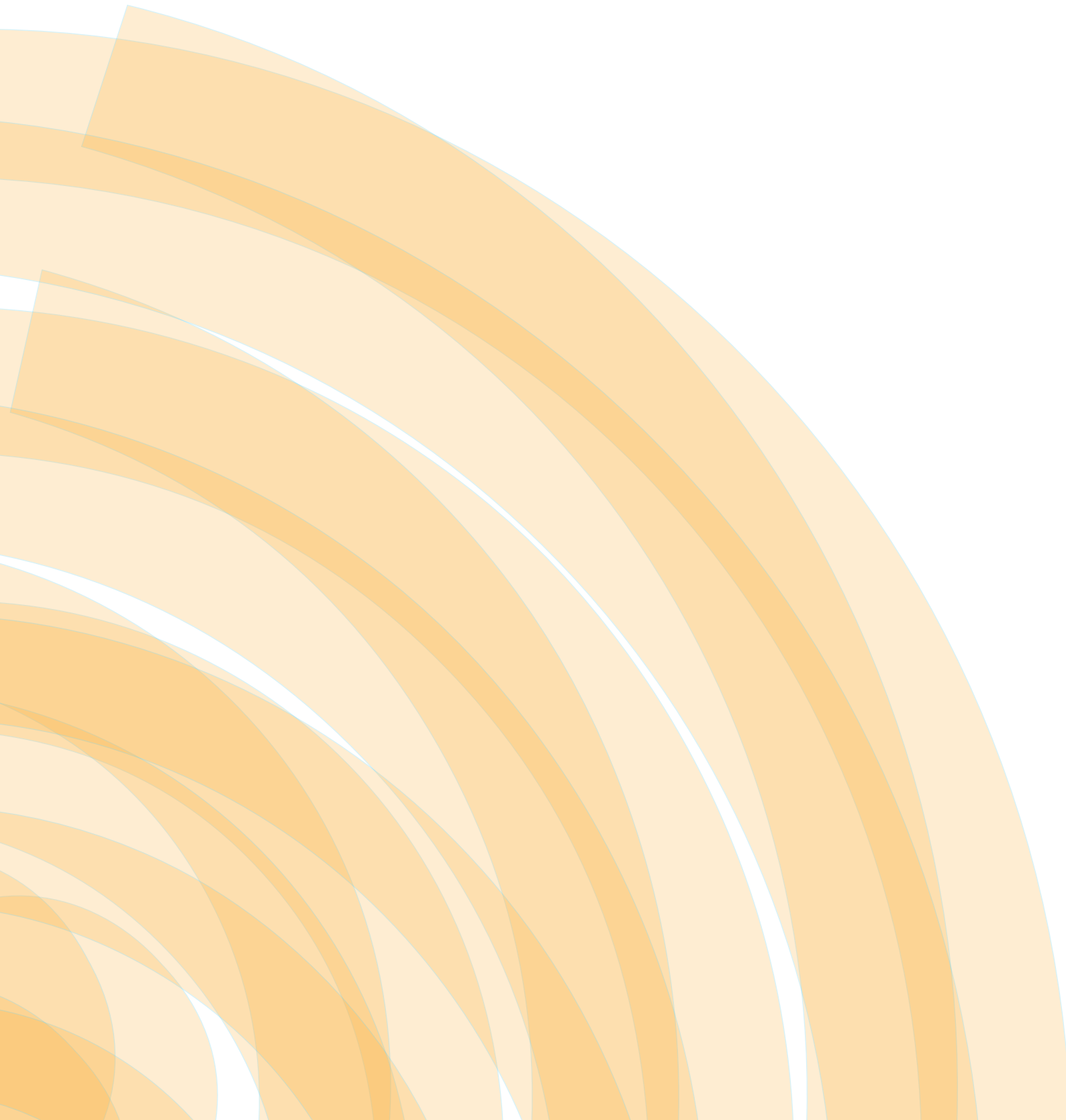


# SEARCHING FOR SIGNAL

The State of the Telecom Sector in Lebanon (1992-2023)



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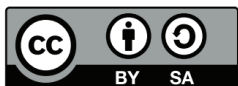
SMEX is a Lebanese NGO that has worked since 2008 to advance digital rights in Lebanon and the Arabic-speaking region through research, campaigns and advocacy that encourage users to engage critically with digital technologies, media and networks.

