfer payments, Lebanon could shift to more active functioning of public administration units in managing education.

The skills, passion, and vision needed for such a radical transformation are in existence, and the required processes are not impossible to fathom for the performance leaders in the Ministry of Education and Higher Education (see MoEHE comment on page 30). However, the odds for such a transformation of the Lebanese political DNA seems today nearly as low as the chances for a kid from a one-room village school in the extreme south of Lebanon to receive a scholarship at a top private school with US affiliations.

The remoteness of a quick change in the public management of the Lebanese education sector under the existing political paradigms is demonstrated by the issue of special education needs (see story by our summer intern page 38). It is as depressing as it is instructive. As MoEHE clarified upon request by Executive, the Law 220 (2000) has not been adequately empowered through issuance of the requisite implementation decrees. Implementation decrees are still outstanding as they need to be "developed and agreed upon by several ministries including the Ministry of Social Affairs, Ministry of Health, Ministry of Internal Affairs, and Ministry of Labor," MoEHE said.

The skills, passion, and vision needed for such a radical transformation are in existence.

The ministry explained that implementation of education for children with special needs is being pursued in terms of construction or upgrades of school buildings with disabled-accessible infrastructures, in terms of academics, teacher and staff employment, as well as education planning.

Under the circumstances, the most feasible option of the education system in Lebanon and all aspiring students and parents might be to trust in the national heritage of education as a springboard to the future and reignite or further develop informal, perhaps even wasta-driven linkages that allow underprivileged schools to emulate or inherit some of the advancements that the institutions at the top of the performance ladders in primary, secondary, and tertiary education have adopted.

As the PER also notes, Lebanon's education sector was able to cope much better than the country's habitual internal naysayers and external critics might have expected (resilience in dealing with the refugee crises of the last seven years is another parallel between the public goods of health and education, besides their under-provisioning with fiscal resources).

The latest reference for the changing story of education is digital (see comment on page 46). This is the biggest education game changer for the generations that have journeyed through the second half of the 20th century and into the current era—it is possibly even the biggest game changer in the history of education. As Issa says it, "If you do not invest, you will be falling behind, and in the age of digitalization you can become outdated very fast."

By Nabila Rahhal

BETWEEN A ROCK AND A HARD PLACE

Private schools struggle to provide quality education at a reasonable cost

This year marked the 200th anniversary of the death of *al-Muallem* or the master Butrus al-Bustani, a writer and scholar, who founded one of the first schools in Lebanon, *Al-Madrassa al-Wataniya* (the national school) in 1880. The school was based on national principles and was open to all without discrimination—a change from the religiously run schools that were the only option prior.

Before Bustani's school—and the others which were established in buildings around the same time—schooling was common place in Lebanon, albeit under oak trees. *Madrasset tahet el-sindayneh*—literally translated as "the school under the oak tree," in reference to the school grounds under the shade of a tree in the town square—were informal schools for the village's children taught by the priest or sheikh for all ages at the same time. Topics of instruction were reading, writing, and math, and students were deemed "graduates" when they mastered those three subjects. Of course, then, as now, there was a distinction in education along class lines; the children of the village's notable figures were not educated under the oak tree, but through private tutors.

Regardless of their income level, Lebanese have historically valued education, seeing it as an investment in their children's future. However, the cost of this investment is becoming increasingly restrictive given the dismal economic situation of the country.

Executive talked to the administrators of a selection of private schools in Lebanon—largely catering to mid- and low-income students—to see how they are managing to maintain this balance between providing a quality education that meets the demands of the 21st century, and keeping their tuition within an affordable range for parents.

A NUMBERS GAME

Education is perceived as a noble mission where ideally money should not be an obstacle or barrier to accessing quality schooling, but the reality is that private schools in Lebanon have costs and expenses they need to meet, and can, to an extent, end up operating like any business. According to Mohamad Hamadeh, director of the Philanthropic Islamic Amlieh Association—a non-profit that owns and operates five schools in Beirut—Law 515 (1996) obliges private schools in Lebanon to split their budget between paying teachers' salaries, operational expenses, and curriculum development, with 65 percent locked in for the former and 35 percent left for the latter two. Based on that division and on the number of students they have, schools then calculate their tuition fees.

Nabil Rahhal (the author's father), an educational consultant and former board member of Marjoyoun National College, explains that, in Lebanon, teachers begin at a base salary and every two years are granted an increase to this salary. The value of this pay rise (known as *darajeh* [step] in Arabic) is dependent on their degree and years of experience. This means that a school's expenses are constantly increasing and accordingly, says Rahhal, schools' tuition fees are normally increased annually by a single digit percentage.

However, Lebanon's declining economic conditions have rendered parents unable to afford these increasing tuition fees. "The educational sector is not isolated from the rest of the country and is hit by the economic situation of the country," Rahhal says.

A LAW OF ITS OWN

According to Father Boutros Azar, secretary general of the General Secretariat of Catholic Schools and

coordinator of the Association of Private Educational Institutions in Lebanon, schools in Lebanon had been suffering from the country's economic situation for a long time, but the straw that broke the camel's back was the passing of Law 46 (2017), which increased salary scales for public sector workers. The controversial law, which was protested heavily by school administrations, but also much fought for by teachers and public sector workers—who had not seen a significant wage increase since 1997—has three components. The first was an increase in the monetary value of the pay rise that teachers earn automatically every two years (from an average of LL35,000 to LL50,000). The second was adjusting and raising the wages and salary scale, so starting salaries increased. Those two components roughly amounted to a 40 percent increase for each teacher, according to Shukri Husni, chairperson of the board and director general of the Learner's World International Schools (LWIS), which operates four schools across Lebanon. Both these components were implemented by all private schools, says Azar, despite the financial strains they inflicted.

The law also stipulated that all teachers get six additional pay increases at once, in a one-off move (the equivalent of 12 years of pay increases). For example, a teacher who has been teaching for six years has had three increases in her salary, but will be given the additional six, amounting to a salary jump of around LL300,000.

This situation placed private schools in a classic catch 22. "Here schools are faced with a dilemma," Rahhal explains. "They need to increase their tuition fee to pay the increased teachers' salaries, but if they increase their tuition drastically, parents will no longer be able to afford putting their children in that school, and so the number of students will decrease—negatively impacting the school's budget and its ability to pay salaries."

For those schools run by religious bodies—around 70 percent of the schools in Lebanon—Azar says that none were able to grant their teachers the one-off increase, not because they did not believe teachers were deserving of it, but because they simply could not afford to increase their tuition fees any further. "Teachers should surely be recognized for the noble job they do educating our children, but there has to be a balance," Azar says, stressing on the feasibility of the salary hike. "We have always said that we are [in agreement] with a balanced [between the financial abilities of parents to pay and the financial needs of teachers to have a living wage], feasible, and fair salary scale."

Private schools that cater to low-middle- to middle-income households were also largely unable to finance the additional increases and were open with their teachers regarding the situation. "In our lower fees schools, we paid the new scale—which is a 40 percent increase—but could not pay the additional six increases, which would have given them another 30 percent increase," says Husni. "If such schools pay the six increases, it will mean that school fees will be significantly raised, which may cause such schools to eventually close. Most teachers do understand this difficult situation." Rahhal points out, however, that oftentimes teachers reluctantly accepted not receiving the one-off increase fearing that the alternative would be school closures and losing their jobs.

> Since 2012, Catholic schools have lost 85,000 students from their previous total of 190,000 students.

SCHOOL CLOSURES

Despite most private schools that cater to low-middle- to middle-income households not providing their teachers with this one-off payment, they are still struggling financially under the current economic situation—some have even been forced to close. Since 2012, when Azar was appointed to his post, Catholic schools have lost 85,000 students from their previous total of 190,000 students. Since applying—some of—Law 46 in 2017, 20 Catholic schools have shut down, bringing the overall total of Catholic schools down to 330 (Catholic schools constitute 5 percent of the schools in Lebanon).

Amlieh's Hamadeh says the 65/35 percent ratio no longer makes sense as teachers' salaries are taking up the majority of the budget, leaving much less than 35 percent to cover the bare necessities, such as maintenance of school grounds. "We are in a state of constant deficit, where we have no less than LL1 billion in deficit annually, and it is adding up," Hamadeh says.

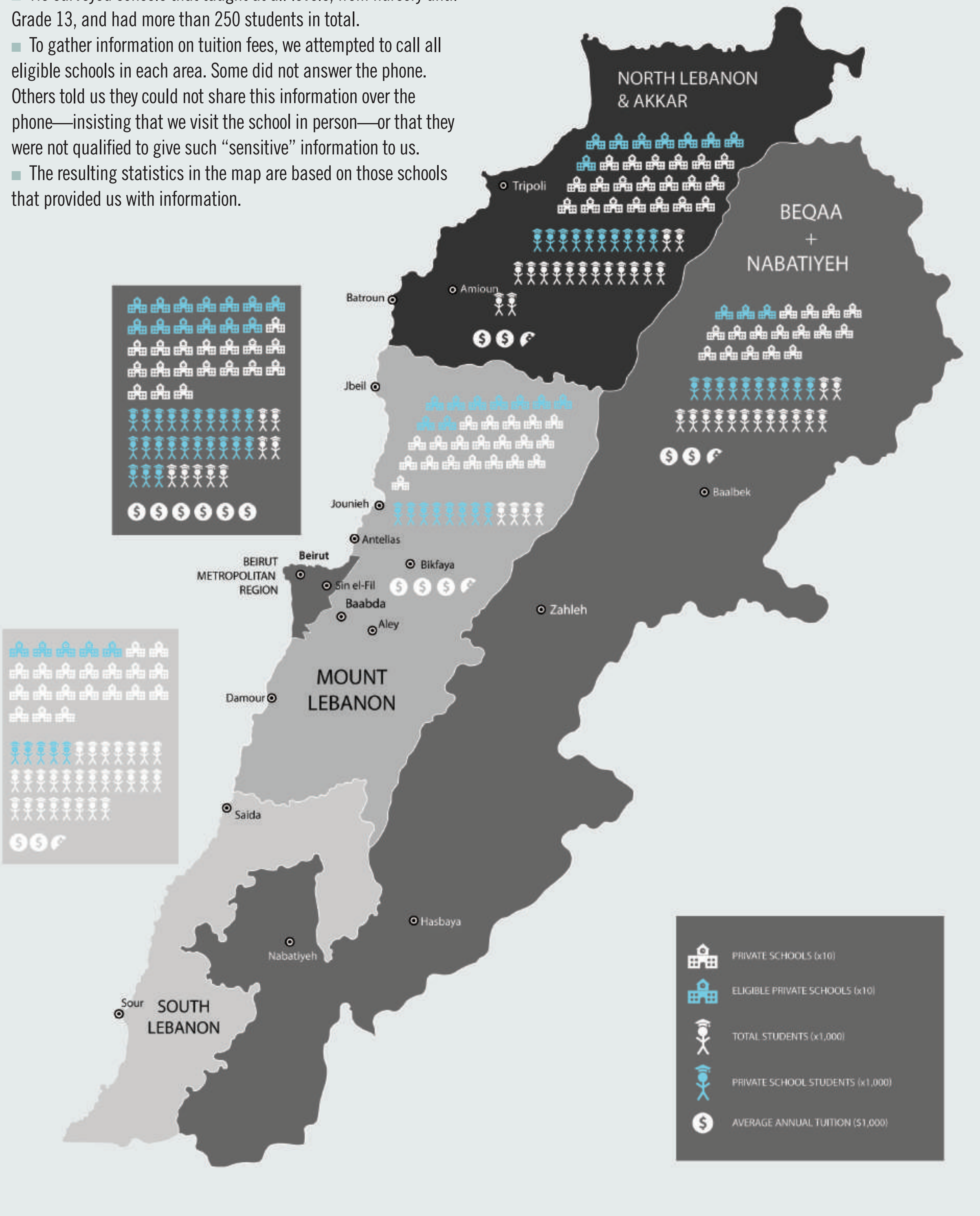
Closing down a school, says Azar, is never an easy decision as it leaves teachers jobless and students struggling to find alternative schooling options or dropping out of the education system all together—something that nobody wants.

EDUCATION IN TOUGH TIMES

Adding to the financial woes that private schools that cater to families of mid- to low-income brackets are facing is that a lot of parents delay paying the tuition, or do not pay it in full. "There is a problem for

MAPPING THE PRIVATE EDUCATION LANDSCAPE

- We surveyed schools that taught at all levels, from nursery until Grade 13, and had more than 250 students in total.
- To gather information on tuition fees, we attempted to call all eligible schools in each area. Some did not answer the phone. Others told us they could not share this information over the phone—insisting that we visit the school in person—or that they were not qualified to give such “sensitive” information to us.
- The resulting statistics in the map are based on those schools that provided us with information.



Source: School Index and Statistics Bulletin updated annually by the Center of Educational Research and Development certain, but obviously it differs from area to area and school to school. The more expensive the school is, the less of a problem it has," LWIS' Husni says. "This is because the 2 percent of the Lebanese who have money still have money. The people who are losing it are the middle, upper-middle, and lower-middle [classes]." He observes that their least expensive school has the highest rate of unpaid tuition fees—close to 25 percent of parents have not paid the tuition fees yet—while their most expensive school has the least amount of unpaid fees at less than 5 percent.

It seems that the further away from Greater Beirut, the bigger the impact of the economic situation on schools. Azar says that out of all the schools under his directorate, the ones that are struggling the most are those in rural areas with a small number of students (see map page 27).

PERSEVERING DESPITE IT ALL

In light of these conditions, schools have had to go the extra mile to make their money. When it comes to unpaid tuitions, Husni says they have several options to manage these losses, short of asking a child to leave the school—an act which he finds inhumane. He has a designated team that is in constant contact with parents who have not paid, supporting them in finding options to pay what they owe, and even allowing them to make payment installments through credit cards—although the school pays 2 percent on each transaction. "We are finding mini ways to deal with a situation that is unresolvable in the foreseen future," Husni says.

Schools have also learned to go beyond the tuition fees to finance the education they are providing. Hamadeh explains that the Amlieh Organization owns the building that houses the Ministry of Finance and it rents it out to the ministry, thereby securing revenues that help their schools finance part of their salary expenses.

Financial aid can be a way of paying for tuition when schools have the resources to run such initiatives; this typically involves reaching out to alumni and/or the community, according to Rahhal. In the LWIS school network, 12 percent of students in school are on financial aid, the money for which is collected from the four owners themselves—who have each pledged a certain amount in financial aid—and from the schools' fundraising efforts, says Husni. He also acknowledges that his schools benefit from an economy of scale, with one school sometimes subsidizing the other, and from the money LWIS makes from educational consultancy work outside of Lebanon. "This allows us to have more of an ability to bear losses, but it is more of a cushion than a solution," Husni explains. "If we did not have this [security], we may have had to consider the closure of the schools with lower tuition in a couple of years, I think."

Azar says the Maronite church supports Catholic schools by not collecting rent from the schools that are on church-owned land, says Azar. Because rent is a major expense for schools, then through this cost cut, Catholic schools can still manage to keep tuition fees reasonable while paying salaries.

Given these conditions, as Husni puts it, "schools have a mentality of survival not development." One has to wonder how much these schools are able to invest in a curriculum or infrastructure that would prepare learners for the 21st century. "When you are barely able to pay salaries, how can you develop your academic and physical infrastructure?" Rahhal says. "This is why such schools are teaching students just to pass the official exams. Schools boast that their students have all passed the official exams, but this is not an indication that they have succeeded in developing a well-rounded personality equipped with the skills needed for the digital future."

Education these days has developed way beyond the chalkboard and textbook approach to include critical thinking and research skills, coding and smart boards, and a plethora of tools and concepts aimed at producing a well-balanced individual who will excel in jobs and fields not yet known to us. Meanwhile, a big portion of schools in Lebanon are struggling just to pay their teachers and remain in operation. Unfortunately, the price will be paid by those students who do not have access to the same quality of education their wealthier fellow citizens can afford.

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By Fadi Yarak

EDUCATION FOR A NEW ECONOMY

The view from the education ministry

The Lebanese economy is changing. Our education system must follow suit. The Ministry of Education and Higher Education (MoEHE) is committed to achieving the United Nations Sustainable Development Goal (SDG) 4 Education, thereby committing to providing access to quality education for all children. Our work contributes to 12 other SDGs for 2030, including Goal 8 on decent work and economic growth and Goal 9 on industry, innovation, and infrastructure. Thinking ambitiously in these areas means Lebanon needs well-thought out strategies for the economy, for education and skills, and for future industries and innovation.

It is also clear that predicting the economic future requires more than a 10-year horizon. The education system must respond from a broad vision right down to what is happening in classrooms and lecture halls every day.

CHANGING MARKETS

Diversity is a key characteristic of Lebanon, and our openness to and appreciation for other cultures dates back centuries. This gives the Lebanese a competitive edge, for as the world becomes increasingly interconnected and interdependent, "cultural competence" is more important than ever. Indeed, a globalized market will require not only technical competencies, but also socio-cultural knowledge and understanding. Global citizenship education is key to ensuring our students are equipped with the skills and attitudes that would enable them to thrive in multinational, multilingual, and multicultural environments.

Another pivotal aspect of future markets is the role of technology. It is evident that the future will hold greater technological and digital dependence. A three-year-old child who enters the education system today will enter the workforce after 2030. It is our responsibility to prepare these children for the future job market. How can we identify the markets and corresponding skills needed 20 years from now, with disruptive technologies altering life as we know it? Social media, smart phones, and ride-sharing applications have had a major impact on how we interact, work, and commute today, and these were all created less than two decades ago. The networking skills prepared through curricula designed 20 years ago would not have prepared today's young job-seeker for the social networking market that exists now.

> The networking skills prepared through curricula designed 20 years ago would not have prepared today's young job-seeker for the social networking market that exists now.

We must think about more innovative and effective ways to incorporate education technology in our education system. Lebanese students have already won multiple awards in robotics. The MoEHE organized a coding week in 2018 that attracted thousands of students, and we are looking into using artificial intelligence to track students' learning outcomes and cater to their learning needs accordingly. We aim to continue in that direction, ensuring we are making the most of what technology can offer to enrich the education of our students and prepare them for the future.

A DIGITAL FUTURE

Given the challenges of predicting markets, we must consider solutions that prepare youth for employment that we cannot yet envisage. One solution that research increasingly points to is a dual education system that simultaneously focuses on broad educational knowledge and the development of positive citizen behavior, whilst being much more explicitly linked to the world of work. This means regular exposure to the "career world" in schools. This could include job-shadowing activities, guest speakers from various professional fields, and workshops/training sessions on the digital technologies and processes used in the workplace. These activities would require intersectoral collaboration involving government agencies, civil society, and the private sector, to capitalize on what each sector has to offer.

Secondly, we cannot continue to view education as the attainment of knowledge alone. Lebanon, like many middle- and high-income countries, has a mismatch of learners to the economy. Solutions start with mapping our economy in detail and transposing the skills needed. We must start with a good foundation of general education, then build on broader competencies, such as creativity, adaptability to risk, and entrepreneurship. Many countries are also considering incentivizing lifelong learning through, for example, individual "skills accounts," so that even adults can afford to upskill themselves as technologies and their own careers change.

Finally, we need to consider our education policies in conjunction with our job creation, and industrial and economic policies. We cannot invest in skills for a digital future if we do not simultaneously invest in upgrading and expanding our digital infrastructure.

Our goal must be to move forward consistently across education and industry, to ensure the future youth of Lebanon are able to adapt, navigate, and excel in this unmapped territory.

Fadi Yarak is the director general of education at the Ministry of Education and Higher Education.

By Diane Nauffal

MEASURING THE IMPACT OF EDUCATION

LAU study a model for solving the problem of data scarcity

The impacts of universities on the surrounding environment go far beyond their gates. Their contribution to the local economy—understood as both direct and indirect effects on employment and overall economic development—is visible to the naked eye. Classic examples include Oxford, England, or Cambridge, Massachusetts, which are unthinkable without Oxford and Harvard universities. In Lebanon, the neighborhoods of Hamra and Jbeil teem with students and faculty from some of the country's most prominent universities.

As a university whose history and mission are directly linked to contributing to the development of its communities, the Lebanese American University (LAU) undertook an economic study to assess its own impact on the local economy. One of the first challenges to address this question quickly surfaced, given the scarcity of significant data and quantitative information to capture the typically complex relationships between investments/expenditures and national economic impact. Because of this data scarcity, the study used an input–output model that permits the use of gross domestic product (GDP) deflators to portray the economy of years following a year for which a complete national accounts data set is possible. Using commonly available administrative data, the model not only allows for the calculation of monetary multipliers, but also employment multipliers that play a major role in the educational sector.

The total economic impact of LAU on the Lebanese economy is greater than the total of the university's direct spending on payroll, goods and services, construction, renovation, and capital expenditure. It is comprised of direct, indirect, and induced impacts. The indirect impacts are the jobs, salaries, and sales generated by the businesses' spending that LAU directly purchases its goods and services from. Subsequently, the jobs, salaries, and other spending of the successive levels of recipient businesses evidence this indirect impact. Induced impact is also demonstrated by the jobs, salaries, and sales supported by employee household spending.

The indirect and induced effect—or alternatively, the multiplier effect—is measured by what is known as Leontieff's input–output economic model, which uses a series of multipliers to provide estimates of the number of times each dollar of input, or direct spending, cycles through the economy with regard to indirect and induced output, or additional spending.

Using the IMPLAN model, the study analyzed 2015 data from the Beirut and Byblos campuses and demonstrated that LAU's total economic impact accounted for the creation of 9,570 employment opportunities, $209 million in labor income, and $897 million in total economic output; the total economic impact of LAU on the Lebanese economy equated to 1.8 percent of Lebanon's GDP for that year.

Aggregated within LAU's total economic impact is the university's out-of-country spending. Lebanon has long been a destination for higher education, attracting students from beyond its borders through its reputation for high-quality education provision. In 2015, approximately 11 percent of the LAU student population originated from outside of Lebanon. Their expenditures within Lebanon are included in this analysis, as they would potentially have attended other institutions outside the country.

Beyond the direct economic impact, the study touched lightly on the broader range of secondary economic impacts that highlight a university's role in enhancing human capital, fostering technological innovation, and promoting business creation in Lebanon. Even without the secondary economic effects, the examination of the impact of one university, in this case LAU, reveals the importance universities bring to the local economy and serves to underscore their critical role in developing the human capital in our country.

The total economic impact of LAU on the Lebanese economy equated to 1.8 percent of Lebanon's GDP for that year.

This was an unprecedented study in Lebanon, and the lack of general economic data was the motivation for which it was conducted. A satisfactory and generalizable solution to the dilemma of lack of data, in the simultaneous context of a wide range of unanswered questions that would rely on such quantitative information, has yet to be discovered. This study suggests one way out of the dilemma: the application of models that allow for a combination of broad macroeconomic data from national accounts, which is generally available even in countries with poor data provision (and in Lebanon's case can be accessed online), and microeconomic data, from institutions with data collection and statistical documentation standards, implementation of which is required by law from all private institutions of higher education in Lebanon. Internationally-oriented universities, multinational companies, and stock market listed companies, subject to the reporting requirements of the securities markets where they are listed (in Lebanon, the Beirut Stock Exchange and soon the new Electronic Trading Platform), serve as such institutions. The combination of these two available data sources in the context of severe data scarcity, with models that allow them to be combined, allow for unprecedented conclusions in much needed areas.

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By Rayan el-Amine

BRIDGING THE GAP

Academia, the public, and policy-making in Lebanon

There has never been a better time to critically assess how and where we get our news and information than these times when social media has become the main source of news for many, and "fake news" not only informs policy-making, but has become a tool for some politicians. Healthy democracies require informed citizens capable of critical thinking, an engaged civil society positioned to propose solutions and influence policy-makers, and universities committed to the transformation of society. Academia is an often overlooked prerequisite for democratic and informed policy-making through its education and research functions as well as its role as a site for public discourse.

Bridging the gap between policy-makers and academia is not easy, especially in the Arab world. The spaces for interaction are limited, and the policy-making process is rarely systematic. Even when policy-makers and academics do interact, they might find out they do not even speak the same language. A 2018 study by the Lebanese Center for Policy Studies on Lebanese parliamentarians found that 63 percent of MPs could not accurately estimate the unemployment rate, and while socioeconomic concerns were priorities for the majority of citizens polled, only 30 percent of MPs shared these concerns. Academics, on the other hand, can be too theoretical in their studies and too "long-winded" when adressing these issues.

Resolving this disconnect does not remove all of the barriers to formulating good policies, but it can go a long way toward envisioning longer-term solutions to everyday problems. At the Issam Fares Institute for Public Policy and International Affairs (IFI) we have focused on: providing a space for policy-related dialogue between academics, civil society, and policy-makers; supporting and facilitating high-quality policy research by professors; and, most importantly, disseminating academic policy-relevant research as accessible publications with clear recommendations.

The reality in the Arab world, however, is that almost 80 percent of Arab nationals are on social media, and around 70 percent report that social media is an important source of news. The internet and social media have made it easy to publish and reach thousands of people at the click of a button. Access to information through the internet has been both liberating and disorienting due to the sheer volume available. Often, it is hard to know the legitimacy of the information unless one is willing to dig deeper and research the source. In this context, distorted and biased information, sometimes referred to as "fake news," can be easily instrumentalized by politicians and pundits through powerful tools of social media at times leading to a highly misinformed society.

The nefarious use of "fake news" for political campaigns has been on the increase worldwide. Of particular concern is its use by populist parties that depend on scapegoating immigrants and refugees for their societies' problems. The use of false or fabricated information to rally a xenophobic political "base" is not history, but an ongoing 21st century blight on developed, liberal democracies across the globe. Here in Lebanon, there is a politicized narrative around refugees that is not very different from Western anti-immigrant discourse by right wing and populist parties in the US or Europe. At IFI, we seek to counter inaccurate information used by politicians and media through a social media campaign that uses everyday language and data visualisation to disseminate facts about the Syrian refugee crisis.

In highly politicized countries like Lebanon, there is limited public space for a healthy, non-partisan, well-informed debate.

In highly politicized countries like Lebanon, there is limited public space for a healthy non-partisan, well-informed debate on the critical issues of the day. It is difficult to find a non-partisan and independent space for the exchange of ideas, but it is even more difficult to have the convening power to bring all the concerned parties together. Building credible institutions, whether academic or civic, to engage in the policy-making process is of paramount importance. Henry Giroux, a leading public intellectual on the societal obligations of educational institutions, argues that, "A democracy cannot exist without informed citizens and public spheres and educational apparatuses that uphold standards of truth, honesty, evidence, facts and justice." Many in this region do not live in a democracy, but these are certainly principles that educators and researchers can and should strive to uphold.

Rayan el-Amine is the assistant director of the Issam Fares Institute at the American University of Beirut.

By Kanj Hamade

A UNIVERSITY FRAGMENTED

Behind the Lebanese University strikes

My father returned to Lebanon in 1994, 10 years after the civil war forcibly exiled him to France. He thought that his PhD from Sorbonne University, coupled with extensive academic publications, would be sufficient for him to find a decent teaching job at the Lebanese University (LU). He soon realized the error in his assumption when he was told that due to his past political affiliations, "only Ghazi Kanaan or Nabih Berri can get you in." It was only in 2008, after 14 years of teaching under contractual working hours, that he eventually got a full-time position. My father's case, however, is not an exception. A five to seven year wait for a full-time contract is the standard period; others have even waited for as long as 15 years.

The full-time employment of contractual professors and the tenure position for full-time professors was one of the demands of the spring strikes. However, this has been a recurring demand that, since the early 1990s, has led to yearly sporadic strikes and long-term sustained strikes. The fragmentation of faculty between contractual (paid per hour), full-time (paid monthly based on yearly automatically renewable contracts), and tenure track professors (open-ended contracts) reflects the system of dependency and control that the Lebanese political class has imposed on LU's professors since the end of the post-civil war period in the 1990s.

> A five to seven year wait for a full-time contract is the standard period; others have even waited as long as 15 years.

POLITICAL PRESSURES

This system, based on political affiliations and sectarian balance, has come to determine people's job stability, academic achievements, research grants, and access to managerial and academic responsibilities. It has subsequently created, in the Marxist sense, a dynamic of alienation, i.e. a loss of essence and self because of the stratification imposed by the political class, and its constant and continuous loyalty checks at each step of the way. Certainly, as an institution, LU is constantly occupied by protests and demands related to the status of university professors, who are new and highly-qualified while job and income insecure.

The Lebanese political ruling class puts the university under constant pressure through the control and alienation of its faculty and through the fragmentation of the university's regional branches. Beyond the idea to open branches in major cities (e.g., Tripoli, Saida, and Zahle), the regional branching extended starting in the early 2000s to a long list of towns that do not facilitate the mix of students from different backgrounds, such as Baalbek, Rashaya, Aley, and Nabatieh. This policy has put extreme pressure on the university's budget and, by doing so, has reduced the quality of education and the student life experience.

A key element of the strike was the focus on the importance of keeping the university budget, and potentially increasing it to further allow advancement of research and improvement. It was clear for the leaders of the spring strikes that further budget cuts meant the end of LU and the subsequent privatization of higher education in Lebanon.

SHAKING THE ESTABLISHMENT

Another demand, which strikers were set on, related to the privileges provided to LU's professors through their mutual fund, namely better health coverage than other state employees, as well as tax-exempted higher education funding for professors' children ranging from LL5 million ($3,333) - LL10 million ($6,666) per year, depending on the age of the child. By my own estimate, payment from the fund can range from 10 percent of the yearly salary for professors with one child in kindergarten, to 40 percent of the total salary for professors with three children enrolled at university level. The issue of the mutual funds also raises questions about the overall health and education policies of the Lebanese government that aim at unifying all health and education payments for state employees, as per reforms detailed under Law 46 (2017) on salary scales. A sound policy reform should ensure universal health coverage and improvement of public school, but these remain far away from the policy agenda. University professors are incentivized to remain mainly to ensure a proper education for their children because of the mutual fund's education subsidy.

While the 2019 spring strike put forward a long list of demands, the main political constraints that hamper the development of LU and the improvement of its program and infrastructure remain issues related to the control of the ruling class over faculty, the fragmentation of the university branches and its pressure on the budget, and the system of incentives proposed to the professors. This system is typical of the Lebanese administration's approach that provides indirect subsidies to the private sector of what should be essential rights, such as health and education, while trying to reduce long-term pension indemnity costs that are calculated based on basic salaries. (By reducing basic salaries and increasing extra benefits—such as daily transportation stipends or school payments, for example—a package can seem acceptable to an employee in the short term, but with pensions only calculated on basic salaries, this will have negative consequences for them in the long term.)

> The Lebanese political ruling class puts the university under constant pressure through the control and alienation of its faculty.

The 2019 spring strike is different from previous strikes because it directly tackled the key issue that constitutes the backbone of LU—the political ruling class. By shaking the establishment, the leaders of the strike have been able to force Parliament and the government to amend the budget law, and meet all the demands made of them—with the exception of an additional five years of pension, and full-time posts for contract teachers (making it highly probable these professors will strike again early in the next academic year). More importantly, by refusing to follow political parties calls and instructions to stop the strike, protesters have inspired hundreds of professors out of their alienation for the first time since the end of the civil war.

Kanj Hamade is an assistant professor of agricultural economics and rural development at the Lebanese University.

By Charlie Darwich-Houssami

TOO MANY STILL LEFT BEHIND

Lebanon's education system is failing students with special needs

Students with physical and cognitive disabilities in Lebanon are being put at a disadvantage by a system that, from the get-go, creates barriers—both physical and financial—toward an inclusive education. While there are signs that this could change in the future, current progress is slow, and on a structural level, the educational system in Lebanon continues to exclude and discriminate against special needs students.

In 2000, Lebanon passed Law 220 that, among other things, guaranteed disabled individuals the right for an education free from discrimination, as well as equal opportunities within private and public educational institutions. Yet, in the near two decades since the law was passed, an implenation decree has not been developed or agreed on by relevant ministries. Human Rights Watch (HRW) carried out research between January and June 2017, in Beirut and its suburbs, Hermel, Akkar, Nabatieh, and Chouf districts, gathering information about the experiences of 105 children and young adults with disabilities, and conducting interviews with six public schools, five private educational centers, 13 Ministry of Social Affairs (MoSA)-funded institutions, 30 disability and education rights experts and advocates, and 13 government officials. Based on interviews with disabled children and their families, HRW concluded that, "children with disabilities were excluded from public schools due to discriminatory admission policies, lack of reasonable accommodations, a shortage of sufficiently trained staff, lack of inclusive curricula (including no individualized education programs), and discriminatory fees and expenses that further marginalize children with disabilities from poor families."

BARRIERS TO EDUCATION

The first barrier children with disabilities face is direct discrimation, i.e., being denied admission into school as a result of their disability. HRW recorded 200 instances of this during its investigation. One of the cases detailed in the HRW report was that of Wael, a 10-year-old boy with autism who, according to his

LWIS Koura is one of Learners World International Schools network's inclusive schools in Lebanon

mother, was denied admission into 10 schools in the Beirut area with reasons given, including, "We don't take handicap [sic]," and "We cannot accept your son because the other parents might not approve."

Others were able to enroll their children, only for the school to then ask them to remove them later. Zahraa, a five-year-old girl from Hermel with a cognitive disability attended public school for a month before her mother received a phone call from the school's principal who, according to the HRW report, informed her that "Zahraa had to leave because, '[the teachers] cannot leave all the other children and just take care of her.'"

Due to the lack of data on the overall number of children with disabilities in Lebanon, it is impossible to give a scale to this problem. By the World Bank's estimate, worldwide at least 5 percent of children aged between one and 14 have a disability; using that metric, HRW estimates that, on the conservative side, there could be around 45,000 disabled children in Lebanon. However, the government agency charged with registering people with disabilities have just 8,558 children on file—perhaps due to the fact that Lebanon does not consider some conditions—such as high-functioning autism, misophonia, and pathological demand avoidance—as disabilities.

The second barrier to inclusive education is financial, both on the side of schools and of parents. To be accessible to children with a wide range of disabilities, schools need to make buildings physically accessible, have teachers trained in special needs education provision, and supply specialized equipment, such as braille books and hearing aids. According to Aya Majzoub, Lebanon and Bahrain researcher at HRW, both public and private schools lack materials, tools, and systems that enable children with disabilities to learn, such as sign language interpreters. In cases where schools do have these materials, they are often provided by an NGO. Given the lack of funding—made worse by this year's budget—there is a real shortage of trained special needs staff. When HRW carried out its investigation in 2017, it found that in nearly all cases, teachers and school administrators had no training on inclusive education methods or ways to incorporate kids with disabilities into the classroom and make sure they were receiving the needed support.

On the parents' side, if they can enroll their children into schools, they are often required to pay extra fees. LWIS Hazmieh is a school focused on inclusivity for students with special educational needs. Shukri Husni, chairperson of LWIS' education committee, emphasizes to Executive the importance of an integrated approach at his school, where students with and without special needs learn in similar environments with adjustments made to accommodate the former. LWIS includes one special needs student per class, with each class averaging six - 10 students. In addition to regular school fees, students with special educational needs pay an extra of $5,000 - $8,000 per year, depending on the student's needs. According to Husni, this is cheaper than in comparison to most private schools, which would require these students to pay double the regular school fees.

> Both public and private schools lack materials, tools, and systems that enable children with disabilities to learn.

A third barrier to a quality education for physically disabled students is the lack of accessibility in these educational institutions. A 2013 UNESCO report concluded that only five public schools in Lebanon met accessibility requirements for those with physical disabilities, such as having a wheelchair accessible entrance, ramps, elevators, disabled parking, and wheelchair accessible bathrooms.

For students who do manage to enroll in schooling, and whose families can afford the added costs imposed on them, there is an additional barrier to face: the lack of accommodation in the Lebanese national curriculum for special needs students. It is up to the schools themselves to adapt the curriculum to suit specific needs. Even in schools with accommodating internal systems, this results in being forced to teach a curriculum that is unfairly difficult for special needs students. "It is especially difficult for learners with special education needs who follow the Lebanese program to thrive and get an equal opportunity as their peers," Husni explains. "To move forward, a major shift in the educational system at the national level is needed. If this does not happen, then many learners with special education needs will not make it past 9th grade."

INTEGRATE, NOT SEGREGATE

One way around these issues is for children with special needs to be sent instead to specialized segregated institutions funded by MoSA, which are designed to serve as educational alternatives. However, these centers came under heavy criticism in the HRW investigation; one disability expert described most of these institutions to HRW as "day care centers—nothing more."

In the draft budget sent to Parliament, funding cuts will make it hard to prioritize inclusion over segregation. The draft budget called for the Ministry of Education and Higher Education (MoEHE) to cut their funding for equipping primary and secondary schools with technical and other equipment for people with disabilities by $138,000, down 30 percent from 2018. At the time of writing, the budget had been passed by Parliament but was not yet signed by President Aoun, so Executive was not able to confirm if these cuts remained the same.

HOPE FOR THE FUTURE?

While the current capacity of schools for special needs students in Lebanon is severely lacking, there are positive signals for the future. The MoEHE ran a pilot program last year, which provided 30 public schools in Lebanon with full-time, specially-trained teachers, and made these schools physically accessible to children with physical disabilities. It also included a mobile teams of paraprofessionals (speech therapist, psychomotor therapist, and psychologist), which was deployed to provide support when necessary. According to the ministry, one outcome of this project, in particular the awareness sessions they have run at schools, has been the "shift from resistance to inclusion towards acceptance and readiness to support" from staff, students, and parents. Over 100 newly-built schools were built disabled-friendly, with a plan to build 25 - 30 more over the next five years. Another 170 schools (including the 30 in the above project) have been rennovated to include disabled-access. The MoEHE is also working on a new curriculum that "will take into consideration students with special needs."

> "It is especially difficult for learners with special education needs who follow the Lebanese program to thrive."

Several universities in Lebanon, meanwhile, have taken the step of including training on inclusivity as part of their courses for soon-to-be educators. Anies al-Hroub, coordinator of the special education program at the American University of Beirut, tells Executive that the university offers a diploma specifically designed to teach its students how to cope with the special education needs and learning disabilities of their future students. The diploma covers all aspects of special education, including behavioral modification, teaching both theory and practice. Hroub also notes that the number of students taking this path has increased recently, which he attributes to a professional demand for special needs educators and growing interest in such courses, even among students not pursuing a degree in education.

Despite these steps, it is clear that special needs students in Lebanon continue to face social, financial, and physical barriers to education. Changing this is important, as investment into special education leads to positive spillovers, through job creation and increasing the opportunity for children with special needs to reach their full potential as adults. All in all, greater efforts should be made to promote an inclusive education system for all children in Lebanon.

HERSCHEL BACKPACK NOVA M PINK
$95

SPRAYGROUND BACKPACK HOLOGRAM SHARK
$96

SPRAYGROUND BACKPACK REVERSE SHARKS IN PARIS BLACK
$96

BOBBY COMPACT ANTI THEFT BACKPACK CAMOUFLAGE GREEN
$129

GOGOPO SURPRISE STATIONERY POD
$15

UPIXEL DOUBLE BACKPACK FUCHSIA
$109

IRIS LUNCHBAG CLASSIC GREY
$48

HERSCHEL SETTLEMENT POUCH WOODLAND CAMO
$29

NOHOO NEOPRENE KIDS BACKPACK UNICRORN MEDIUM
$40

KIDS MIST N' SIP ARCTIC SQUEEZE 12 OZ
$22

UPIXEL PIXELS NOTEBOOK RED
$28

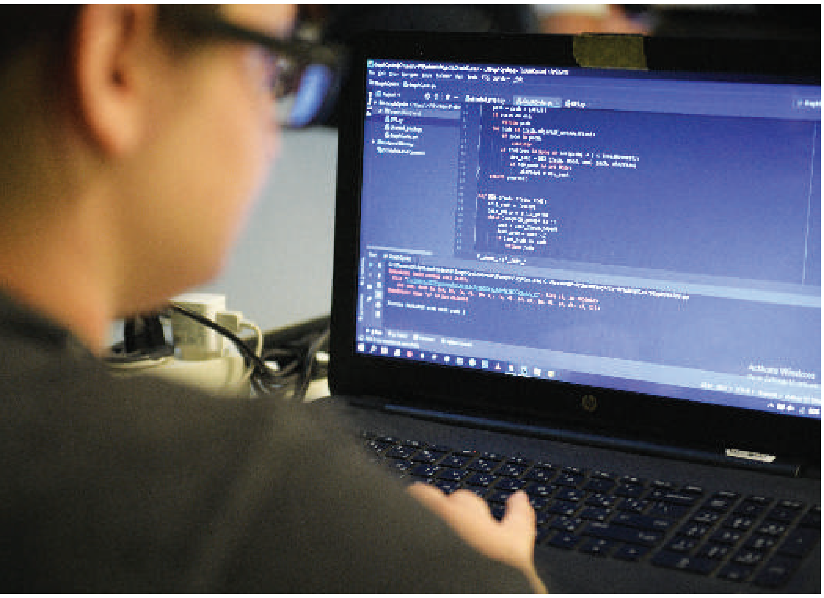
NOHOO KIDS ANTI LOSS BACKPACK RABBIT
$40

BRINGING FUNKY BACK To School

Virgin MEGASTORE

By Lauren Holtmeier

CRACKING THE CODE



Providers search for lucrative coding bootcamp models

If anything about the future can be claimed as certain, it is this: The jobs of the future will be different from those of today, and jobs across various sectors will more heavily rely on skills such as coding and programming. This shift has already begun, and Lebanese entrepreneurs, such as the founders of SE Factory, Codi, and Torch Academy, began looking to break into the coding bootcamp market about five years ago and educate fresh job market entrants.