[www.smex.org](http://www.smex.org)

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Kmeir Building, 4th Floor, Badaro, Beirut, Lebanon



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## Searching for a Signal – The State of the Telecom Sector in Lebanon (1992-2023)

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## Executive Summary

Dubbed as "Lebanon's oil," the Telecommunication (Telecom) sector once stood as the country's third most lucrative industry, contributing over USD 1.2 billion to the state treasury in 2016. Even before the onset of the 2019 economic crisis, this sector grappled with persistent challenges, ranging from suboptimal network services to inflated prices. This report delves into the factors that have led the Telecom sector into its current state of inefficiency and dysfunctionality. Venturing beyond statistics, the research probes into the real impact of the sector's deteriorated services on the daily experiences of marginalized communities across Lebanon. The narrative concludes by presenting strategic measures and policies proposed by SMEX, aiming to uplift the quality and accessibility of telecommunication services in Lebanon.

### Disclaimer

*This research represents SMEX's initial effort to document and analyze the challenges within the telecommunications sector in Lebanon and their impact on vulnerable groups. Following publication, a comprehensive review and discussions involving stakeholders, civil society, and experts will take place. Feedback received during this process will be incorporated into an updated version of this report, to be published in May 2024.*

## Introduction

Declared as “Lebanon’s oil”,<sup>1</sup> the Telecommunication (Telecom) sector was the third income-generating sector in the country, with net revenues to the state treasury exceeding USD 1.2 billion in 2016<sup>2</sup>. The Telecom sector is fully owned by the Lebanese state, an anomaly in the world of telecommunications after the wave of liberalization that hit most medium and advanced economies in the past three decades<sup>3</sup>. The government owns both the fixed and mobile networks, with the former being managed by state-owned operator Ogero Telecom, while the latter has been managed by Zain Group and Orascom TMT.<sup>4</sup> The state’s monopoly of the telecommunications sector has always been pinned as the fundamental reason for the suboptimal network services and the elevated prices compared to regional and global countries for both the fixed and mobile telephony.

Nevertheless, the Telecom sector in Lebanon had witnessed a significant growth since the introduction of the mobile networks in the country after the civil war. Despite many social, political and security challenges that marked the past three decades, the Telecom sector managed to remain productive, money generating and adaptive to the quick technological advancements in this sector. The 1990s period witnessed Lebanon being amongst the first countries in the region to pick up the GSM network technology and invest heavily in the infrastructure and distribution of phone mobile and fixed networks, the latter having suffered subsequent damage due to the internal fighting in the country. The 2G/3G revolution that started in the late 2000s swept the country, inviting further investments and opportunities onto the Lebanese market. However, as the mode of communication switched from landline or mobile calls into more advanced forms including direct messaging services over data and WIFI networks through various social media platforms, the Telecom sector faltered to adjust its position, service offerings and investments revenues.

The evolution of the Telecom sector in Lebanon was not without its faults as grievances related to the quality of service, equitable coverage and pricing of landline, mobile and broadband continued to be voiced out by service users.

1. IMLebanon. (2017, October 31). Nabih Berri: Communication Sector, Oil of Lebanon. Retrieved from <https://www.imlebanon.org/2017/10/31/nabih-berri-communication-sector-oil-of-lebanon/>

2. LCPS-Lebanon. Privatization in Times of Crisis: Exploring Options for Lebanon’s Telecom Sector. Retrieved from <https://www.lcps-lebanon.org/articles/details/2467/privatization-in-times-of-crisis-exploring-options-for-lebanon%E2%80%99s-telecom-sector>

3. Joelle M. El Achkar (1999). Privatization of the telecommunication sector in Lebanon. Retrieved from <https://scholarworks.aub.edu.lb/handle/10938/5683>

4. Reuters. (2009, January 13). Lebanon to Re-Launch Telecom Tender in Weeks. Retrieved from <https://www.reuters.com/article/lebanon-telecoms-idINLD70797320090113/>

Due to the continuous complaints on unequitable coverage and high prices, Lebanese activist groups organized in 2011 a campaign targeting the slow internet connection across the country. The Ontonet campaign<sup>5</sup> ("ontor" means "to wait" in Arabic, i.e. to wait for the internet) underline how political in-fighting and exploitation of the Telecom sector stand as a barrier to advanced development plans and much needed maintenance routing which in turn affect the delivery of adequate services in the country.

The cracks in the political and financial management of the country finally gave way in 2019 to one of the worst banking and financial crises in the world,<sup>6</sup> unraveling decades of corruption practices and laissez faire attitudes by the political class that has been holding onto power since after the civil war. The collapse of the Lebanese economy and the devalorization of the Lebanese currency impacted many of the vital sectors in the country. Despite a delayed impact, the crisis eventually affected the Telecom sector's fixed and mobile services. The already suboptimal services regressed significantly, with internet speeds declining across the country and network coverage not reaching but major cities, predominantly Beirut.