Information on the size or value of the global coding bootcamp market is not readily available, but a quick scan of available camps shows, at least anecdotally, a fairly large number of these bootcamps emerging globally. One estimate from Technavio, a company that conducts market research, predicts that the global full-time coding bootcamp market will reach $331.96 million by 2021, an 11 percent growth over the five-year forecast period. The Investment and Development Authority for Lebanon (IDAL) reported in 2018 that the Lebanese ICT sector was a fast-growing sector, whose impact, whether direct or indirect, on GDP was expected to be $7 billion by 2025. Such expectations reinforce the notion that Lebanon's knowledge economy and tech startup ecosystem are an apt destination for the funds provided under Circular 331 from Banque du Liban (BDL), Lebanon's central bank. Even before this data was published, entrepreneurs had identified a need and began looking to fill that gap and hopefully turn a profit.

Learning how to code is not just for tech whizzes designing the latest hit app. Working Lebanese must be prepared and equipped to move into these jobs of the future, as more traditional sources of income are lost to technology. In 2018, PwC, a global consulting company, conducted a survey of 29 countries—of which only Turkey and Israel were surveyed in the Middle East—which estimated that 3 percent of jobs were at risk of automation by the early 2020s, increasing to 30 percent by the mid-2030s and putting 44 percent of low-educated workers at risk from losing their jobs to automation. A June 2019 Oxford Economics report found that up to 20 million manufacturing jobs—or about 8.5 percent of the global manufacturing workforce—could be replaced by robots by 2030. Since 2010, the report states that the number of robots in industry has more than doubled worldwide.

FINDING THE RIGHT SKILLS

Lebanon is not immune to these pressures. Of the local labor force, 21 percent work in the industrial sector, according to IDAL, and the country hosts over 4,700 industrial firms—meaning the rise of automation and robots could impact the makeup of the Lebanese labor force. But with disruption comes opportunity, IDAL identifies gaming, e-health, adtech, software as a service, media streaming, and financial and e-payment solutions as key investment opportunities in Lebanon. Bottom line, with millions of jobs likely to be automated in the future, the living labor force must adapt to define and subsequently fill new roles.

In Lebanon, a 2017 skills forecasting study conducted by the national employment office in conjunction with UNESCO, the EU, and NET-MED Youth—a five-year project implemented by UNESCO and funded by the EU—identified close to a combined 13,000 jobs across the ICT sector, including systems analysts and various developers and programmers; while a 2016 UNDP labor needs assessment for the ICT sector estimated 2,000 new jobs would be created annually for new graduates. With around 800 ICT enterprises in Lebanon and approximately 2,000 university ICT graduates looking to join the workforce each year, these estimates would indicate that the sector is capable of absorbing these new graduates. However, this projected 15 percent job creation rate should be questioned with the country headed toward austere times and real GDP growth at just 0.2 percent in 2018. Even if these projections prove correct, there is still a gap in that degrees do not necessarily set students up for the workplace.

Fadi Bizri, founder of SE Factory, a coding bootcamp for recent graduates, says there is a skills mismatch, in that universities focus on theoretical knowledge and fail to instill in students the practical knowledge needed to succeed in the field. "If there's a supply, and there's a demand," Bizri asked himself. "Why isn't it working?" The UNDP report cited a lack of "blue sky thinking" in the current collective skillset, meaning the current labor force lacks the ability to think critically and creatively.

Bizri and his co-founder Zeina Saab recognized this knowledge gap, especially for graduates coming from what he describes as second-tier universities where receiving a high-quality education is hit or miss. SE Factory, which focuses on full-stack web development, is one of multiple endeavors, alongside Torch Academy and Codi, across Lebanon that aims to provide students with this practical technical knowledge while simultaneously boosting critical thinking, but it also teaches soft skills and has career services that include CV writing and mock interviews. All three of these programs target young adults and recent university graduates, and all claim a 90 percent job placement rate of their graduates.

Such endeavors have popped up over the last five years, and a few seem to be operating relatively healthily in their early stages. One that failed to do so though was the popular France-based Le Wagon program. Le Wagon has bootcamps in 35 cities globally, and a branch opened its doors in Lebanon in 2015, but closed after just two cycles. Malik el-Khoury, Lebanon's Le Wagon founder, says this was for multiple reasons that included the price, the coding language taught, and the fact the teachers hired from the US and Europe were more expensive than local instructors.

The price tag for an intensive nine-week program was $4,500, and 80 percent of Le Wagon's students came from abroad. Finding people who were willing to pay that high a price in Lebanon was difficult, and the number of Lebanese employers who use the language taught, Ruby on Rails, can be counted on one hand, Khoury says. Ruby on Rails is great for people who know little about coding, but is not exceedingly useful in a country that primarily uses PHP and Java, he says. When asked what model may be more sustainable in Lebanon, Khoury says he thinks something where students can go to school in the evenings and still be working during the day could prove more lucrative.

FINDING THE RIGHT MODEL

Torch, which began in 2015 as well, is now beginning to shift to this "short course" model in which students attend classes three evenings a week and choose to learn IOS, Android, or web development, with a focus on building practical skills. Traditionally, students enrolled in a 14-week full-time program for $1,200, and while they have trained more than 350 students and have three or four courses a year, Inaam Hassoun, program coordinator at Torch, says that they are struggling to attract interest in this intensive program in which they would need 10 to 15 students to run a cycle. Hassoun believes this is because most recent graduates do not have the necessary funds and are focused on getting a job to use their recently obtained degree.

> There is a skills mismatch, in that universities focus on theoretical knowledge and fail to instill in students the practical knowledge needed.

SE Factory, on the other hand, have stuck with the 14-week, full-time model since incorporation in 2016, operating three cycles annually with around 20 students in each cohort, but where they are targeting recent graduates with some background in computer science from the middle and lower socioeconomic classes, they charge just $100 for the course. In the beginning, this was achievable through grants and heavy fundraising, and now SE Factory charges a success fee for students and companies. For students, once they land a job, one month's salary is owed that can be paid over three to 18 months. For companies, if they hire a graduate and are satisfied, SE Factory receives 1.5 times a month's salary once the employee makes it past the probation period. Bizri, one of SE Factory's co-founders, says that currently they have about 60 companies in their network, including employers outside Lebanon. Regarding growing SE Factory, he says that while they are on a path to sustainability, they still rely on some grants, and they have recently raised money to open two new bootcamps, one in the north and one in the south, but the exact locations are yet to be determined.

Where SE Factory charges an, albeit very affordable, fee for their services, Codi, a similar program that targets marginalized youth, including low-income Lebanese as well as Syrian and Palestinian refugees, who must be at least 17 years old to enroll in the program, offers six-month classes for free, relying heavily on fundraising from corporate or individual donors. In operation since 2017, they tend to target members of the Lebanese diaspora for funds through cooperation with the Lebanese International Finance Executives (LIFE), a group that works to link Lebanese finance executives abroad back to their roots.

STILL IN DEMAND

Joseph Atallah, director and head of operations at Codi says that they receive their physical operating space for free and only pay for utilities, helping lower operating costs. Beyond having tuition-free courses for the near 30 students each cycle, Codi partners with Al-Majmoua, a nonprofit microfinance organization, to provide microloans of $2,000 spread over the six months to students who need financial assistance. Graduates must begin paying back the loan within four to six months of graduation, assuming they find employment; if not, Codi covers the costs.

With these four programs all emerging within a two-year window of the others, and three left standing—and where at least one, Torch, has expressed trouble attracting new students for their full-time coding bootcamp—the question arises: Has the market reached saturation? Torch's Hassoun says she thinks it is a possibility, but SE Factory's Bizri disagrees. With only a handful in Lebanon, and with those in operation targeting different markets (marginalized youth, lower income youth, and middle to upper class), he argues it is doubtful that the market has reached saturation. Regardless of these programs' presence, the jobs they seek to prepare their students for will continue to emerge rather rapidly over the coming decades, and demand for skilled workers will not dwindle. In turn, the demand for coding bootcamps—unless Lebanese universities drastically alter their curriculum to ply their students with more hands-on experience—is not likely to decline.

> The jobs they seek to prepare their students for will continue to emerge rather rapidly over the coming decades.

However, prospective students' demand for full-time coding bootcamps, for the time being, seems to be contingent on pricing. Of course, many other factors that may affect demand could be at play, such as preference for programming language, skills taught, or offerings on teaching soft skills, but where these offerings seem to be similar across the board, price varies dramatically. Le Wagon's failure was in part due to the Ruby on Rails programming language offered, despite it being a full-stack program, but the other three offer full-stack training on commonly used coding languages. If students have a preference for learning a certain language, this could affect the landscape as well. The experiences of Le Wagon and Torch in struggling to attract people for their relatively pricey full-time courses compared with SE Factory and Codi's relative ease in identifying students indicates that there is at least a partial link with affordability in a country that is undergoing an economic crisis. How coding bootcamps adapt and continue to fare in stormy economic times will require identifying a model that is affordable for recent graduates that teaches the right content, or, like Torch, adapts by shifting to a model where those in the labor force already can earn a living during the day and learn in the evenings.

By Farid Chehab

THE NEW ATTITUDE

Education and the 21st century

The 21st century will cause a rupture in the way we think, feel, behave, create, produce, and live. Fire took eons to start changing humanity—tools, a little less. The first agricultural revolution changed people's lives over the course of 8,000 years. The first and second industrial revolutions took place within less than 150 years. The digital age will change our civilization in less than a century. Economic theorist Jeremy Rifkin talks of a third industrial revolution, one where humanity moves from owning to sharing under the thrust of the internets of energy, mobility, and communication. These tectonic shifts are happening at a speed never before experienced. Leading the charge are the new digital industries that will render those of the 20th century obsolete before 2050.

The industries of the 21st century, old and new, must submit and react to market pressures—staying in comfort zones means assured death. Unfortunately, worldwide, education has been slow to react. Educational institutions may understand the threat, but the pace of change has not matched needs. Parents and educators raised on the ideas of the 20th century may still insist that students today can learn and adapt, "like we did," but this is simply no longer the case. Jack Ma, the Chinese business magnate and co-founder of the Alibaba Group, predicts that robots could replace 800 million jobs by 2030. The next generation, who will then be in their 20s, will face a major challenge if we do not prepare them now.

As of today we must forget all we know, because everything that will govern our lives will change. This rupture commands us to enter a period of ongoing creativity and invention. Knowledge of the past becomes obsolete when the future is totally new; this includes education. New education must strive in the following directions: resilience, creativity, collaboration, curiosity, communication, and mathematics.

RESILIENCE

We are an epoch of the mind, one that requires resilience, not memorization. Resilience to fail, to try again, to never lose hope, and to succeed in time frames that are counted not in professional lifetimes, but in decades.

In this new world, education must prepare the mind to see failing as a learning experience, to understand that successes do not endure and that a career path can be shorter than a decade. In the 21st century, newer ideas will overwhelm new ideas. Newer systems will beat already state-of-the-art systems. Just look at the speed in which the likes of Netflix, Airbnb, and Uber entered our lives and disrupted the previous order.

How many schools and universities today entertain such a spirit of resilience? Are we not still in the era where school marks and academic end-year success remain the norm? Take physical education as an example. Sport is considered a by-product of education, not an essential ingredient to nurture the brain—and increase its resilience. Are schools ready to make sport an intrinsic part of the learning process?

Resilience, however, is only one aspect of a whole new approach in education; the most important aspect is creativity.

CREATIVITY

Our current mode of education is learning through rote where educational programs are filled with unnecessary content to memorize. Take this away, and our students can utilize their brain power where it is truly needed—creativity. Today's schools teach children how to acquire knowledge, not how to create. What we need instead is education through creativity. This is understood by state-of-the-art schools in Finland where students are educated via play. Students acquire knowledge through games with their peers that grow in complexity according to their level. This new paradigm yields results; the Finnish education system is considered one of the best in the world by most metrics. At tech universities, like Massachusetts Institute of Technology (MIT), learning is through continual inventiveness and creativity.

It has been established that playing and games put the brain in creative mode. Observe a toddler. They are at their creative best playing with blocks and putty, but this is stifled when entering school systems that value study time over play time. Is this not still the case in Lebanese schools and universities? If your child enters an education system from age three that is not fit for purpose, then how will they cope when forced at a later stage to compete with the all-categories creative minds that will rule the world?

COLLABORATION

Another given in new education is teamwork: Our capitalistic culture, especially in our country, is to favor the "I." We produce egos and entrepreneurs, but not brains capable of working in groups. One of the best ways to be inventive, creative, and beat the competition is through teamwork. We are still in the mode of "Be the first, be the best." We need a new education to change this mentality.

Creativity and collaboration are the essentials of new education, but there is more to add: curiosity and communication.

CURIOSITY

Our ancestors survived because they were curious. Today, our hedonistic civilization has eroded our curiosity in favor of enjoyment. Mindless screen time has replaced our curious instincts. But if schools and universities grasp the urgency of enhancing creativity, they cannot drop the need for knowledge as well. Education must awaken a child's curiosity. In an age where continuous learning becomes the new standard, its fuel is enduring curiosity. It is a step-change in education. How then do we nurture curiosity? Games and playing is one way, but also by creating a new culture that brings students into contact with nature and triggers their curiosity for the world around them. If parents cannot feed their childrens' curiosity then they must demand it from their educational systems.

COMMUNICATION

Internet communication will be one of our new century's pillars. In our culture, communicating means speaking our mind without listening to the other. In the 21st century, students' ability to communicate must not be acquired by social media, but it should be embedded in their program starting with their youngest age. Communication skills are fundamental. Our educators must also spread a spirit of tolerance in a world growing more intolerant by the hour. Are we educating Lebanese youth to open to the world, share, and become tolerant in spirit, ideas, culture, and behavior? Who is championing communication through tolerance in our national education?

> In an age where continuous education becomes the new standard, its fuel is enduring curiosity.

MATHEMATICS

The 21st century remains the era of mathematics. Our century will not forgive us if we do not give mathematics the importance it deserves. Digital becomes the new language. Whether they excel in science, culture, or art, our youth must realize that everything they will do in the future will be digitally-based. Previously, we used to start by learning the alphabet. From now on, numbers will equal letters. Survival in the course of the 21st century is at this price—one we have yet to pay.

Resilience, creativity, curiosity, collaboration, and communication must become the mantra of our new educators. Parents must be aware and acquire a new sense of urgency to ask for it. Time is running short because the curve of techno-progress is steeper and faster than our ability to adapt. Children born in the first quarter of the 21st century must not become collateral damage of the new world because of our irresponsibility.

Farid Chehab is the honorary chairman and adviser to the board of Leo Burnett Beirut. His third book, "Bridge over the 21st Century," is available now in English translation.

BYBLOS BANK SAL

CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2019

CAPITAL LBP 689,113,198,400 FULLY PAID, TOTAL EQUITY LBP 3,240,748,339,000

C.R.B.14150, LIST OF BANKS NO. 39, HEAD OFFICE - BEIRUT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019 (LBP millions)	Unaudited 30-Jun-19	Audited 31-Dec-18
Cash and balances with central banks	17,994,365	16,324,122
Due from banks and financial institutions	3,780,016	3,864,751
Loans to banks and financial institutions and reverse repurchase agreements	293,164	363,633
Derivative financial instruments	1,269	1,899
Financial assets held at fair value through profit or loss	91,198	90,490
Net loans and advances to customers at amortized cost	7,713,137	8,178,229
Net loans and advances to related parties at amortized cost	23,867	24,931
Debtors by acceptances	295,487	362,091
Financial assets held at fair value through other comprehensive income	275,602	228,429
Financial assets held at amortized cost	7,699,615	7,776,276
Property and equipment	318,582	289,537
Intangible assets	97	153
Assets taken in settlement of debt	53,883	51,405
Other assets	121,559	141,882
TOTAL ASSETS	**38,661,841**	**37,697,828**

LIABILITIES AND EQUITY

As at 30 June 2019 (LBP millions)	Unaudited 30-Jun-19	Audited 31-Dec-18
LIABILITIES		
Due to central banks	5,032,686	3,870,523
Due to banks and financial institutions	1,274,225	1,266,070
Derivative financial instruments	1,009	1,802
Customers' deposits at amortized cost	27,534,397	27,418,142
Deposits from related parties at amortized cost	291,563	421,172
Engagements by acceptances	295,874	362,091
Debt issued and other borrowed funds	451,350	451,301
Other liabilities	335,057	354,777
Provisions for risks and charges	204,933	230,423
Subordinated notes	428,199	426,418
TOTAL LIABILITIES	**35,849,293**	**34,802,719**

EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

As at 30 June 2019 (LBP millions)	Unaudited 30-Jun-19	Audited 31-Dec-18
Share capital – Common shares	684,273	684,273
Share capital – Preferred shares	4,840	4,840
Issue premium – Common shares	229,014	229,014
Issue premium – Preferred shares	591,083	591,083
Reserves not available for distribution (legal and statutory)	1,025,813	982,040
Reserves available for distribution	125,679	116,652
Treasury shares	(7,660)	(7,105)
Retained earnings	95,641	77,050
Revaluation reserve of real estate	5,689	5,689
Change in fair value of financial assets at fair value through other comprehensive income	(16,242)	(15,462)
Net results of the financial period - profit	86,291	238,940
Foreign currency translation reserve	(50,246)	(50,603)
	2,774,175	**2,856,411**
NON-CONTROLLING INTEREST	38,373	38,698
TOTAL EQUITY	**2,812,548**	**2,895,109**
TOTAL LIABILITIES AND EQUITY	**38,661,841**	**37,697,828**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019 (LBP millions)	Unaudited 30-Jun-19	Audited 31-Dec-18
OFF-BALANCE SHEET ITEMS		
Financing Commitments		
Financing commitments given to banks & financial institutions	291,928	466,236
Financing commitments received from banks & financial institutions	89,373	106,946
Engagements to customers	1,728,400	2,118,760
Bank Guarantees		
Guarantees given to banks & financial institutions	157,855	194,968
Guarantees given to customers	840,814	869,333
Guarantees received from customers	27,994,485	28,046,500
Foreign Currencies Forwards		
Foreign currencies to receive	265,841	330,105
Foreign currencies to deliver	265,659	330,010
Claims from legal cases	**66,865**	**66,865**
Fiduciary assets	**193,835**	**193,835**
Assets under management	**2,568,859**	**2,569,033**
Bad debts fully provided for	**234,235**	**241,184**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 June 2019 (LBP millions)	Unaudited 30-Jun-19	Unaudited 30-Jun-18
PROFIT FOR THE PERIOD	**90,280**	**100,851**
OTHER COMPREHENSIVE INCOME (LOSS)		
Items to be reclassified to the income statement in subsequent periods:		
Exchange difference on translation of foreign operations	437	(4,760)
Net other comprehensive gain (loss) to be reclassified to the income statement in subsequent periods	**437**	**(4,760)**
Items not to be reclassified to the income statement in subsequent periods:		
Net unrealized loss from financial assets at fair value through other comprehensive income	(945)	(10,929)
Income tax effect	165	1702
	(780)	(9,227)
Net other comprehensive (loss) income not to be reclassified to the income statement in subsequent periods	**(780)**	**(9,227)**
OTHER COMPREHENSIVE LOSS FOR THE PERIOD NET OF TAX	**(343)**	**(13,987)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**89,937**	**86,864**
Attributable to:		
Equity holders of the parent	85,890	85,059
Non-controlling interests	4,047	1,805
	89,937	86,864

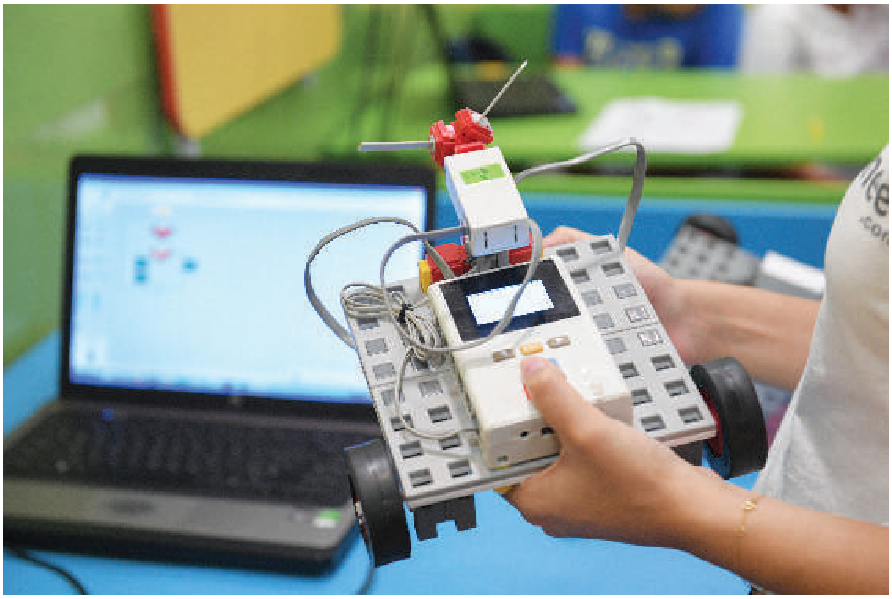
CONSOLIDATED INCOME STATEMENT

Period ended 30 June 2019 (LBP millions)	Unaudited 30-Jun-19	Unaudited 30-Jun-18
Interest and similar income	1,222,745	986,646
Less: Tax on interest	(53,790)	(42,240)
Interest and similar income (net of tax on interest)	1,168,955	944,406
Interest and similar expense	(983,011)	(720,413)
NET INTEREST INCOME	**185,944**	**223,993**
Fees and Commissions income	76,580	77,512
Fees and Commissions expense	(6,754)	(6,463)
NET FEES AND COMMISSIONS INCOME	**69,826**	**71,049**
Net gain on financial assets at fair value through profit or loss	12,821	9,886
Revenue from financial assets at fair value through other comprehensive income	2,555	4,565
Net gain (loss) on financial assets at amortized cost	6,225	(50)
Other operating income	24,582	20,710
TOTAL OPERATING INCOME	**301,953**	**330,153**
Net impairment on financial assets	(8,266)	(24,128)
NET OPERATING INCOME	**293,687**	**306,025**
Personnel expenses	(105,612)	(105,337)
Depreciation of property and equipment	(11,146)	(10,252)
Other operating expenses	(64,940)	(63,665)
TOTAL OPERATING EXPENSES	**(181,698)**	**(179,254)**
OPERATING PROFIT	**111,989**	**126,771**
Provisions for risks and charges	(5,049)	(3,437)
Net gain from disposal of property and equipment	2,244	43
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**109,184**	**123,377**
Income tax expense	(18,904)	(20,054)
PROFIT AFTER TAX FROM CONTINUING OPERATIONS	**90,280**	**103,323**
DISCONTINUED OPERATIONS		
Loss from discontinued operations, net of tax	-	(2,472)
PROFIT FOR THE PERIOD	**90,280**	**100,851**
Attributable to:		
Equity holders of the parent	86,291	97,904
Non-controlling interests	3,989	2,947
	90,280	100,851
Earnings per share		
Equity holders of the parent for the period:	LL	LL
Basic earnings per share	110.24	130.79
Diluted earnings per share	110.24	127.70

By Lauren Holtmeier & Thomas Schellen

Teaching with tech

Lebanese edtech startups carve a place alongside traditional teaching



Lebanese startups focusing on education technology (edtech) have tapped into the idea that as education changes, they have a role to play in preparing the next generation for the 21st century workplace. Educators seeking to prepare children for the jobs of the future, those that rely more on coding, robotics, AI, and programming—and depend less on traditional knowledge than an ability to think critically to solve new problems—can tap into these technologies and integrate them into their classroom teaching.

Investments in edtech are growing globally, and beyond the overarching education goal, Lebanon's entrepreneurs see a potential market for these businesses here and in the region. In 2018, 1,087 edtech companies received funding globally, an increase from 813 in 2017, according to research from Metaari, an advanced learning technology research company. Of the six Lebanese edtech companies that Executive has profiled below, most expressed interest in expanding to other MENA markets, primarily those in Saudi Arabia, citing difficult economic times at home and better opportunities to grow their businesses abroad. Beyond better expansion opportunities in the Gulf states, Lebanon's schools sometimes lack the technical infrastructure or cannot afford these solutions, making finding markets elsewhere not only lucrative for these startups, but in some cases necessary.

From personalized children's books and programs that teach kids and teens coding and robotics to an adaptive learning platform, these edtechs have one thing in common, an understanding that for children to learn best, they must be engaged with the content. "Gamified learning" and "project-based learning" seemed to be recurring buzzwords during these interviews, as the people behind these platforms see these styles to be the most engaging because children are actively involved in, and invested in, solving a problem from start to finish. These companies seek to partner with schools to give teachers another tool to use in the classroom, though they have primarily sought to tap into private schools in Lebanon, as public schools rarely have the budgets or infrastructure for these products.

SYNKERS

Incorporation: 2016
Activity brief: Online marketplace for tutoring services
Target market: Lebanon, United Arab Emirates (UAE), online world
Founders: Nakad sisters (Audrey and Sybille), *et al*
Team size: 12
Startup level: Pursuing Series A
Economic targets: Expansion into Saudi Arabia, enhancement of IT
Amount of funding asked for: $1.5 to $2 million
Business model: C2C

Incorporating a proprietary mobile app as a platform for interaction, Synkers is an online marketplace for tutoring services that is mostly active in Lebanon, where about 70 percent of its tutors are based. Synkers has a secondary presence in the UAE and aspirations to roll out its services in Saudi Arabia in the near term. With roots in the founders' personal experiences as actors on the supply and demand sides of tutoring while studying in Canada about 10 years ago, Synkers was accelerated from business idea to startup venture at Beirut accelerator Speed@BDD, from which it graduated in April 2016. Seed funding came from Lebanese venture capital firm Phoenician Funds in 2017 and growth of the startup ensued on basis of strong knowledge of the Lebanese education environment. The edtech startup also is working in education markets that provide higher profit margins than tutoring by organizing classes on specific topics, such as the SATs, and also plans to provide corporate training. Its business model for intermediation between sellers and seekers of tutoring and handling of related payments is built around the charging of commissions to the buyers of tutoring (at a gross rate of 20 percent as part of which overheads, tech developments, and taxes due from tutors are covered). The startup's concept also has accents of the sharing economy and social enterprise aspirations for contributing to the improvement of the education opportunities. Social accents include a professed vision of broadening the reach of education by making it more affordable for students from poor backgrounds to obtain peer tutoring that will give them an improved chance to complete their education and avoid dropping out of school. However, Synkers is also already contemplating exit strategies via acquisition by one of the larger edtech players in Asia or the United States who might seek to enter the Middle Eastern tutoring market (estimated by Synkers on basis of market research to worth $3.1 billion).

AUGMENTAL

Some students are visual learners, some are auditory, and others are verbal or kinesthetic learners. With learning types this varied, the founders of Augmental, a digital learning platform, are trying to cater to an individual's learning style. Students using the platform take an assessment that measures their skill level and learning style and an algorithm accordingly assigns material after the teacher has presented the lesson and introduced the concepts. For the teachers, there is a dashboard to monitor students. In Lebanon, Augmental is used by five schools, and Paul Barakat Diab, one of the founders, says that the team has interest from public schools in the UAE and Kuwait and is trying to penetrate Saudi markets. In Lebanon, there is currently content for STEM subjects for grades 5-9 as well as French and English. Content on the platform is made by content providers previously certified by the Ministry of Education and Higher Education or by teachers who can load their own content onto the platform. Each school subsequently has a coordinator to review the content and ensure it aligns with core competencies. For Augmental to function as intended, there are minimum infrastructure requirements a school must meet to qualify, such as a lab with enough tablets so that each student in a given class can use one. In Lebanon, because many schools—especially public schools—lack the appropriate resources, Barakat Diab says that Augmental's future markets will mostly be outside the country. While teachers in Lebanon are aware of adaptive learning and are themselves searching for solutions, he admits the timing for such a product launch in Lebanon is not ideal because of the strained economic situation. To break even, a lot of factors must be considered he says. If they receive the requested funding, which will be used to pay increased marketing and sales efforts and the development of a marketplace for adaptive learning content, they will reach that mark in two years.

Incorporation: 2017
Activity brief: e-learning platform sold as subscription to schools
Target market: School administrators in the MENA region
Founders: Elie Nahas (CPO), Paul Barakat Diab (CEO), Elie Matta (CTO)
Team size: Five full-time, two part-time
Startup level: Have finalized product and beginning to sell
Economic targets: Have product in 24 schools in the next two years
Amount of funding asked for: $300,000 in angel funding
Business model: B2B

SPICA TECH ACADEMY

Incorporation: 2018
Activity brief: Offers coding courses to children through camps, teaches coding course in schools
Target market: Kids age 4 - 16, and parents
Founder: Reine Abbas
Team size: Six
Startup level: Round A, previously received $88,000 from Flat6Labs
Economic targets: In two years will seek to compete easily in US markets
Amount of funding asked for: Seeking investment of $500,000 - $1 million from US or Greek investors to expand the team and number of courses offered
Business model: B2B, B2C

Spica Tech Academy teaches children and teens how to create their own video games through project-based learning, but perhaps more importantly for founder Reine Abbas, the program is teaching kids how to be creative, a skill she stresses is imperative. Even if children do not go on to be game developers, the skills they are learning—creativity, project management, critical thinking, coding, storytelling, and writing—will be important in nearly any future career, Abbas says. Spica Tech Academy started as a B2C platform where parents could enroll their children in week-long 20- or 30-hour coding camps, but has since evolved to include a B2B model where Spica Tech Academy instructors will teach a week-long course in schools. So far, they operate in four private schools in Lebanon and, depending on demand, Abbas says she would likely expand to 12 schools in Lebanon and is currently finalizing contracts with three schools in Dubai. The focus on project-based learning, an approach in which students work to complete a project over an extended period of time, stems from a need to have children work through a task from start to end, figuring out solutions along the way. With game creation, challenges have to be created and solutions must be invented, says Abbas, making it a good—and importantly fun—way to get children thinking critically. Teaching complex concepts like coding to children could be challenging, but scaling activities appropriately makes this possible. For younger children, visual programming languages are a way to grasp these concepts, but teenagers can create their own game from scratch using the C# language. At the advanced level, students use Unreal Engine. "We're using the real software developers are using," Abbas says. "So after the first course they can create their own game at home, and it's open source software." Beyond expanding to other regional and global markets, Abbas says the next step, currently underway, is a template that instructors can use to gamify their curriculum to follow Spica Tech Academy's model.

LULULITTLE

The Arab culture is one of rich history and important discoveries, yet this is often bypassed as people delve into the West's history, ignoring their own, says Joanna Khoury founder of lulultittle, a personalized children's book company. Khoury wanted to make Arab history accessible to youngsters in a way that puts the child at the heart of the story. "From the dawn of time, stories have been a tool to deliver a message," Khoury says. Lululittle uses a print on demand technology based in the UK that ranges from £6 - £8 ($7.46 - $9.94 at time of writing) and book buyers can choose their avatar and insert the child's name to be made into a soft or hardcover book printed in either French or English. Because the books are printed on demand, overhead printing costs are minimal. Lululittle has done a preliminary launch of an Arabic version, and the full launch will follow when it is fully automated, which Khoury hopes will be in the next few months. Where Khoury sees a gap in the number of quality Arabic childrens's books, she says that getting the Arabic version automated will allow for children in the region to learn about their culture in their native tongue and will be a way for expats to bridge the gap to home. Lululittle's primary market is the MENA region and GCC states in order to teach kids about their own culture; of the 700 books sold so far, most have been within the region. This has been achieved with very little marketing, Khoury says, and next steps include ramping up their marketing efforts within regional target market. Khoury says for Western audiences the books are a way to learn about Arab culture and they have sold a few books in these markets.

lululittle
storytelling culture

Incorporation: 2018
Activity brief: Personalized children's books with a cultural theme
Target market: Parents of children between zero and 10
Founder: Joanna Khoury
Team size: Two
Startup level: Early stage, previously raised $40,000 from Flat6Labs in seed funding
Economic targets: Create 10 new titles in one to two years and quickly expand to GCC markets
Amount of funding asked for: Will ask for $200,000 in follow-on funding
Business model: e-commerce B2C

NOOREED

At age 16, deciding what to do for the rest of one's life can feel overwhelming. Nour Jabra, founder of Nooreed, felt this herself and wanted to help teens identify careers to which they are well-suited. What started as a series of videos with professionals from various fields has evolved to include an assessment based on the Holland Code, which refers to American psychologist John Holland's six personality types: realistic, investigative, artistic, social, enterprising, and conventional. Nooreed's assessment is a simplified version, which Jabra says is an attempt to make it more accessible to teens and also to help eliminate any language barriers non-native English speakers may have. When a student registers, they take the assessment and are given a breakdown by percent of which careers best match their personality; they can then watch the related videos. In the six months since the assessment has launched, around 15,000 students have signed up. In Lebanon, the business model works as a sponsorship system where universities can sponsor Nooreed in return for advertising space on Nooreed's website; students can access Nooreed regardless of whether their university has made a sponsorship agreement. Jabra says they are currently trying to break into the Saudi market by early 2020, and in that case the business model would shift to a subscription service that would be specific to Saudi Arabia, where a different economic situation means more schools will likely be able to pay. A dismal economy and shrinking school budgets have left little room for this type of service to work as a subscription service in Lebanon. "Lebanon isn't a very healthy place to grow a business," Jabra says. Other plans for expansion include partnering with study abroad agencies whereby Nooreed would refer students to a specific agency and receive a fee in return. While they are in talks with one such agency, no deals have been finalized at the time of writing.

Incorporation: 2018
Activity brief: Career information service and assessment
Target market: 15-18 year olds, university students
Founders: Nour Jabra and Fady Lamaa
Team size: Four full-time staff, plus contractors
Startup level: Early stage
Economic targets: Expand business to Saudi Arabia by early 2020
Amount of funding asked for: Not specified, but seeking angel funding
Business model: Sponsorship system

CHERPA

A Lego factory in Hungary with no human workers on the factory floor—that is what Ibrahim Ezzeddine saw on a class trip while studying at the Lebanese American University (LAU). Ezzeddine and Basel Jalaleddine, former roommates at LAU, started thinking about how to prepare children for future job markets where robots could replace traditional human labor. Cherpa, the duo's startup, teaches kids coding and robotics through a gamified system. Cherpa has worked with experts from NASA and Google to design educational content and also works with an educational specialist to create content tailored to student levels. Currently, there are five courses; the latest, on cyber security, launched in July. Ezzeddine said the decision to follow a B2B model was because the teacher's presence ensures students can follow the content rather than get frustrated and walk away. Because it is a paid service where administrations buy a course for a specific number of students (e.g. one course for $399 for up to 20 students), it is easier for Cherpa to target uppper-end private Lebanese schools. A partnership with the education ministry will have Cherpa in five public schools on a one-year pilot program this year. Cherpa is currently in 18 schools in Lebanon and 1,600 students have completed at least one course, but Ezzeddine says the plan to expand beyond Lebanon, in which schools often lack the funds, necessary infrastructure, or internet connectivity. Cherpa has successfully entered one school in Saudi Arabia and has sold courses to one after-school educational center in Spain and one in Portugal. Future targets include penetrating the Gulf markets, primarily Saudi Arabia, where they are working with a business developer to test the market.

Incorporation: 2018
Activity brief: Provides courses that teach children robotics and coding
Target market: School administrations where students are 12-18 years old
Founders: Ibrahim Ezzeddine (CEO), and Basel Jalaleddine (CTO)
Team size: Six
Startup level: $30,000 from Speed@BDD, $50,000 from Speed Boost competition, received a total of $110,00 in initial funding
Economic targets: Double the 1,600 students currently using the platform by September 2019, solidify deals in Saudi Arabia in the near future
Amount of funding asked for: Seeking $200,000 - $400,000 in angel or VC funding to expand to Saudi Arabian and UAE markets
Business model: B2B

By Jeremy Arbid

Still better late than never?

Lebanon ratifies 2019 budget

More than seven months into the fiscal year, Lebanon ratified its 2019 state budget. The law's passage comes after months of delay and deliberation over expenditure-saving and revenue-boosting measures in what is being dubbed the austerity budget, though more accurately is a reformist one. The 2019 budget is the third in three years, after more than a decade of going without, and is a necessary exercise to correct the state's woeful finances and to unlock infrastructure loans from last year's CEDRE infrastructure conference. At the same time, it represents the beginning of a shift in the politics over what Lebanon will spend and collect.

FISCAL FEVER

In mid-July, Parliament convened to vote on the 2019 state budget. Over four days of deliberation, lawmakers voiced criticism that the projections in the budget were not based on reality and that not enough was done to enlarge the revenue base. Lawmakers also complained that expenditure cuts did not go far enough to rein in public spending, and cuts that were made were labeled as too draconian.

Since promising reforms at CEDRE 15 months ago, Lebanon overshot the spending allocation in last year's budget by nearly $600 million. According to the fiscal performance sheets published by the Ministry of Finance (MoF), Lebanon spent almost LL24.7 trillion ($16.4 billion) in 2018 but was only authorized to spend LL23.9 trillion ($15.8 billion). The higher spending was due to an increase in the cost of servicing the debt, a higher cost of subsidizing the failing Electricité du Liban, and a higher wage bill for public sector workers after the 2017 pay raise and the *wasta* hiring buffet where more than 5,000 state jobs were doled out as favors during the 2018 parliamentary elections despite a hiring freeze.

Overall, Lebanon spent 17 percent more in 2018 than it did in 2017, and recorded the first primary deficit (expenditures not including debt servicing) since 2013. The total deficit for 2018 reached 11 percent of GDP, or approximately $6.5 billion. The year prior, 2017, Lebanon spent LL21.2 trillion ($14 billion) for a deficit-to-GDP ratio of 6.1 percent, according to the finance ministry's fiscal performance sheets. Through April 2019, Lebanon had already spent LL7 trillion ($4.6 billion) and collected LL5 trillion ($3.3 billion), according to the ministry's fiscal performance sheets. This represents a 12 percent decline in spending in the year-on-year comparison with 2018 and a 5 percent decline in revenue collection for the same period last year. The deficit reduction for the first four months of 2019 is rooted in the non-payment of government obligations to local suppliers as alleged in separate tweets by Dan Azzi, former Chairman and CEO of Standard Chartered Bank, which was sold to Cedrus Bank in 2015, and Alia Moubayad, an emerging markets economist. According to the July issue of *EcoNews*, a monthly economic newsletter published by local bank Societe Generale de Banque au Liban (SGBL), Lebanon "is delaying long-overdue payments to contractors, hospitals, and non-governmental organizations to reduce its borrowing needs in the first few months of the year."

> Lebanon spent almost LL24.7 trillion ($16.4 billion) in 2018, but was only authorized to spend LL23.9 trillion ($15.8 billion).

Lebanon's pledge at CEDRE was a reduction of the debt-to-GDP ratio by 1 percentage point each year over five years. The 2018 budget was legislated in the weeks leading up to CEDRE, and there was never a deficit specified as a starting point. Instead, Lebanon made its pledge on the implied deficit-to-GDP ratio of 8-9 percent, and that promise was made long before the 2018 spending spree was realized.

WHAT DOES THE BUDGET DO?

The 2019 budget is now the midway point in an effort to get the country's finances in order, according to officials. After the 2017 and 2018 budgets established that, yes, Lebanon could actually legislate a budget after a 12-year period in which it did not, the 2019 budget is meant as a first step in altering how, and on what, Lebanon spends money. Hazar Caracalla, an economic adviser to the prime minister, tweeted after the budget was ratified that the "the ratification by Parliament of the 2019 budget is a good and imperative first step in the long path of financial reform. It must be built upon in the budgets 2020, 2021, and 2022 through additional measures aimed at completing deficit reduction and reversing the dynamics of public debt and re-regularizing the public finances by approving the 2020 budget according to the constitution."

REVENUE AND SPENDING MEASURES IN THE 2019 BUDGET

- Raised taxes on interest earned on deposits, LL-denominated treasury bills and bonds issued by the government, and on fixed income instruments like certificates of deposit from 7 - 10 percent; was at 5 percent before 2017 tax bill, a doubling of the rate in less than two years. The rate is effective for three years from the publication of the budget law.
- Introduction of tax bracket for persons and enterprises at the rate of 25 percent for annual income above LL225 million ($149,254); was tax rate of 20 percent for individuals with incomes above LL120 million ($79,662), and 21 percent for enterprises with profits above LL104 million ($68,988).
- Introduction of 3 percent duty on imports that are subject to the VAT, excluding fuel, raw materials, and industrial equipment.
- An annual tax of LL50,000 ($33) on every kilovolt-ampere of electricity generation capacity owned.
- New tax on pensions for civil servants and security personnel at 50 percent of the regular income tax rate and stipulates that the first LL10 million ($6,634) of the annual pension salary is tax deductible; benefits were previously tax exempt. Benefits for wounded or killed-in-action security personnel exempted from the income tax.
- Healthcare and social assistance benefits for army personnel were reduced by 1.5 percent.
- New tax on the salaries and benefits of current and former presidents, prime ministers, speakers of Parliament, and members of Parliament.
- Exemptions on customs duties and excise taxes on the purchase of vehicles by current members of Parliament were canceled.
- Exemptions on the payment of vehicle registration fees and mechanique fees for certain beneficiaries were canceled.
- New annual fee of between LL100,000 ($66) and LL1 million ($663) per license plate for cars with special license plate numbers.
- Increase on fees for Class B work permits to increase from LL300,000 ($199) to LL500,000 ($332) and Class A are set to jump from LL1,800,000 ($1,194) to LL2,500,000 ($1,658) or even LL3,000,000 ($1,990).
- An 85 percent reduction on penalties for taxpayers to settle late payments of taxes and fees before the end of 2019.
- Reduction of real estate registration fees from 3 percent to 2 percent on residential units valued up to LL375 million ($248,756) and from 5 percent to 3 percent on units above LL375 million.
- Recruitment and hiring freeze in the public sector until the government conducts a comprehensive count of the number of employees and their positions.
- A three-year suspension of the early retirement option for civil servants and most army personnel.
- Increase of the minimum number of years of service required before retirement eligibility for army security personnel and civil servants.
- Limited public sector salaries to 12 monthly salaries per year (some agencies were receiving 16: Ogero, Port of Beirut, Lebanese Petroleum Administration, La Regie Libanaise des Tabacs et Tombacs).
- Public sector salaries capped at 20 times the national minimum wage—ceiling of LL13.5 million ($8,995)—and restriction of benefits that civil servants receive at 75 percent of the annual salary.
- Retirees prohibited from receiving multiple pensions from various positions held in the public sector.