The Telecom project by SMEX, a regional non-governmental organization working on defending and advancing Digital Rights in the WANA region, intends to support key stakeholders in the sector in navigating and implementing necessary changes, highlighting the vital role of telecommunications as a building block of Lebanon's economy. It aims to advance social justice through equitable access to telecom services across the country, especially for marginalized and disadvantaged communities. The multifaceted challenges that have accompanied the development of the Telecom sector in Lebanon, especially those that have arisen in recent years, are examined in this research/project. Experts with different backgrounds, whether political, legal, academic, and technical, were invited to share their views on key challenges, missed opportunities, policy solutions and ways forward to find realistic ways to salvage the sector and draw an action plan for the next decade.

5. Magda Abu-Fadil (2011). Ontonet: Lebanese Campaign Sparks Online Protest. Retrieved from [https://www.huffpost.com/entry/ontonet-lebanese-campaig\\_b\\_841152](https://www.huffpost.com/entry/ontonet-lebanese-campaig_b_841152)

6. World Bank, Lebanon Economic Monitor, Spring 2021: Lebanon Sinking (to the Top 3), May 31, 2021 <https://www.worldbank.org/en/country/lebanon/publication/lebanon-economic-monitor-spring-2021-lebanon-sinking-to-the-top-3>

The guiding research questions for this project look into the underlying reasons that have led the Telecom sector to its current state; investigate the lived experiences of various marginalized communities enduring the deterioration of the sector's services; and recommend actionable measures and policies to be undertaken swiftly to improve the quality and accessibility of the telecommunication services in Lebanon.

## Overview of the Telecom Sector in Lebanon (1950s-present)

### 1- The Landline (1950 – 1990): A Promising Foundation of the Telecom Sector

The Ministry of Post, Telegraph and Telephone (now, Ministry of Telecommunication, MOT) was established in 1959,<sup>7</sup> close to a decade after the declaration of Lebanon's independence. It took another half a decade for the sector to become regulated under Law 127<sup>8</sup> in 1959, kickstarting the financial and administrative operations of the fixed-line network (the landline). The uptake of existing technologies was swift, providing a novel and attractive market for private sector investors, both local and international, with Ericsson, a pioneering company in the global telecommunication field, being the first in investing in Lebanon. Ericsson<sup>9</sup> introduced the 500-point switching system in Beirut then the 6000-line automatic exchange system in Tripoli in 1957.

The Lebanese government during that period was adamant on expanding the fixed telecom services across the country, however, the geographical distribution remained inequitable with greater attention given to the country's major cities, while rural regions continued to face disparities. Nevertheless, the efforts to further invest and develop the sector continued well until the early 1970s, keeping up with the rapid global technological advancements such as the installation of satellite TV networks. By 1972, the Lebanese government had established Ogero Corporation as a management entity overseeing and maintaining the 250,000 direct exchange lines and working towards improving the 7% telephone penetration rate.

### Telecom Sector in Jeopardy (1975 – 1990)

The breakout of the Lebanese civil war in 1975 jeopardized the entire Telecom sector, nearly reversing the progress that had been made since the early 1950s. The long war caused irreversible damage to the national infrastructure and the telecom grid, the withdrawal of investments and the halt of technological advancements. The total damage was assessed at around USD 517 million<sup>10</sup>, foreshadowing immense challenges for the post-war rehabilitation period. In this quickly advancing field, Lebanon's Telecom sector growth was awaiting substantive efforts and investments to close the technological divide with other countries.

7. Decrees 126 establish the General Directorate of Posts and Telegram and the General Directorate of Telephone (link).

8. Telecommunication Law 127. (1959). Retrieved from <https://cyrilla.org/ar/document/5rkm7vg2ki8n1hba-tw9x80k9?page=1>

9. Ericsson in Lebanon. Retrieved from <https://www.ericsson.com/en/about-us/history/places/asia/lebanon> 10 Dima Jamali. (2003). Post-war telecommunications reform in Lebanon: Trends and challenges. Retrieved from [https://www.researchgate.net/publication/235255268\\_Post-war\\_-telecommunications\\_reform\\_in\\_Lebanon\\_Trends\\_and\\_challenges](https://www.researchgate.net/publication/235255268_Post-war_-telecommunications_reform_in_Lebanon_Trends_and_challenges)