Sources: *Lebanon This Week*, Byblos Bank; National News Agency; *L'Orient-Le Jour*; *The Daily Star*

We are still unsure of what this long path of reform entails, and that may be because the government has not articulated the waypoints. For now, we have the high-level budgetary figures, assumptions, and the measures that have been publicized, but we will have to wait for publication of the budget law to take a full reading.

Revenue in the 2019 budget is estimated at nearly LL19 trillion ($12.6 billion) according to reporting from *L'Orient-Le Jour*. The paper noted that the MoF had not given a revised spending figure after the budget had been ratified; Parliament's finance committee had estimated spending at nearly LL23 trillion ($15.3 billion). These figures, if they hold true through the end of the year, would represent a 17 percent increase in collected revenues, and a 7 percent decrease in spending when compared to 2018 figures from MoF fiscal performance sheets. The budget projects the deficit to be 7.6 percent of GDP for 2019.

To reduce spending, there were cuts to the budgets of institutions including the Council for Development and Reconstruction, Ogero, and the Higher Relief Council. The budget also reduced the number of yearly monthly salaries certain employees receive from 16 to 12 (see box left), reduced some benefits for different groups of retirees and state contributions to pension systems, capped public salaries at 20 times the national minimum wage, and froze hiring until 2022. On the revenue front, a number of taxes were increased or introduced, including: a 3 percent increase to 10 percent tax on the earned interest on deposits for the next three years, a new tax bracket for persons and enterprises at the rate of 25 percent for annual incomes above LL225 million ($149,254), the introduction of a 3 percent duty on imports that are subject to the VAT, excluding fuel, raw materials, and industrial equipment, and a new annual fee of between LL100,000 ($66) and LL1 million ($663) per license plate for cars with special license plate numbers (see box left).

A BUDGET BASED IN REALITY?

The 2019 budget made some lofty assumptions. The version approved by cabinet in June assumed Lebanon's economy would grow by 1.2 percent in 2019, according to a study by Kulluna Irada (KI), a civic organization for political reform. It pointed out that government projections of economic growth in the previous two budgets missed actual year-end figures. In 2017, for example, KI says the forecasted growth rate was 2.2 percent, but the final result was only 0.6 percent, and for 2018, the budget forecast 3.43 percent economic growth but ended up at only 0.2 percent. KI concludes that "overstating growth affects the budget on two levels: it overstates the level of projected tax collection due to an overestimation of its tax base [and] it brings down the deficit to GDP ratio since it inflates the metric's denominator." In other words, Lebanon may be overstating the amount of money it expects to collect and inflating the size of the formal economy to make the deficit-to-GDP ratio look better.

According to KI, the 2019 budget was pinned on "elements of confidence" that Lebanon can overcome its fiscal and economic challenges. These confidence elements include hoped-for revenues from yet undiscovered oil and gas resources, yet uncommitted pledges in the form of $11 billion in loans from CEDRE, as well as the nearly $139 billion in deposits as of April 2019 held at Banque du Liban (BDL), Lebanon's central bank.

Betting on such so-called confidence elements is, as the document puts it, "a starting point." According to officials, the 2019 budget is the first on the path of long-term financial reform that must be continued in the budgets for 2020 - 2022. Will these bets pay off in this period?

Lebanon is scheduled to drill its first offshore oil well later this year. Assuming luck is on Lebanon's side and the results of the first well is positive, it could take several more drilling efforts to confirm commercial viability of the well. Then, infrastructure would be needed to extract the resource and a market secured to sell it. This whole process can take several years or longer and depends on internal and external factors, such as political stability, global market prices, and a calm regional security.

As for CEDRE funding, earlier this year donors were not hiding their frustration with Lebanon's slow progress toward approving the 2019 budget and introducing fiscal reforms. They were openly stating that the 1 percentage point reduction was no longer enough after the 2018 spending spree. Cabinet was yet to approve the budget and pass it to Parliament when the World Bank's vice president for the region, Ferid Belhaj, visited Lebanon in March. Belhaj was less than impressed with the progress the government had made to that point: "These reforms, despite having started, do not rise to the expected level and this is what we have said with all frankness to the Lebanese government." Belhaj also warned that, "If Lebanon wants to see any money from CEDRE soon, it needs get [sic] serious about implementing reforms … If it fails to do so, the amount will be zero—let me be very clear about that. Zero."

In a speech at Parliament, before voting of the budget commenced, MP Salim Saadeh said of the fiscal reductions in the budget and of the reforms pledged at CEDRE, "They know we are lying to them, and we know that they know we are lying to them, this is the truth so there is no problem."

CHERISH THE GAME OF LIES

Despite acknowledgement of lying to their face, the diplomatic community sent its usual congratulatory reassurances: The International Support Group,

WHO VOTED WHAT FOR THE 2019 BUDGET

Eighty-three lawmakers voted in favor of the budget. This included lawmakers from the Free Patriotic Movement, Amal, Future Movement, Progressive Socialist Party, and Hezbollah. According to *Al Akhbar*, this was the first budget Hezbollah voted in favor of adopting since joining the government back in 2005.

Eighteen lawmakers voted against the budget, including eight members of the Lebanese Forces, Kataeb's three lawmakers, civil society independent Paula Yacoubian, the billionaire Fouad Makhzoumi, and former head of general security Jamil al-Sayyed, amongst several others.

One lawmaker, Michel Daher, abstained. On Twitter, Daher stated that he abstained from voting because this budget only postponed a collapse of state finances and did not put the national economy on a path of recovery.

Another 16 missed the vote entirely, including: Gebran Bassil, Lebanon's foreign affairs minister, who was in the US attending a conference; Najib Mikati, a former prime minister, who refrained from voting in protest over cuts to certain institutions; Chamel Rukoz, a former army commander, who stated in a speech during the session that the budget "targeted low-income and the middle class with unfair taxes […] while keeping the networks of political patronage;" Nouhad Machnouq, a former interior minister; Sethrida Geagea, the wife of the Lebanese Forces' leader; Tamam Salam, a former prime minister; Taymour Joumblatt, the son of Druze chieftain Walid Joumblatt; Talal Arslan, a former minister and political rival to the Joumblatts; Marwan Hamadeh, a former minister; Faisal Karami, a former minister and the son of former prime minister Omar Karami; Hussein Hajj Hassan, a former minister; Michel Murr; Ali Bazzi; Dima Jamali; Hagop Pakradounian; and, Nawaf Moussawi, who resigned before the vote.

Sources: *Al Akhbar*; National News Agency; Lebanon 24; Lebanon Files; *The Daily Star*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WHAT HAPPENS NEXT?

After the 2019 budget was ratified it was sent to the desk of Lebanon's president, Michel Aoun, to be signed into law and then published in the Official Gazette. At the time of writing, Aoun had not yet signed the law due to issues over an article within it; it will go into effect if either a month passes without Aoun's signature, or if he sends it back to Parliament and it is repassed by a majority. Upon its publication in the gazette, which formalizes the law's text, the budget could be challenged in front of the Constitutional Council, Lebanon's highest court.

The obvious legal basis for a possible challenge is its ratification in the absence of an audit of the previous year's finances, though there may be other justifications to annul parts or all of the budget. Before passing the budget, the state should conduct an audit of the previous year's accounts, referred to in the constitution and Law 14969 (1963) on public accounting as a closure of accounts. However, Lebanon has not conducted a closure of accounts since the early 2000s, meaning there has been no audit of public finances in nearly two decades. Last year, the 2018 budget law was challenged in front of the Constitutional Council. The court struck seven articles from the budget law and rebuked Parliament for its lack of oversight on government spending and collection, saying that by not approving an audit, they had left the door open to corruption. Given the weaknesses in Lebanon's economy and the challenges facing the state's coffers, however, the court decided against annulling the law in its entirety—instead ruling that it is better to have a budget than not.

According to Karim Daher, a lawyer and public finance expert, article 65 of the 2017 budget law stipulated that the financial accounts of the years 1993 to 2015 should be reconstituted and an audit approved by Parliament within one year of the issuance of the 2017 budget law. That did not happen, a possible violation of the 2017 budget law. Instead, Daher says that the financial accounts were reconstituted by the Ministry of Finance and forwarded to the Court of Accounts which announced that it needed time to review the accounts and provide its advice and remarks on it. According to The Daily Star, cabinet had received the closure of accounts report from the court by the start of July but did not forward the report to Parliament because it had not met since the deadly Qabr Shmoun incident at the end of June. As of writing, cabinet was still unable to meet due to Qabr Shmoun incident.

It remains unclear whether a challenge is forthcoming, though the 34 lawmakers that voted against the bill, abstained, or skipped the vote entirely suggest the numbers may be there to petition the court. Lawmakers will have a maximum of 10 days following publication of the law to submit a petition to the court. Soon after Parliament voted to approve the budget, Elias Hankach, a Kataeb lawmaker that voted against the bill, implied his party may be on board to challenge the 2019 budget. It was Kataeb lawmakers that contested the 2018 budget. In that instance, the Constitutional Council struck a few articles but ultimately concluded that it was better to have a budget than not. Kataeb also contested the 2017 tax law forcing Parliament to re-legislate the bill according to the court's ruling.

a coalition to support a stable Lebanon led by the UN with the governments of China, France, Germany, Italy, Russia, the UK, and the US, as well as the EU and the Arab League, concluded that the budget "is an urgently needed first step by Lebanon in fiscal management and towards reducing its deficit." Likewise, the World Bank's regional director for the Middle East, Saroj Kumar Jha, tweeted: "This is a good first step and the broad discussion, which is unique in the region, is welcomed." Oh, to be an eternally positive emissary.

As for deposits, inflows came to a near standstill in 2018 and was the lowest rate of deposit growth since 2005, according to the International Monetary Fund (IMF)'s Article IV statement. The IMF also pointed out that reserves at BDL declined by a whopping $6 billion in 2018, that bank lending to the private sector is down, and that there has been an increase in non-performing loans.

To protect its balance sheet the IMF recommends the central bank "should step back from government bond purchases and let the market determine yields on government debt. Buying the proposed low-interest government debt would worsen the BDL's balance sheet and undermine its credibility. There should also not be any pressure on private banks to purchase the low-interest debt instead." Projections in the 2019 budget had assumed BDL would purchase LL11 trillion ($7.3 billion) in Lebanese treasury bills (T-bill) at 1 percent to help the state reduce the cost of interest payments on the public debt (which stood at LL128.69 trillion, or $85.4 billion in May 2019). According to remarks published by *The Daily Star,* BDL governor, Riad Salameh, squashed that idea ahead of Parliament's ratification of the budget—however, this has not been confirmed in any official statement from BDL.

It is nice that officials regard the next decade with such optimism but perhaps they are just biding time until more drastic reform measures can be introduced. At the time of writing there are indications that the US Federal Reserve will cut interest rates so it may be possible, at least by consensus of economy watchers, that the interest rate environment in the short- to medium-term will develop to Lebanon's advantage. Lebanon now can only focus on controlling what it can, such as budgetary discipline, minimizing the public wage bill by avoiding the corrupt practice of political hiring, and responding to developments that go against budgetary projections. However, the external circumstances of war, trade wars, currency wars, or any other such *force majeure* may derail any forward motion set by this budget.

Siraj El Deir

بلدية دير القمر

2018

سراج الدير

تقدم ع دروب القمر ٤ و أكل وعيد
بالتعاون مع بلدية دير القمر

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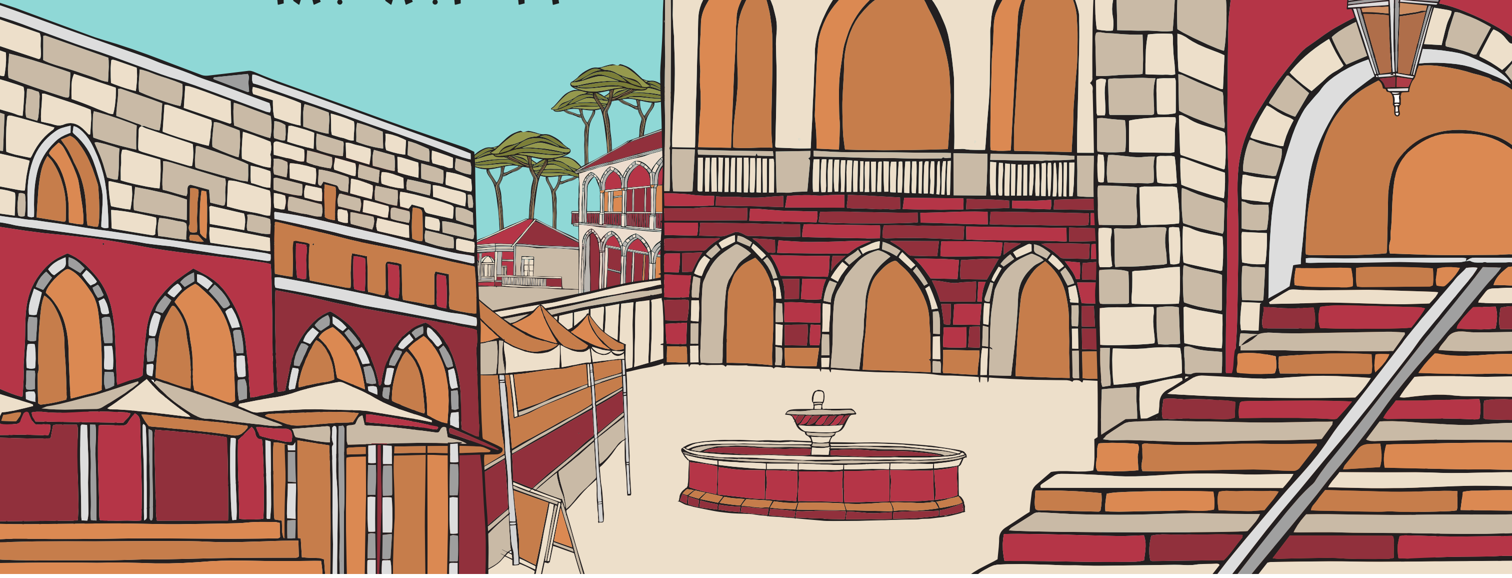

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By Mona Sukkarieh

The case for closer ties

Gas sector a catalyst for further cooperation between Lebanon and Egypt

The first six months of 2019 saw an unusual series of meetings between Lebanese and Egyptian officials, with energy cooperation at the core of these discussions. If memory serves well, the frequency is unprecedented (see box page 62).

The option of resuming gas imports from Egypt was discussed extensively, especially during the first meetings of 2019. Lebanon previously imported natural gas from Egypt in 2010 via the Arab Gas Pipeline (AGP) to generate electricity. But supplies were interrupted after a few months with various reasons touted (such as Egypt's inability to pursue exports because production was barely enough to meet local demand, instability in Egypt, and attacks against the pipeline). With the formation of a new government on January 31, Lebanese officials explored the possibility of quickly resuming imports as they scrambled to find solutions to the problems plaguing the electricity sector. The dire state of Lebanon's power sector and the burden it places on the economy propelled it to the forefront of the government's reform agenda. Government officials examined the option of importing gas by pipeline from Egypt to generate electricity—in addition to the possibility of buying electricity from Jordan in exchange for water—as among the possible solutions that they thought could be implemented quickly.

Nada Boustani Khoury, Lebanon's Minister of Energy and Water

REASONS TO PAUSE

But, importing gas from Egypt by pipeline is not without challenges:

(i) Importing gas from Egypt via the AGP would entail passing through Syria. The issue of normalizing relations with Syria is highly divisive in Lebanon and is opposed by various political actors, including Prime Minister Saad Hariri's Future Movement. However, according to the gas supply contract previously signed between Lebanon and Egypt, negotiations with transit countries and transit fees should be handled by the supplier (i.e. Egypt). As one would expect, this is an issue with a strong political dimension and the Syrian regime, in search of legitimacy, will not hesitate to use it to get something in return.

(ii) Israel is expected to export its gas to Egypt by the end of this year. Once past the endpoint of the East Mediterranean Gas (EMG) pipeline, which connects Ashkelon in Israel to Arish in Egypt, Israeli gas is supposed to use the same stretch of the pipeline in the Sinai that Egypt uses to export its gas via the AGP northward to Jordan, and beyond, to Lebanon via Syria.

(iii) Although Jordan is currently importing gas from Egypt via the AGP, many in the industry seem to think this is only a temporary measure. In January, Egypt and Jordan amended an existing gas purchase and sale agreement, and agreed to increase supplies. According to the Egyptian petroleum ministry, gas exports toward the end of February reached about 350 million cubic feet per day (mcf/d), compared to 100 mcf/d in January. The contract with Jordan provides for exporting varying volumes of gas, depending on Jordan's need and available quantities in Egypt. But Jordan is expected to start importing gas from Israel's Leviathan field by early 2020, once the gas field comes on stream and the pipeline currently being built to carry the gas to Jordan is completed. This pipeline will connect to the AGP in the northern Mafraq province of Jordan, and gas will be distributed from there to the country's power plants, which incidentally adds one more technical obstacle to Lebanon's plans to import Egyptian gas via the AGP.

These challenges mean that it is unlikely that Lebanon is going to import Egyptian gas via the AGP on the short-term as it was initially hoped.

But some Lebanese officials seem to have other ideas in mind. Keserwan MP Neemat Frem met Minister of Energy and Water Nada Boustani on February 20. After the meeting, Frem told the press that he could contribute to resolving the electricity crisis in Lebanon in just six months, starting with the Zouk power plant in Keserwan and moving on to the Jiyeh power plant south of Beirut. The solution Frem proposed to the minister involves importing gas from Egypt in a compressed form (CNG), aboard special ships using a new technology. In 2013, when it became clear that monetizing offshore gas in the Eastern Mediterranean was harder than previously thought, this technology began to be promoted in neighboring countries by lobbyists as a potential lower-cost solution to otherwise stranded or difficult-to-exploit gas. The feasibility of this option is not clear; to date, there is only one project using this technology in Indonesia.

So then, what could justify these repeated meetings between Lebanese and Egyptian officials, much of which focuses on energy cooperation? No doubt, there is genuine interest from both sides to strengthen bilateral ties, including cooperation regarding energy. From an Egyptian perspective, strengthening cooperation makes sense on more than one level.

Egypt sees itself as the main player for gas in the region and hopes to become the region's gas import hub.

THE EGYPTIAN SIDE

First, Egypt is interested in exporting natural gas to Lebanon, according to Egyptian Minister of Petroleum and Mineral Resources Tarek el-Molla, who confirmed in July that discussions to supply Lebanon with Egyptian gas, "whether through LNG shipments or others," are ongoing.

Second, Egyptian companies are interested in investing in the various areas of Lebanon's energy sector, as often noted by Molla, despite recent setbacks. (Egyptian companies did not make it through the technical evaluation phase in the tender to procure floating storage and regasification units, and failed to pre-qualify for Lebanon's first offshore oil and gas licensing round.) As pointed out by the petroleum minister in remarks to the press following his June meeting with his Lebanese counterpart, and previously by Egyptian Prime Minister Madbouly at the May 2019 meeting of the Lebanese-Egyptian Joint Higher Committee, Egyptian companies are "ready to take part in tenders" and "implement projects" in Lebanon.

Third, Egypt sees itself as the main player for gas in the region and hopes to become the region's gas export hub, thanks to its infrastructure and liquefaction facilities. This is the role it is actively pursuing by strengthening diplomatic relations and energy and economic cooperation with neighboring countries. From an Egyptian perspective, it is only natural for Cairo to pursue the same policy toward Lebanon, a fellow Arab country that is preparing to launch exploratory operations and may have significant offshore resources.

According to Madbouly, these efforts or overtures toward Lebanon are strongly supported by Egyptian President el-Sisi, who, according to comments made by the Egyptian delegation in Lebanon in May, would not hesitate to intervene personally to overcome any obstacles facing bilateral cooperation in order to advance and strengthen relations between Egypt and Lebanon.

THE LEBANESE SIDE

For its part, Lebanon is open for Egyptian investments and looks forward to benefiting from Egypt's experience in developing its oil and gas industry, including by training Lebanese workforce in Egypt's training centers. Beirut is also increasingly aware that regional cooperation is required to make the most out of offshore resources. When the Eastern Mediterranean Gas Forum (EMGF) was first announced in Cairo in 2019, Lebanon scrambled to deal with a new regional configuration that left the country out. Caretaker Minister of Energy and Water Cesar Abi Khalil was dispatched to Cairo two weeks later to discuss the newly announced forum, in addition to the possible resumption of gas imports.

In a previous piece analyzing the EMGF from a Lebanese perspective published in the February 2019 issue of Executive, it was argued that Lebanon should not respond to this new regional configuration by isolating itself. On the contrary, if the presence of Israel prevents Lebanon from joining the EMGF, then Beirut should strive to make up for this by strengthening bilateral cooperation with the rest of its neighbors, starting with Egypt, or risk finding itself on the margin of developments. The article pointed out that Egypt is best placed to reassure Lebanon, stating that:

"More than any other member state, Egypt has the possibility to reach out to Lebanon. Egypt is the key player in this new configuration, and, as an Arab country that maintains close and brotherly ties with Lebanon, it can play an important role in reassuring the Lebanese about the project while also seeking to strengthen prospects for energy cooperation between the two countries."

This is the message Molla wished to convey during his last visit to Beirut in June, where he mentioned that cooperation with Lebanon is regarded as a priority for Egypt. In an interview aired on LBCI, he insisted that Lebanon and Egypt should seek to strengthen relations "at the bilateral level, even if it is not within the forum at this stage … We can share our experience with the Lebanese on one hand, and we can, as a country or via our public or private companies—as Lebanon wishes— contribute to supplying Lebanon with gas to meet its needs in the electricity sector."

Mona Sukkarieh is the co-founder of Middle East Strategic Perspectives, a Beirut-based political risk consultancy.

TIMELINE OF MEETINGS BETWEEN LEBANESE AND EGYPTIAN OFFICIALS

January 18, 2019	A meeting in Beirut between Prime Minister-designate Saad Hariri and Egyptian Minister of Foreign Affairs Sameh Shoukry.
January 31, 2019	A meeting in Cairo between Caretaker Minister of Energy and Water Cesar Abi Khalil and Egyptian Minister of Petroleum and Mineral Resources Tarek el-Molla. (The meeting took place hours before Hariri announced his new cabinet. Hariri reportedly delayed the announcement for a few hours to allow Abi Khalil to walk into his meeting with Molla in his capacity as caretaker minister, instead of former minister.)
February 25, 2019	A meeting in Sharm el-Sheikh between Hariri and Egyptian President Abdel Fattah el-Sisi on the sidelines of the Arab League-EU Summit.
February 26, 2019	A meeting in Beirut between Minister of Energy and Water Nada Boustani and the Egyptian Ambassador Nazih Najjari.
May 1-3, 2019	A three-day official visit to Lebanon by Egypt's Prime Minister Moustafa Madbouly along with a ministerial delegation, including Molla. The visit concluded with a meeting of the Lebanese-Egyptian Joint Higher Committee headed by Hariri and his Egyptian counterpart.
May 1, 2019	A meeting in Beirut between Boustani and Molla.
June 15, 2019	A meeting in Beirut between Boustani and Molla.

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In order to facilitate and increase the intensity and frequency of peer exchanges at domestic level, Efma organizes exclusive Retail Banking Decision Makers clubs and conferences in the region. Last month we organized our 5th edition of Retail Banking Summit in Lebanon where most disruptive innovations and best practices in digital transformation were featured. The one-day summit brought together senior banking executives and professionals from the financial sector, coming from different geographies, mainly Europe and the Middle East region, to address key issues and challenges facing the industry.

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Comment

By Jeremy Arbid

A heavy hand comes with consequences

US sanctions Hezbollah lawmakers

Last month, the United States designated two elected Lebanese legislators and members of Hezbollah as terrorists. This was an escalation of the US measures targeting the party, alleging that Hezbollah smuggles drugs and launders the proceeds to finance its militia and alleged terrorism activities. Little more than two years since Lebanon's Prime Minister Saad Hariri visited the White House, we have the Trump administration's answer to the "menace" of Hezbollah: more of the same in America's war on terror spanning nearly two decades over multiple American presidencies.

In July, the Office of Foreign Assets Control (OFAC) under the US treasury department, sanctioned two Hezbollah parliamentarians: Mohammad Raad, head of the party's parliamentary bloc, and Amin Sherri. A third individual, Hezbollah's liaison and coordination unit official, Wafiq Safa, was also listed. The three were designated for their alleged roles as "terrorists and those providing support to terrorists or acts of terrorism" through an executive order that dates back to the Bush administration.

The latest action comes as the US has ramped up pressure on Iran and looks to squeeze its economy to the point of collapsing the Iranian regime. This represents a change of direction when compared to the former US President Barack Obama's second term. The main difference between the Obama administration and the Trump administration is that the former was pursuing Hezbollah while easing off its patron, Iran, while the latter is going full throttle after both. Under Obama, the US pursued a diplomatic solution to the prospect of an Iranian nuclear weapon, whereas now, the US is seemingly on a path toward military confrontation with Iran and its allies—if Iran does not change course in its regional influence campaign.

RAMPING UP THE PRESSURE

In May 2018, the Trump administration reneged on the Iran Deal, formally known as the Joint Comprehensive Plan of Action (JCPOA). The Iran Deal was an agreement between Iran and five nations (the US, the UK, France, Russia, China, and Germany), as well as the European Union to limit and delay Iranian uranium enrichment capabilities needed to manufacture nuclear warheads in exchange for the lifting of sanctions. The US unilaterally withdrew from the deal despite evidence that Iran was in compliance. Justifying the withdrawal, US President Donald Trump cited Iranian aggression across the region, its military campaign in Syria, and the implied notion that Iran was using its economic recovery from the JCPOA sanctions relief to fund Hezbollah in Lebanon and other non-state actors and militias elsewhere in the region.

The US is pursuing Hezbollah aggressively and on all fronts. It has attempted to pressure Hezbollah financially by targeting its patron, Iran (which, according to a 2016 speech by Hezbollah Secretary General Hassan Nasrallah, funds the group exclusively). A year ago, it appeared the US might be building a case that could lead to legal actions against Hezbollah officials or their affiliates. Lebanon still remembers the forced closure of the Lebanese Canadian Bank in 2011, which was the end result of a US Drug Enforcement Administration law enforcement campaign that began in 2008, code-named Project Cassandra, to disrupt Hezbollah's alleged global drug trafficking and money laundering network.

Earlier this year, OFAC sanctioned two individuals and three entities it alleged were "evasion conduits for major Hizballah financiers," and, in a separate action, designated Kassem Chams and his money service business, Chams Exchange. OFAC alleged that the money changer "launders drug proceeds throughout the world on behalf of narcotics trafficking organizations and facilitates money movements for Hizballah." On five separate occasions in 2018, OFAC sanctioned 19 individuals and 16 entities, including Nasrallah and Hezbollah's Deputy Secretary General Naim Qassem.

Last October, the US Department of Justice named Hezbollah one of the "transnational organized crime threats" to the US, alongside four Central American cartels, and is now looking to "reengage with our partners in the hemisphere" according to recent remarks by US Secretary of State Mike Pompeo at the July 19 Western Hemisphere Counterterrorism Ministerial Plenary. The same day OFAC sanctioned a senior member of Hezbollah's external support organization, Salman Raouf Salman. "We are targeting Salman Raouf Salman, who coordinated a devastating attack in Buenos Aires, Argentina against the largest Jewish center in South America 25 years ago and has directed terrorist operations in the Western Hemisphere for Hizballah ever since," according to a readout of the statement. The day before, Argentina announced it had designated Hezbollah as a terrorist organization and froze assets. Iran and Hezbollah have long denied involvement in the bombing.

The Trump administration also brags it has set the record for "the most sanctions imposed on Hizballah in a single year," according to a March statement declaring support for Israel (though the announcement did not count how many designations were made, or whether those actions referred only to OFAC listings or included measures by other agencies). Over the course of 2018, by Executive's count, OFAC had designated nearly 40 entities and individuals.

So what is to be made of the recent sanctions targeting the elected officials, and what does the Trump administration have in mind for Lebanon by targeting members of Parliament? Reading the sanctions as the targeting of the Lebanese state by the US may be an exaggeration, says Albin Szakola, an illicit finance analyst. "US policymakers have long pursued the objective of bolstering the Lebanese state and its institutions," he says. According to data from the United States Agency for International Development, the US supported Lebanon to the tune of nearly $600 million last year, counting humanitarian, economic, and military aid, and from 2011 - 2017 provided Lebanon with aid worth nearly $2.7 billion. Szakola adds that, "The US treasury designation statement, in its language, does not fault the Lebanese state, instead painting it as a victim of the Hezbollah officials' conduct."

Part of OFAC's explanation for the action reaffirmed American insistence of no distinction between Hezbollah's political and military wings, using a quote by Hezbollah's Raad: "Hizballah itself makes no distinction between its military and political wings, as Hizballah's own leaders have acknowledged publicly, including Muhammad Hasan Ra'd, who said in 2001, 'Hizballah is a military resistance party … There is no separation between politics and resistance.'" However, in Szakola's analysis, the US was only targeting the legislators and not the institution to which they were elected. "The statement was very specific and explained that the US sanctioned these individuals for taking advantage of their political positions to facilitate Hezbollah's non-political activities, including smuggling of contraband, acquiring passports for foreign operations, and trying to maintain access to Lebanon's financial system."

DANGEROUS GAME

Is it possible that the US may be attempting to provoke the party into political conflict with Lebanese counterparts? Szakola does not think the OFAC sanction demonstrates a shift in US policy. "I'm very hesitant to interpret this US treasury designation statement as signifying any new policy on the part of Washington to drive a wedge between Hezbollah and the Free Patriotic Movement (FPM), or its other political allies."

Joe Macaron, a resident fellow at the Arab Center Washington DC, however, reasons that just may be what the Trump administration is attempting. In his reading of the sanctions, the US may be trying to "weigh in on Lebanese politics" by forcing a wedge between members of its national unity government in which all major political parties in Lebanon are represented. He writes that Safa, the security official sanctioned in the most recent OFAC action, is Hezbollah's conduit to Gebran Bassil, Lebanon's Minister of Foreign Affairs, who also heads the FPM and is the son-in-law of the country's president, Michel Aoun. Bassil was a key figure in negotiating the political alliance between the FPM and Hezbollah in 2006, and it was thanks to Hezbollah that Aoun reached the presidency in 2016.

If framing the sanctions as a US effort to provoke political conflict between Lebanese counterparts is accurate, what could happen to Lebanon? Macaron suggests the possible outcome of a dysfunctional or collapsed government. Such a scenario, he says, could derail American efforts to broker border negotiations between Lebanon and Israel. It might also ruin Lebanon's efforts to unlock desperately needed infrastructure loans pledged last year at the CEDRE developmet conference, and could jeopardize other projects in Lebanon, such as reforming the electricity sector, or finding a sustainable solution for garbage management.

It could be more damaging for Lebanon than just project failures. The country is in a very delicate position: The economy is in recession and has been for almost a decade, it is under significant financial stress due to high levels of debt and poor public finance, and it faces social upheaval from the burden of hosting Syrian refugees. Any sort of political disruption in Lebanon could—in a worst-case scenario—create a domino effect leading to a security crisis.

> Any sort of political disruption in Lebanon could—in a worst-case scenario—create a domino effect leading to a security crisis.

It remains to be seen how the American's heavy-handed, top-down approach to dealing with Hezbollah will playout in Lebanon politically and on the ground. But at least now we have an answer to what the Trump administration plans to do regarding Hezbollah, even if we still do not understand the White House strategy for containing any possible fallout.

Jeremy Arbid is a former economics and policy editor of Executive Magazine.

By Auguste Bakhos

Fit for purpose

Updated laws on e-transactions, offshore companies, and code of commerce

Pressure to update the seven-decades-old Lebanese code of commerce was threefold. First, pressure to reform followed the decision of Banque du Liban (BDL), Lebanon's central bank, to issue Circular 331 in 2013 to encourage investment in the startup ecosystem, as startups by definition entail innovative technology and development language that is foreign to rigid and non-adaptive Lebanese laws. Second, the revolution of information technology and its use in electronic transactions created an ecosystem that the code was unable to handle and, as such, was a disincentive to foreign investment. Third, pressure to update the code also came from international consulting company McKinsey's Lebanon Economic Vision, which advocated for 11 statutes to be accelerated to provide a business friendly environment, including the code of commerce.

To address these gaps, the Lebanese Parliament has enacted three new laws: Law 81 (2018) on electronic transactions and personal data; Law 85 (2019) on offshore companies and single member offshore companies; and Law 126 (2019), which amended the code of commerce law from 1946.

The main purpose of these laws is to create an ecosystem where companies and startups can prosper and develop, as well as one that is attractive to foreign investments, in order to expose the Lebanese market to international standards and scale. Law 81 was established to create legal controls to protect individuals' actions, as there was no legislative framework in which e-transactions could be carried out despite these being daily processes in Lebanon. It is a reform that arose alongside the European Union's General Data Protection Regulation (GDPR), which seeks to protect EU citizens' data in all jurisdictions. Law 81 is beneficial for the economy in that it allows for e-trading and e-commerce to happen more easily in Lebanon, and between Lebanese companies and those abroad.

> The main purpose of these laws is to create an ecosystem where companies and startups can prosper and develop.

UPDATES FOR A DIGITAL ERA

Law 81 can be split into seven parts; the first being the legal requirements on electronic documents and evidence, such as giving the e-signature and e-documents the same power as a handwritten signature and document. The second part covers electronic commerce; it outlines the responsibilities required for all e-commerce practitioners, and covers the e-banking sector. The third part tackles the legal necessities on public communication through electronic supplies, which means that it highlights the responsibilities of the data host and covers the process of providing information online to the public anonymously. The fourth part sets out the national administrative, technical, and legal requirements given by international domain names registration entities. The fifth part states the purposes and boundaries of processing personal information, detailing the obligations and responsibilities of individuals handling the data. The sixth part covers amendments to the penal code, in addition to tackling crimes related to IT systems and bank cards. Finally, the seventh part offers transitional necessities related to the present law by stressing the importance of BDL in licensing electronic signatures and integrating them in the financial and banking sector, while making sure they do not contradict with other laws, especially the banking secrecy law of 1956.

INVESTMENT FRIENDLY

Law 85 updated Decree 46 (1983) due to the importance of offshore companies in attracting Lebanese and foreign executives to invest in Lebanon. The law's update, of course comes in the context of Lebanon's hope for potential offshore oil and gas reserves. This updated law outlined the activities in which offshore companies are allowed to practice. Moreover, this law has ratified the establishment of a single member offshore company in Lebanon, in which a single shareholder manages the company either by themselves or by appointing another director. This single member, being a legal entity or a natural person, is responsible for signing individually on all the company's decisions, given that they have all the powers and responsibilities usually granted to the board of directors and the general assemblies of the shareholders.

CHANGES TO THE CODE

The major innovation was Law 126, which, after 73 years, reforms and amends a large portion of Law 304 (1946), the code of commerce. Law 126 does not replace the code of commerce but exists to be used in conjunction with it, with its amendments superseding relevant articles in the original law. This updated law was enacted to meet local and international standards and evolutions in need. These amendments introduce new legal concepts that reform commercial acts in Lebanon. Law 126 opens the local market to a global market by encouraging foreign investments and by integrating several amendments made to adapt to the changed business environment in Lebanon and globally.

> The major innovation was Law 126, which, after 73 years, reforms and amends a large portion of Law 304 (1946), the code of commerce.

First, the law reforms certain formalities such as integrating electronic usage in daily transactions within the procedural framework, such as deposits and registrations before the trade register. In cases where a company has not been established within six months, the law also allows the founders to recover the deposited amount as capital from the bank accounts.

Second, the law undertakes several procedural amendments for joint stock companies, such as requiring that one-third instead of two-thirds of board members are Lebanese. In addition, the law separates the roles of the chairperson of the board of directors and the general director to ensure that each role's responsibilities within the company are clearly defined.

Moreover, it tackles Lebanese limited liability companies by allowing a natural person to establish a single partner limited liability company (SARL). The law also provides reforms regarding the transformation of a company, repartition between the bare-ownership and usufruct—the right to use and take advantage of a thing possessed. Regarding bankruptcy, it introduces protections for the estate of the spouse of the bankrupt. In addition, it adopts the regulations of mergers and demergers of a company.

Global depository receipts (GDRs)—defined in the *Financial Times* glossary as "negotiable shares issued by depositary banks that represent ownership of a specific number of shares in a company and can be traded independently from the underlying shares"—have grown in prominence in recent years as the favored implement through which companies from emerging markets choose to raise capital. It was important, therefore, to integrate and adopt a new amendment that covers these: Article 28 of Law 126 includes the regulations of the preferred shares and article 458 tackles GDRs. Moreover, these articles were integrated to allow foreign firms to have their stock trade in the domestic market by removing several steps, as well as to ease domestic investor purchases of foreign securities.

The above reforms are a step toward stability and growth and put Lebanon on the right track, which is a path toward an improved future and a modernized contemporary business law that would serve to attract investors and create a perpetual growth economy.

Auguste Bakhos is the managing partner at Bakhos Law Practice, based in Beirut, Lebanon.

By Talal F. Salman

Stalled potential

The deterioration of human capital in Lebanon

Economic and social prosperity in a country is measured by assessing the standard of living of its people. Those born in a country with high levels of poverty and corruption have a higher risk of living in a state of deprivation and suboptimal prosperity. Those born to wealthier nations with a more equitable distribution of that wealth will, in contrast, have a more prosperous life—developing the skills, knowledge, and experience (i.e. human capital) that will allow for more economic and social productivity.

Economic theories might differ on the best approach, but all schools of economic thought agree on the importance of investing in infrastructure, education, and healthcare as prerequisites for development and advancement. These three pillars allow citizens to live a full life. Yet development efforts over the past few decades have been geared toward the infrastructure rather than the human being.

THE HUMAN LINK

The end result of forgetting to place human beings at the heart of development goals, according to the World Bank, is that 56 percent of all global newborns today will, at best, be 50 percent as productive as they could have been as adults, had they received the necessary education and healthcare. To counter this, the World Bank launched the Human Capital Project, creating a human capital index (HCI) for countries, and offering support in designing strategies to tackle deficiencies in education and healthcare. The project's underlying principle is that investing in human capital—in particular in healthcare and education from a young age—is essential for eventual adulthood success and prosperity.

The HCI—which ranges from 0 to 1—measures the amount of human capital that a human born today is expected to accumulate given available education and healthcare. Based on 2017 metrics, the new index placed Lebanon 86th out of 157 countries with a score of 0.54, meaning Lebanese productivity is just 54 percent of what it could be. This is below the MENA average of 0.57, and it is low compared to other upper-middle income countries such as Turkey (0.63), Bulgaria (0.68), and Serbia (0.78). By this metric, Lebanon has failed to design and implement developmental policies for its own population.

EDUCATION, EDUCATION, EDUCATION

On the healthcare front, the results of Lebanon were in an acceptable range, as the index by nature targets the poorest countries, which are mostly in the African continent. On the education front, however, the average Lebanese student completes just 10.5 years out of the required 14, compared to a MENA average of 11.5, and a world average of 11.2. For standardized tests—scored between 300 and 600—Lebanon's score was 405, under the regional average of 408, and lagging behind the world average of 431.

Due to low-quality public education and limited years in school, the HCI estimates the effective school years for Lebanese students is just 6.8 years, compared to the regional average of 7.6, and world average of 7.9. In developed countries this average rises to 11 years, meaning that Lebanon suffers from an alarming learning gap of 3.7-years.

The global preliminary findings of the HCI found that the lack of quality public education and healthcare were due to two things: First, politicians think short-term by investing in infrastructure over people; second, bureaucracy tends to get in the way of transforming efficient policies to actionable implementation programs.

A FUTURE VISION

Chile focused on early investment in human capital by mixing education, healthcare, and social protection programs for children; Pakistan focused on using technology to reach children in need of vaccines. This is to say that ideas are as diverse as every society is, and as diverse as every country's capabilities are. What matters is to diagnose the problems, and then design policies with a long-term vision that increases living standards by improving the capabilities of humans, so they can become healthy and productive adults.

It is not acceptable for Lebanon to continue to boast about its past, its diaspora, and its private education, while the level of education overall has lowered and continues to worsen. What is needed is an emergency plan to diagnose the real challenges, develop our curricula, improve teaching quality, and link education to health and to an overall economic plan, because society is not a sum of the parts—it is a whole to which success is as good as that of its weakest member.

Talal F. Salman is the UNDP project director for fiscal policy advisory and reform in Lebanon.

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PRESS Executive

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By Nabila Rahhal

Navigating troubled waters

Le Gray's general manager's four years in Beirut

Lebanese born and raised, George Ojeil was the hotel manager at the Intercontinental Hotel in Amman, Jordan, when he was offered the position of general manager (GM) of Le Gray Beirut, which he describes as a "very sexy product which any hotelier would love to run." What further facilitated the decision to accept Le Gray's offer was that Ojeil's wife was pregnant with their first child back then, and the couple thought it would be good to be close to family during that period.

So, on October 15, 2015, Ojeil became the GM of Le Gray Beirut at a time when the country was facing a waste management crisis and a dismal tourism and hospitality season. The four years that followed saw Ojeil leading the hotel through what was still a challenging period for tourism (despite a pick up in tourism numbers), and through an extension project that saw an addition of guest rooms, conference rooms, and a ballroom.

As Ojeil prepares to leave Le Gray (effective end of July 2019) to become GM of Ritz Carlton, Abu Dhabi, he reflects on his time with Le Gray and shares his insights on the hospitality sector.

E *I imagine it wasn't an easy decision to take, joining Le Grey, considering the situation of the country at the time?*

I resigned from my previous position in Amman and signed the contract with Le Gray 20 days prior to the waste management crisis and the demonstrations that accompanied it right at the doorstep of the hotel (on October 7 the façade of Le Gray was vandalized). So I had to call Le Gray and see if they were still interested in having me and the reply was yes, things are under control.

When I arrived in Lebanon a few days later, the hotel's façade was broken and some of the doors had no glass, business was very low, and there was a curfew in the area around the hotel. To be honest, I did have fears at that time and wondered if I had made a big mistake coming back to Beirut. But I remained positive and tried to make the best out of it, and I believe we managed well with the team.

E *What were your priorities upon assuming your post at Le Gray?*

There were a lot of things to be tackled on my list, but the most important thing was looking into my colleagues' mindset and managing it.

My colleagues were really impacted by the events [of that year], and I felt great demotivation among the team, so I had to work on reengaging them and making them believe that the property will shine once again, despite what we have been through, because you know we are in the people industry where having a positive attitude is very important.

E *How did you manage this period of crisis that the hospitality industry passed through financially? Were you able to retain your team?*

We never looked into reducing our payroll or manpower just to save a few dollars—I don't believe in that at all.

We decided to retain our team because they are our best asset. In hospitality in Lebanon, there will always be good and bad days, but as an employer of choice, we need to prove to them that we are there for them during tough days and that we will support them so that they will support us during the good days.

Still, we managed to put many strategies together at that time to reduce our payroll by, for example, managing a natural attrition: When there were people leaving, due to personal choices, we did not replace them, and we had to make do with what we had. In parallel, because we were working on boosting the motivation and morale of the remaining team, this enhanced their productivity while reducing headcounts. When someone is engaged and motivated, he or she can replace two or three headcounts. When I took over, we were 231 employees with only 87 rooms and occupancy was very low; today, business is at a peak, we have additional conferences and events facilities, more rooms, and the additional lobby—and we are at 165 employees.

E *What were some other measures you took to reduce costs?*

Aside from looking at payroll, we looked into energy. We transferred our lighting to LED technology, we looked at operating our generators at peak hours to reduce our electricity cost. So we have taken a lot of cost-saving initiatives when it comes to energy, and when you save on energy it's automatically pure profit. These two measures supported us in reducing our expenditure and optimizing our profit without impacting the quality of the product.

E ***The extension project was completed in July 2017. How has it impacted business at the hotel since?***

The extension project allowed Le Gray to provide full service, so we managed to attract residential seminars, MICE business, and so on—and this is of capital importance. Prior to the extension, we only attracted frequent international travelers staying at the property, but now it's a different ballgame.

During tough times, hotels focus on the local dynamics where you can at least generate revenues to cover your costs. If you don't have these conference and events facilities, it's a handicap.

E ***Let's talk about 2019, and how the year has been so far for hospitality and tourism in general and Le Gray specifically.***

2018 was a record year for the hotel, and so far in 2019 (July) we are witnessing a year-to-year increase of 3 percent on a record year. The first half of the year was fantastic and, in ratio, we have already generated 65 percent of 2018's profit.

E ***Is that related to the lift of the travel restrictions from Saudi Arabia to Lebanon?***

This is supporting it, definitely. The lift of the travel ban accentuated the demand, and once we had more demand on the market, this supported driving average rates upward. Once the demand is bigger than the offer in the market, you feel the rates gradually increasing. We witnessed an increase year-over-year in our average rates by 12 to 13 percent of the average rate.

E ***But what happens if the demand suddenly decreases due to security incidents such as the one witnessed in Aley/the southern highway on July 6?***

If, God forbid, there is a drop in demand, you start seeing a sort of price war between hotels. Hotels will have to drop their rates to get more business, and if the competition drops their rate, we may have to follow at a certain stage. Le Gray has a competitive advantage in that we have a diversified business mix, so demand from different continents would support driving occupancy continuously.

E ***From your experience, how have you seen the government supporting hospitality in Lebanon, and what more could be done?***

I personally believe that Mr. Guidanian [the tourism minister] is doing a fantastic job in diversifying the demand and bringing more demand from different areas. What he has done through participating in different fairs on different continents was very smart and allowed hotels to be present under the umbrella of the Ministry of Tourism, thereby saving costs and encouraging wider participation.

Regrettably, in the 2019 budget, it looks like there will be a cut in the ministry's budget, which means it won't be able to participate in the majority of these fairs anymore.

In a wider sense, the government can support the hospitality sector in numerous ways. With energy, the government can subsidize or support hotels with a lower energy fee.

On another note, we need to support our youth and grow talent. We are not developing our youth or nurturing the hotelier of tomorrow.

E ***Can you elaborate on this? And whose responsibility do you think this should be?***

I think [the government] needs to focus more on developing the youth toward service departments, to have highly skilled and developed waiters, cooks, and captains, for example, which is something we don't see often. These are respectable, well-paying jobs where the starting salaries for entry jobs in the kitchen and restaurants are around $800 for example. These jobs also offer the opportunity to learn the basics of the hotel business and grow from within; there is no elevator to success, you need to climb the ladder.

The Ministry of Education and Higher Education needs to once again support technical education. There will always be people who go to universities to get their degrees [in hotel management], but there will be other people where, instead of having zero education, they go to these technical schools and learn something that would support them in their journey in hospitality.

If we have a situation where everybody wants to go into hospitality management programs, at a certain stage, there will be an overflow of managers and not enough entry level employees, and at the end [of the day], when you go to a hotel, you are not served by the general manager. It ends up that people who are doing these entry-level jobs have never been in any kind of hospitality schools, and so you have to spend real money on training them and doing orientation.

E ***Why have you taken the decision to move on in your career?***

From a professional perspective, we hoteliers have to broaden our scope every four to five years, otherwise we fall into our comfort zone, which is not healthy.

Also, I have aspirations and dreams that, regrettably, I feel won't be fulfilled if I stay in Lebanon. If we look at how many five star hotels are in Lebanon, they are only a handful: The industry is not growing and demand on the destination is not growing, and so if we need a career at the international level in hospitality, we need to leave.

BUSINESS ESSENTIALS

Company Bulletin

Fully charged as it accelerates along its Future Highway 2025, the **BMW Group** is adjusting frequency to up the tempo of its electro-mobility expansion program. The company will now achieve the total of 25 electrified models previously announced for 2025 two years earlier, in 2023.

Following years of recession, Tripoli, a city that has been historically renowned for its unique woodcraft furniture industry, witnessed on July 4 the first ever collective furniture exhibition, **DAR 2019**, where 23 locally renowned carpenters and 27 artisans exhibited a selection of their best pieces. DAR 2019 was organized in the framework of the private sector development program, which is funded by the **European Union** and implemented by **Expertise France** to support the furniture industry in Tripoli.

The **INFINITI QX50** has been created to meet the needs of today's premium car buyers and to deliver on their desire to own the latest masterpiece of technology. The car appeals to those who seek a unique combination of interior space, power, efficiency, hand-crafted quality, modern design, and effortless on-road performance.

SFO Group announces the acquisition of Polaris Crossing, a 248 units multifamily community, located in Columbus, Ohio. With an occupancy of 95 plus percent at acquisition, Polaris is a garden-style community spread over a total net rentable area of 209,080 square meters.

The national campaign to prevent forest fires, #DontRiskIt, was launched on July 12. This campaign is part of the **USAID's** livelihoods in forestry project. The campaign was launched by the **Lebanon Reforestation Initiative** NGO and **Association for Forest Development and Conservation**, in partnership with the **Ministry of Interior and Municipalities**, the **Ministry of Agriculture**, the **Ministry of Environment**, the **Lebanese Armed Forces**, the **Civil Defense**, and the **Disaster Risk Management** Unit. The campaign's main objective is to educate municipalities and local community members via social media about a variety of actions that can help to prevent forest fires.

As part of an ongoing effort to increase the efficiency of its data infrastructure environment, and future-proof against compliance challenges such as GDPR, **Creditbank** has announced that **Commvault** will now take charge of all data management for the bank across all physical and virtual environments.

The launch of **LEEREFF** took place on July 11, at the Phoenicia Hotel in Beirut, in the presence of Wael H. Hamdan, executive director and head of financing unit at **Banque du Liban**, Damien Sorrell the **European Investment Bank** representative for Lebanon, Thierry Liscia the deputy director of **AFD Lebanon**, Pierre Khoury, general director of the **Lebanese Center for Energy Conservation**, Werner Peylo, project manager of LEEREFF, and representatives from all five Lebanese partner banks: **Bank Audi**, **BLC Bank**, **Byblos Bank**, **Fransabank**, and **Societe Generale de Banque au Liban**. LEEREFF has been developed to support a wide range of investments in the field of energy efficiency, renewable energy and green buildings, with a total credit volume of 80 million euros.

The **IAA-Lebanon** chapter held a general assembly in the presence of its members and elected a new board for a two-year mandate.

New research from **Finastra** has revealed that the market dominance of banks in the delivery of corporate treasury services is under threat from non-bank market entrants. According to its survey of 380 corporate treasurers from enterprises across Europe, the Middle East, and Africa, 70 percent believe that a shift from bank to non-bank services will take place within their organizations over the next two to five years—16 percent say this shift has already taken place.

The Stuttgart-based designers of the **Mercedes-Benz** V-Class, have revealed an impressive new look of the passenger family car, which is now available with a revised front-end design, exterior colors, updated interior, and a range of cutting-edge driver assistance features.

TAG Heuer, in partnership with **ETS. H. Atamian** has reopened its flagship boutique, located at the heart of one of Beirut's key landmark destinations, at Beirut Souks.

Under its livelihood and inclusion finance expansion project, **USAID Lebanon** launched Pathway to Savings in partnership with **Bankmed** and its subsidiary, **Emkan Finance** on July 2. The launch event was held at Bankmed headquarters with USAID Economic Growth Office Director William Butterfield, executives from Bankmed and Emkan, representatives from Banque du Liban, and other stakeholders.

In line with its commitment toward the Sustainable Development Goals, and particularly SDG 10 "reduced inequalities," **Banque Libano-Française** partnered with **Injaz Lebanon** for the third year to engage its employees in a volunteering program aimed at spreading financial literacy and knowledge about banking, leadership, economics, entrepreneurship, and digital marketing among young students.

Bank Audi has announced the launch of its new ultra-high net worth "World Elite Exclusive" credit card during a private reception held on June 27 at Villa Audi in the presence of Bank Audi clients, and Management members of Bank Audi and Mastercard.

A year after Jacques R. Saadé's demise and the international tribute paid to the founding president of the **CMA CGM Group**, the city of Marseilles has decided to name one of the city's emblematic boulevards after him in his honor.

Startup company **Disrupt Snacks** will open a factory for the production of healthy popcorn in December. The factory is owned by Georgio Daher who created the brand name **Pop Pop** for the popcorn. The factory is being built in Zahle's industrial zone with an investment of $650,000, excluding the land cost.

Byblos Bank issued, on July 25, the results of the **Byblos Bank/AUB Consumer Confidence Index** for the second quarter of 2019. The results show that the Index regressed by 11 percent in April from the preceding month, while it increased by 2.8 percent in May and by 3.2 percent in June.

Following the alarming statistics regarding violence against children in Lebanon, **himaya** NGO launched another bold campaign on its 11th birthday to break the stereotypes around this problematic issue.

As part of its expansion plan in Lebanon, **Huawei** announced the launch of its official e-commerce platform in Lebanon on July 22.

The department of surgery at the **American University of Beirut Medical Center** successfully performed a first-of-its-kind surgery for resecting an upper cervical spine malignant tumor in its entirety. This procedure not only increases the success rate but also reduces the risk of recurrence.

LAU Medical Center Rizk Hospital has introduced to the media its travel clinic in the presence of doctors and medical team members and the hospital visitors and staff.

Hyundai Motor Company has been recognized with two major awards for the future-oriented direction of its drive technologies, both presented at a ceremony in Germany. The award for "Most Innovative Volume Brand" and the award for "Most Innovative Volume Brand - Alternative Drives" were handed over at the 2019 **Automotive INNOVATIONS Awards** by the **Center of Automotive Management and PricewaterhouseCoopers**.

American Express Middle East and **Le Bristol Hotel** celebrated their 60th anniversary of partnership in Lebanon at a ceremony held recently at the hotel.

BOUNCE, the indoor adventure playground has finally opened its doors in Lebanon. BOUNCE has built a 3,400 square meter venue featuring a free jump arena with wall-to-wall trampolines, a dedicated parkour area for aspiring freestylers, giant inflatable airbag, dodgeball courts, and loads more for the population of Lebanon.

Myschoolpulse, a non-profit organization bringing school to hospitals in Lebanon, will organize its 10th edition of the "Pulse 5K or 1K" race on August 4 with the logistical support of **Beirut Marathon Association**, the **Lebanese Athletics Federation**, and **Faqra Club**. This race is Myschoolpulse's main fundraising event.

On July 18, Lebanese Prime Minister Saad Hariri received a delegation from **GE** and the **Embassy of the United States**, led by the US Ambassador to Lebanon, Elizabeth

BUSINESS ESSENTIALS

Company Bulletin

H. Richard, and GE's president & CEO of the Middle East, North Africa & Turkey, Nabil Habayeb.

Nestlé has announced it has created a unique chocolate made entirely from the cocoa fruit, using the beans and pulp as the only ingredients and therefore not adding any refined sugar.

Under the patronage of H.E. **Minister of Culture** Mohamed Daoud, and in collaboration with the **United Nations Information Centre in Beirut** and the **Municipality of Baakline**, the **Association of World of Art and Heritage** has launched an art exhibition entitled "The Sustainable Development Goals (SDGs): from Contemporary Art's Perspective."

Makassed Philanthropic Islamic Association of Beirut celebrated outstanding accomplishments in the official Lebanese Baccalaureate exams, marking another year of academic and personal achievements for **Makassed** students.

In line with its ongoing care and support for the youth to help them build a promising future in Lebanon, **BBAC** has participated in the **Social Work League** project aiming at providing public school students in several Lebanese regions with English courses, as part of the education and language strengthening program, to get them ready for university, armed with strong language and culture.

The **American University of Beirut Medical Center**, in collaboration with the **International AIDS Society (IAS)**, organized the first MENA regional IAS Educational Fund meeting on HIV June 28 - 30 at its premises.

For the second consecutive year, **touch**, managed by **Zain Group**, has combined efforts with the **Lebanese Red Cross** and conducted a blood donation campaign targeting touch employees.

Kempinski Summerland Hotel & Resort's management is delighted to welcome Mark Timbrell, British national, as the hotel general manager.

BBAC has once again established its excellence in the banking field and in the services it provides to its customers. The bank was awarded the "Best Bank for Banking Services Quality" by the **World Union of Arab Bankers** at the **2019 Arab Banks Awards and Commendations of Excellence** at its fifth annual ceremony.

Huawei recently launched the HUAWEI Y9 Prime 2019, its latest smartphone that packs stunning innovations and won't break the bank. Boasting an all-new bezel-less Ultra FullView Display, the latest from Huawei is a smartphone that packs some unique features.

Fiat Chrysler Automobiles N.V. announced two moves in its leadership team. Davide Grasso, former CEO of NIKE's Converse, joins FCA and is named COO of **Maserati**. Grasso also is appointed to the company's group executive council.

As part of **Phoenicia Culinary Institute**'s yearly activities, the chefs of the **Phoenicia Hotel** in addition to 30 guests, made their way to **Ferme St. Jacques** in Batroun—famous for its production of duck products—on July 3.

SPA Phoenicia is delighted to have won Luxury Urban Escape in the Middle East and Africa as well as Luxury Hotel Spa in Lebanon at the **World Luxury Spa and Restaurant Awards 2019** in a glamorous ceremony held in Saint Petersburg, Russia.

As part of its CSR activities, **Le Bristol Hotel** proudly signed an agreement with the **Lebanese Food Bank** with the aim of helping the less fortunate.

Whether city hopping, spontaneous weekend escapes, overnight business trips, or epic odysseys to distant places, **Montblanc** travel essentials combine luxury with practicality through spacious and well-organized interiors, intuitive features, and innovative fabrics—perfect for those who are unwilling to compromise on style wherever they are.

July 3 marked the inauguration date of a new vibrant experience in the heart of Beirut, **Skyline Rooftop Lounge**, in **Mövenpick Hotel Beirut**, redefines sunset destinations while offering a refined dining atmosphere while also being the ideal spot for post-work catch-ups or weekend hang outs with friends.

HUAWEI's P30 Pro has been announced as the best smartphone of 2019 by the **European Hardware Association (EHA)**. The handset secured top spot in the best smartphone category at the EHA Awards 2019.

MINI Lebanon proudly participated in **Beirut Design Week**, the annual festival that brings together the best of Lebanese art, culture, design, and fashion.

On June 27, **Century Motor Company**, the exclusive distributor of **Hyundai** passenger and commercial vehicles in Lebanon, held the Grand Finale Event of its three-month 3eesh (live) campaign at Hyundai headquarters in Zalka under the headline Live the Hyundai vibes, in the presence of VIP guests, Hyundai clients, members of the press, influencers, and bloggers.

Following its strategic plan for modernization and expansion, the maternity ward of **Sacré-Coeur Hospital** has recently been refurbished. The move comes as a reflection of the hospital's mission of providing better healthcare relentlessly, so the inhabitants of the surrounding region will benefit from a fresh and renovated facility.

The 8th edition of **Beirut Design Week** was launched under the patronage of the **Ministry of Culture** on July 1 at its main venue nestled between the walls of Starco monument.

TRACS NGO, a grouping of the representatives of key active associations in the Lebanese transport sector, with support from academia and domain experts, met with **Minister of Interior** Rayya el-Hasan in the presence of the **Minister of Public Works and Transport** Youssef Fenianos to introduce their initiative. TRACS was represented by Ziad Abs, Marc Haddad, Zaher Massaad, Jawad Sbeity, Joe Daccache, Kevin Boutros, and Anthony Massaad.

As part of its ongoing commitment to cater the needs of the Lebanese citizen, **LGB BANK** sponsored a ceremony organized by the **Cancer Support Fund of AUBMC**, which took place at the Pine Residence in the presence of high profile community leaders and numerous fund supporters.

Faster, more powerful, and more efficient than ever before, the 8th generation of the **Porsche 911** is presented in two variants, the rear-wheel drive 911 Carrera S and the all-wheel drive 911 Carrera 4S. Available as a Coupe and Cabriolet, the models highlight the design and performance evolution of the brand's most iconic sports car.

GS Storey proudly took part in **Beirut Design Week**'s 8th edition that was held July 1 - 7. In an effort to be aligned with the suggested theme—Design and Nostalgia—GS Storey scouted Lebanese designers with the purpose of incorporating design elements evoking nostalgia into the renowned home décor store.

The 10th edition of **BEIRUT ART FAIR** was officially announced at a press conference in Beirut, at Le Gray Hôtel, on June 20 in the presence of Lynn Tehini, representing Mohammad Daoud, **minister of culture**, Bénédicte Vigner, cultural cooperation attaché at the **French Embassy**, Gabriel Sistiaga, first counselor of the **Spanish Embassy**, Ousama Ghannoum, Jordanian collector, representing Khalid Khreiss, general manager of the **Jordan National Gallery of Fine Arts**, Joanna Baloglou, head of corporate communication at **SGBL**, as well as a large number of collectors in the region.

Resource Group, an investment group with a portfolio of diversified businesses, supported the **Lebanese Diaspora Energy Conference 2019** that was held at The Parks, Biel Group, June 7 - 9, under the patronage of President of the Republic General Michel Aoun.

Under the auspices and in the presence of **Minister of Telecommunications** Mohammed Choucair, the launch of the "For Sustainable Cities" project in Dekwaneh was launched with the support of **Alfa** and in collaboration with the Municipal Council.

Diageo Lebanon announced that it will start implementing a six-month paid maternity and paternity leave policy for its employees, becoming the first ever company to do so in Lebanon. This decision comes as part of a global roll-out of ambitious parental leave policy from the spirits company.

Pizzanini, Lebanon's renowned pizza chain with over 24 branches around the country, launched its 25th branch at **KidzMondo Beirut**, the leading children edutainment city in Lebanon.

BUSINESS ESSENTIALS

Events

CONFERENCES

	ORGANIZERS	CONTACT	WEBSITE
LEBANON			
13 Sep	**DIGITAL LEBANON CONFERENCE** Al Iktissad Wal Aamal Group	+961 1 780 200; forums@iktissad.com	www.iktissadevents.com
18 Sep	**5TH GLOBAL CYBER SECURITY FORUM** Explore Exibitions and Conferences	+91 80 4224 7078; info@exploreexhibition.com	www.exploreexhibitions.com
20 Sep	**OIL AND GAS EASTMED FORUM** Al Iktissad Wal Aamal Group	+961 1 780 200; forums@iktissad.com	www.iktissadevents.com
25-27 Sep	**INTERNATIONAL BEIRUT ENERGY FORUM** MCE Group	+961 9 900 110; events@mcegroup.net	www.mcegroup.net
3-4 Oct	**ANNUAL FORUM FOR HEADS OF AML/CFT COMPLIANCE UNITS IN ARAB BANKS AND FINANCIAL INSTITUTIONS** Union of Arab Banks	+961 1 377 800; uab@uabonline.org	www.uabonline.org
DUBAI			
1 Sep	**THE PRIVATE SECTOR'S UPGRADING STRATEGY CONFERENCE** Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
1-2 Sep	**GCC NATIONALIZATION AND EMPOWERMENT CONERENCE** Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
1-2 Sep	**GCC FUTURE LEADERS CONFERENCE** Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
1-5 Sep	**GCC MUNICIPALITIES AND INTEGRATED AND SUSTAINABLE CITIES CONFERENCE** Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
2 Sep	**GCC START UP AND SME SUMMIT** Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
3 Sep	**GCC PRIVATE SECTORS BUSINESS TRANSFORMATION TOWARDS ECOMMERCE CONFERENCE** Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
4 Sep	**GLOBAL ONLINE SHOPPING PORTALS EFFECTS ON GCC RETAIL INDUSTRY CONFERENCE** Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
5 Sep	**EPAYMENT STRATEGY CONFERENCE** Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
9-10 Sep	**AI WEEK MIDDLE EAST** IQPC	+030 2 091 3274; info@iqpc.de	www.iqpc.ae
9-10 Sep	**DIGITAL TRANSFORMATION & EMERGING TECHNOLOGY MIDDLE EAST 2019** IQPC	+030 2 091 3274; info@iqpc.de	www.iqpc.ae
17-18 Sep	**CUSTOMER EXPERIENCE WEEK** IQPC	+030 2 091 3274; info@iqpc.de	www.iqpc.ae
23-25 Sep	**CMO AND FUTURE OF MARKETING MIDDLE EAST** IQPC	+030 2 091 3274; info@iqpc.de	www.iqpc.ae
23-25 Sep	**GOVERNMENT FORESIGHT SUMMIT** Messe Frankfurt Middle East GmbH	+971 4 389 4500; sarah.phillips@uae.messefrankfurt.com	www.governmentforesight.com
23-26 Sep	**ANNUAL PROCESS SAFETY SUMMIT** IQPC	+030 2 091 3274; info@iqpc.de	www.iqpc.ae
24-25 Sep	**TELECOMS WORLD MIDDLE EAST** Terrapinn	+971 4 440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
30 Sep-2 Oct	**ANNUAL ENTREPRISE RISK MANAGEMENT CONFERENCE** IQPC	+030 2 091 3274; info@iqpc.de	www.iqpc.ae
6-8 Oct	**DATAMATIX GITEX CONFERENCE** Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
9 Oct	**GOVERNMENT AND BUSINESS LEADING CEO CONFERENCE** Datamatix Group	+971 4 332 6688; info@datamatixgroup.com	www.datamatixgroup.com
14 Oct	**DESTINATION X INFRASTRUCTURE SUMMIT** Messe Frankfurt Middle East GmbH	+971 4 389 4500; sarah.phillips@uae.messefrankfurt.com	www.destination-x-infrastructure.com
15-16 Oct	**ENTERPRISE FINTECH SUMMIT** Naseba	+971 4 581 4300; chukkyn@naseba.com	www.naseba.com
16-17 Oct	**PROCUREMENT STRATEGY SUMMIT** Fleming	+421 2 5727 2100; info@fleming.events	www.fleming.events
21-22 Oct	**ISLAND AND MARINE DEVELOPMENT MIDDLE EAST** IQPC	+030 2 091 3274; info@iqpc.de	www.iqpc.ae
21-22 Oct	**FUTURE TRAINING DEVELOPMENT AND LEARNING LEADERS** IQPC	+030 2 091 3274; info@iqpc.de	www.iqpc.ae

	ORGANIZERS	CONTACT	WEBSITE
24-26 Oct	**PATIENT SAFETY** Informa Middle East	+971 4 407 2528; patientsafety@informa.com	www.patientsafety-me.com
28-29 Oct	**WOMEN IN LEADERSHIP ECONOMIC FORUM** Naseba	+971 4 581 4300; prachid@naseba.com	www.naseba.com

ABU DHABI

2-3 Sep	**INTERNATIONAL CONFERENCE ON SCIENCE, ENGINEERING & TECHNOLOGY** Researchfora	+91 88 9518 8531; info@researchfora.com	www.researchfora.com
16-17 Sep	**BUILDING CAPABILITY AND FUTURE CAREERS 2019** Advanced Conferences & Meetings	+971 4 563 1555; mailing@acm-events.com	www.acm-events.com
19-21 Sep	**THE INTERNATIONAL PATIENT FLOW CONGRESS** Messe Frankfurt Middle East GmbH	+971 4 389 4500; sarah.phillips@uae.messefrankfurt.com	www.ipfcongress.com
24-25 Sep	**NATIONAL SECURITY MIDDLE EAST** IQPC	+030 2 091 3274; info@iqpc.de	www.iqpc.ae
29-30 Sep	**FUTURE DRAINAGE & STORMWATER NETWORKS 2019** Advanced Conferences & Meetings	+971 4 563 1555; mailing@acm-events.com	www.acm-events.com
14 Oct	**FIRE SAFETY SERIES** IQPC	+030 2 091 3274; info@iqpc.de	www.iqpc.ae
29-30 Oct	**ABU DHABI SMART CITY SUMMIT** Advanced Conferences & Meetings	+971 4 563 1555; mailing@acm-events.com	www.acm-events.com

SAUDI ARABIA

16-18 Sep	**SAUDI INTERNATIONAL OIL FIRE SAFETY CONFERENCE** Riyadh Exhibitions Company (REC Expo)	+966 1 454 1448; info@recexpo.com	www.recexpo.com
29-30 Oct	**COMPENSATION AND BENEFITS FORUM** Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informa-mea.com

EGYPT

3-4 Sep	**SHARED SERVICES AND OUTSOURCING FORUM MIDDLE EAST** IQPC	+030 2 091 3274; info@iqpc.de	www.iqpc.ae
17-18 Sep	**MEDIATION AND ARBITRATION IN ARAB BANKS AND FINANCIAL INSTITUTIONS CONFERENCE** Union of Arab Banks	+961 1 377 800; uab@uabonline.org	www.uabonline.org

KUWAIT

16-18 Sep	**ANNUAL MAINTENANCE KUWAIT SUMMIT** IQPC	+030 2 091 3274; info@iqpc.de	www.iqpc.ae
25 Sep	**CUSTOMER ENGAGEMENT TECHNOLOGY CONFERENCE** Pinnacle Middle East	+971 0 4241 6054; info@pinnaclemiddleeast.com	www.pinnaclemiddleeast.com
13-16 Oct	**KUWAIT OIL & GAS SHOW AND CONFERENCE** Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informa-mea.com
21-22 Oct	**KUWAIT ROADS, BRIDGES AND HIGHWAYS SUMMIT** IQPC	+030 2 091 3274; info@iqpc.de	www.iqpc.ae
21-22 Oct	**KUWAIT HOUSING & RESIDENTIAL DEVELOPMENT** IQPC	+030 2 091 3274; info@iqpc.de	www.iqpc.ae

BAHRAIN

14-16 Oct	**MIDDLE EAST PROCESS ENGINEERING CONFERENCE & EXHIBITION** Middle East Energy Events	+971 4 427 0739; info@mee-events.com	www.me3-events.com
14-16 Oct	**WORLD PETROLEUM COUNCIL DOWNSTREAM CONFERENCE** Middle East Energy Events	+971 4 427 0739; info@mee-events.com	www.me3-events.com
14-16 Oct	**3RD LEADERSHIP EXCELLENCE FOR WOMEN AWARDS AND SYMPOSIUM** Middle East Energy Events	+971 4 427 0739; info@mee-events.com	www.me3-events.com
28-30 Oct	**BAHRAIN INTERNATIONAL DEFENCE EXHIBITION AND CONFERENCE** Clarion Events Middle East	+973 1 755 8800; info@btea.bh	www.btea.bh

IRAQ

24 Sep	**IRAQ MIDLAND OIL & GAS SUMMIT** Global Event Partners Ltd	+971 4 332 2283	www.gep-events.com

QATAR

11-12 Sep	**QATAR WATER INFRASTRUCTURE CONFERENCE** IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
29-30 Oct	**COMBATING FINANCIAL CRIMES: COMPLIANCE WITH EVOLVING GLOBAL AML/CFT STANDARDS** Union of Arab Banks	+961 1 377 800; uab@uabonline.org	www.uabonline.org

OMAN

16-17 Sep	**OMAN E-COMMERCE CONFERENCE** Inovexic	+80 4 114 0053; info@inovexic.com	www.inovexic.com
9-11 Oct	**MINING INVESTMENT MIDDLE EAST & CENTRAL ASIA** Spire Events Pte Ltd	+65 6 717 6016; enquiry@spire-events.com	www.spire-events.com
21-23 Oct	**DIGITAL REFINERIES OMAN** IQPC	+030 2 091 3274; info@iqpc.de	www.iqpc.ae
27-29 Oct	**GCC POWER** CIGRE	+971 4 332 2283; info@cigre-gcc.org	www.cigre-gccpower.com

BUSINESS ESSENTIALS

Events

EXHIBITIONS

	ORGANIZERS	CONTACT	WEBSITE
LEBANON			
2-3 Aug	**VINIPICNIC** Eventions	+961 1 280 085; info@eventionslb.com	www.vinifestlebanon.com
18-22 Sep	**BEIRUT ART FAIR** Beirut Art Fair	+961 76 497 453; info@beirut-art-fair.com	www.beirut-art-fair.com
19-22 Sep	**BEIRUT DESIGN FAIR** Cedralys	+961 76 497 453; gth@beirut-design-fair.com	www.beirut-design-fair.com
2-5 Oct	**VINIFEST** Eventions	+961 1 280 085; info@eventionslb.com	www.vinifestlebanon.com
10-12 Oct	**WHISKY LIVE BEIRUT** Hospitality Services	+961 1 480 081; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb
15-18 Oct	**4P EAST MED** IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
17-20 Oct	**WEDDING FOLIES: THE BRIDAL EXPO** Promofair	+961 1 561 600; info@promofair.com.lb	promofair.com.lb
24-28 Oct	**ROYAL WEDDING FAIR** Wedding malls	+961 3 824364; info@weddingmalls.com	www.weddingsmall.com
DUBAI			
3-4 Sep	**SPS AUTOMOTIVE MIDDLE EAST** Messe Frankfurt Middle East GmbH	+971 4 389 4500; info@spsautomationme.com	www.ae.messefrankfurt.com
3-5 Sep	**MATERIALS HANDLING MIDDLE EAST** Messe Frankfurt Middle East GmbH	+971 4 389 4500; materialshandling@uae.messefrankfurt.com	www.ae.messefrankfurt.com
17-19 Sep	**SURFACE DESIGN MIDDLE EAST** dmg Events	+971 4 438 0355; info@dmgevents.com	www.dmgevents.com
17-19 Sep	**WORKSPACE** dmg Events	+971 4 438 0355; info@dmgevents.com	www.dmgevents.com
17-19 Sep	**THE LEISURE SHOW** dmg Events	+971 4 438 0355; info@dmgevents.com	www.dmgevents.com
17-19 Sep	**INDEX** dmg Events	+971 4 438 0355; info@dmgevents.com	www.dmgevents.com
17-19 Sep	**FM EXPO FACILITIES MANAGEMENT SOLUTIONS** dmg Events	+971 4 438 0355; info@dmgevents.com	www.dmgevents.com
23-24 Sep	**SEATRADE SHIPTECH MIDLLE EAST** Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informaexhibitions.com
24-26 Sep	**GULF GLASS** dmg Events	+971 4 438 0355; info@dmgevents.com	www.dmgevents.com
24-26 Sep	**WINDOWS DOORS & FACADES EVENT** dmg Events	+971 4 438 0355; info@dmgevents.com	www.dmgevents.com
25-27 Sep	**CITYSCAPE GLOBAL** Informa Middle East	+971 4 407 2528; info@cityscapeglobal.com	www.informaexhibitions.com
14-15 Oct	**THE AVIATION SHOW** Terrapinn	+971 4 440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
15-17 Oct	**LIGHT MIDDLE EAST** Messe Frankfurt Middle East GmbH	+971 4 389 4500; light@uae.messefrankfurt.com	www.ae.messefrankfurt.com
15-17 Oct	**PROLIGHT + SOUND MIDDLE EAST** Messe Frankfurt Middle East GmbH	+971 4 389 4500; prolightsound@uae.messefrankfurt.com	www.ae.messefrankfurt.com
ABU DHABI			
18-19 Sep	**CLEANZONE MIDDLE EAST** Messe Frankfurt Middle East GmbH	+971 4 389 4500; -	www.ae.messefrankfurt.com
23-24 Sep	**SEATRADE OFFSHORE MARINE AND WORKBOATS** Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informaexhibitions.com
24-26 Oct	**MIDDLE EAST GAMES CON** Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informaexhibitions.com
26-30 Oct	**INTERNATIONAL JEWELLERY AND WATCH SHOW** Reed Exhibitions	+971 2 491 7615; EnquiryREC@reedexpo.co.uk	www.reedexpo.com
30 Oct-1 Nov	**NAJAH - THE UAE'S LEADING HIGHER EDUCATION EVENT** Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informaexhibitions.com

	ORGANIZERS	CONTACT	WEBSITE
30 Oct	**INTERNATIONAL REAL ESTATE SHOW** Dome Exhibitions	+971 2 674 4040; domexh@emirates.net.ae	www.domeexhibitions.com
30 Oct-1 Nov	**RESIDENCY AND CITIZENSHIP EXPO** Dome Exhibitions	+971 2 674 4040; domexh@emirates.net.ae	www.domeexhibitions.com
BAHRAIN			
24-26 Sep	**GULF INDUSTRY FAIR** Hilal Conferences & Exhibitions	+973 1 729 9123; info@hilalce.com	www.hilalce.com
24-26 Sep	**CHINA MACE MACHINERY FAIR** Pinnacle Communications	+973 1 721 5665; info@pinnaclebh.com	www.abc-bahrain.com
24-26 Sep	**ITECH FOR INDUSTRY** Pinnacle Communications	+973 1 721 5665; info@pinnaclebh.com	www.abc-bahrain.com
EGYPT			
2-4 Sep	**THE BIG 5 CONSTRUCT EGYPT** dmg Events	+971 4 438 0355; info@dmgevents.com	www.dmgevents.com
9-12 Sep	**SAHARA EXPO** Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informaexhibitions.com
18-22 Sep	**AUTOMECH FORMULA CAIRO INTERNATIONAL MOTORSHOW 2019** Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informaexhibitions.com
23-24 Sep	**EGYPTIAN COATINGS SHOW** dmg Events	+971 4 438 0355; info@dmgevents.com	www.dmgevents.com
17-19 Oct	**NEXT MOVE EGYPT** Informa Middle East	+971 4 407 2528; info@nextmoveegypt.com	www.informaexhibitions.com
SAUDI ARABIA			
7-10 Oct	**SAUDI BUILD** Riyadh Exhibitions Company (REC Expo)	+966 1 454 1448; info@recexpo.com	www.recexpo.com
21-24 Oct	**SAUDI AGRICULTURE** Riyadh Exhibitions Company (REC Expo)	+966 1 454 1448; info@recexpo.com	www.recexpo.com
27-29 Oct	**BEAUTY WORLD SAUDI ARABIA** Messe Frankfurt Middle East GmbH	+971 4 389 4500; elaine.oconnell@uae.messefrankfurt.com	www.ae.messefrankfurt.com
29- 31 Oct	**SAUDI NATIONAL SECURITY & RISK PREVENTION EXPO** Reed Exhibitions	+971 2 491 7615; EnquiryREC@reedexpo.co.uk	www.reedexpo.com
KUWAIT			
16-Sep	**GULF EXPO-KUWAIT CITY** International Student Network Inc	+21 5 525 4855; expo@isnexpo.com	www.isnexpo.com
13-16 Oct	**KUWAIT OIL AND GAS SHOW AND CONFERENCE** UBM AEM	+971 4 407 2528; info-mea@informa.com	www.informaexhibitions.com
JORDAN			
9-12 Sep	**INTERBUILD JORDAN FAIR 2019** International Exhibition Promotion Company	+962 6 565 0085; info@jordanfairs.com	www.jordanfairs.com
9-12 Sep	**STONES TECHNOLOGY MARBLE & GRANITE SHOW** International Exhibition Promotion Company	+962 6 565 0085; info@jordanfairs.com	www.jordanfairs.com
17-18 Sep	**JORDAN FOREX EXPO** AFAQ Group	+962 79 599 1013; Khnusair@afaqgroupadv.com	www.afaqgroupadv.com
13-15 Oct	**HORECA JORDAN** Hospitality Services	+961 1 480 081; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb
IRAQ			
30 Sep-3 Oct	**PROJECT IRAQ** IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
QATAR			
23-25 Sep	**THE BIG 5 CONSTRUCT QATAR** dmg Events	+971 4 438 0355; info@dmgevents.com	www.dmgevents.com
22-24 Oct	**CITYSCAPE QATAR** Informa Middle East	+971 4 407 2528; info-mea@informa.com	www.informaexhibitions.com
OMAN			
2-4 Sep	**WORLD HEAVY OIL CONGRESS & EXHIBITION** dmg Events	+971 4 438 0355; info@dmgevents.com	www.dmgevents.com
23-25 Sep	**OMAN HEALTH EXHIBITION** Omanexpo LLC	+968 2 466 0124; info@omanexpo.com	www.omanexpo.com

LAST WORD

By Hamed al-Hamami

Education for the common good

Are Arab countries on track for UN education goals?

A region of renowned civilizations and contribution to humanity, the Arab region has become one of paradoxes in recent times: Young, highly educated, dynamic nations, on the one hand, and multiple protracted armed conflicts, high levels of youth unemployment, volatile and vulnerable states of existence, and extreme inequalities and disparities, on the other.

While the region indeed has made tremendous achievements toward development goals, many countries have unfortunately seen their developmental gains significantly reversed, primarily due to the protracted nature of multiple conflicts, while others struggle to improve the quality of education and achieve nationally set goals.

Available evidence shows that national education systems face significant challenges. Children, youth, and adults in the region are facing unprecedented challenges in terms of learning, employment, and social cohesion. More than 20 million Arab children are out of school or at risk of dropping out. This is coupled with a growing number of youths in the region who are not in education, employment, or training (NEET). In some countries, NEET accounts for up to 45 percent youth.

In addition, the quality of education needs major improvement. For example, results in the 2015 TIMSS (Trends in International Mathematics and Science Study) for grade-8 mathematics indicate that while some countries have shown improvement, as compared to 2011 results, six out of the bottom eight countries surveyed are in the Arab region. When it comes to literacy, the number of adults possessing low literacy skills is relatively high in the region (more than 50 million adults) and appears to be on the rise, particularly in crisis-affected countries. In most Arab countries, the expansion of educational opportunities has yet to translate into economic growth. The average rate of youth unemployment in the Arab region is the highest in the world, reaching 30 percent, which is more than double the world average.

STEPS TAKEN ON A LONG ROAD

Cognizant of the above, all governments in the Arab region embraced Sustainable Development Goal (SDG) 4 - Education 2030 as a prime opportunity to transform national education systems into those of resilience, and to contribute to the realization of national development goals and the Agenda 2030 for Sustainable Development as a whole. In this regard, evidence points to three broad-based issues and priorities of common concern: First, migration, displacement, and education—ensuring access to safe and conducive learning environments at all levels, providing opportunities to gain life-saving and enhancing knowledge and skills, supporting teachers and educators, and building resilient education systems; second, quality and relevance of education—ensuring coherent, holistic, systematic, and sector-wide approaches to addressing the dimensions of quality and relevance in education; and third, financing of education—increasing, optimizing use of, and accounting for, investment in education.

Almost five years after adopting Agenda 2030 for Sustainable Development, countries have demonstrated a number of key achievements. Arab states have led and remained engaged in policy and technical dialogue at national, regional, and international levels as well as corresponding actions through elaboration of, commitment to, and implementation of, successive roadmaps and commitments.

With the Agenda 2030 being country-led, all countries in the Arab region have taken their own initiatives toward achieving SDG 4, and contextualizing, mainstreaming, and integrating countries' commitments into national processes. An 'Arab Regional Support Group for SDG 4 – Education 2030 Agenda' consisting of 23 member states and organizations have been working together since early 2014 and have met five times to take stock of the implementation of the regional roadmap, and to jointly plan for and finance the continuation of initiatives in 2019.

The region is confronted with multiple crises that heavily affect the state of education and has been implementing humanitarian response plans for over a decade. While acute educational needs must be met for millions of out of school children, long-suffering teachers, and a dysfunctional education system, countries in crisis and those affected by it equally recognize the need to combine both humanitarian and development interventions. Therefore, SDG 4 provides an excellent opportunity to position itself as the long-term goal toward which countries plan to rebuild national education systems.

In spite of numerous challenges confronting many countries in the region, all are determined to realize education as a fundamental human right, and as the main vehicle for individual, societal, and national development. It is, therefore, the role and responsibility of UNESCO to accompany each and every country in the region toward the 2030 target and beyond.

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