## 2- The GSM (1990 – 2005): The Privatization Experiment

The post-war rehabilitating and reconstruction efforts for the Telecom sector started as early as 1992 with the government undertaking a semi-privatization experiment, a public private partnership (PPP), to develop its GSM networks. During that period, the Lebanese government invested over USD 1 billion<sup>11</sup> in the country's telecommunication infrastructure in partnership with leading foreign telecommunication companies such as Alcatel and Siemens and continuing the four-decade collaboration with Ericsson. In 1994, the government entered in two Build-Operate-Transfer (BOT) contracts with France Telecom (33% owned by the Mikati Group) and Sonera of Finland (86% owned by the Dalloul Group) to design, finance and construct the mobile network infrastructure, then operate and maintain the networks for 10-12 years before transferring the networks back to the state who will become the sole owner and operator of the Telecom sector, and subsequently the sole revenue collector after a decade of an escalating revenue-sharing scheme. The BOT contracts resulted in the creation of two mobile network operators, Cellis (currently Alfa) and Liban Cell under Mobile Interim Company 1 (MIC1) (currently Touch).

The PPP period witnessed the establishment and regulation of the internet market in Lebanon in 1997. Although Lebanon was ranked fifth in the Arab world for total connectivity in 2002, and the internet market boomed, regulating the Telecom sector proved to be a difficult task. With the absence of regulatory frameworks and enforcement bodies, the PPP experiment did not last for long, as various measures from both the private and public sector resulted in corruption and violations of the terms of the BOT contracts. In the private sector, the two operator companies failed to settle their dues and the government's share in revenues in a timely manner, with various delays in payments recorded throughout the duration of the contracts. The final point of contention pertained to the network's capacity to accommodate users without compromising service quality. Private companies were accused of exceeding the contracted number of subscribers, a practice believed to be aimed at maximizing revenue.

11. Ibid.

Simultaneously, individuals in high public positions were related or directly involved in the operations of private companies, in a blatant case of conflict of interest. Additionally, the state was using the Telecom sector to indirectly tax people by charging them double the cost of the services provided to them.

The state treasury was therefore accumulating an increasing share of revenues from the two operators, as well as an imposed tax on mobile services<sup>12</sup>, in USD and in contrary to the Lebanese law, through increasing the price of a minute of calls from 5 cents to 11 cents in 2010. The Lebanese government was therefore able to transfer USD 1.5<sup>13</sup> billion annually in taxes to the treasury, used primarily to fund Electricité du Liban,<sup>14</sup> Lebanon's state-owned electricity company, in order to purchase fuel to continue its operations.

After terminating the BOT contract, the political debate on privatization, which will be repeated ad nauseum across sectors and for decades to come, polarized the country between advocates of nationalization versus (full) privatization. At the turn of the century, Lebanon's economic situation was already in decline after nearly a decade of heavy investments (read, borrowing) in the rehabilitation process. Public debt had increased exponentially, reaching over 120% of GDP in 2000.<sup>15</sup> The government at the time, which terminated the BOT contracts with France Telecom and Sonera of Finland and imposed on the country nearly USD 350 million in penalty fees, planned to cover the deficit through privatizing the sector, selling the telecom networks to new investors to operate it for 20 years. However, this privatization experiment failed, and the government is still monopolizing the Telecom sector to this day.<sup>16</sup> In 2004, the government initiated another open tender for the management of the cellular network, which was awarded to Detacom (Alfa) and MTC (MTC touch). Another tender process in 2007 saw the transfer of management of the cellular network to Orascom (Alfa) and Zain Group (touch), periodically renewed until October 2020.<sup>17</sup>

12. American University of Beirut. (2010). Telecoms Minister Nahas talks about the sector's influence on national growth. Retrieved from <https://www.aub.edu.lb/communications/media/Documents/Nahas-lecture-EN.pdf>

13. Dima Jamali. (2003). Post-war telecommunications reform in Lebanon: Trends and challenges. Retrieved from [https://www.researchgate.net/publication/235255268\\_Post-war\\_telecommunications\\_reform\\_in\\_Lebanon\\_Trends\\_and\\_challenges](https://www.researchgate.net/publication/235255268_Post-war_telecommunications_reform_in_Lebanon_Trends_and_challenges)

14. Mohammed M. Abdul Karim. (2022). قطاع الاتصالات: الموت المدور. Retrieved from <https://al-khandak.com/posts/qtaa-alatsa-lat-almwt-almawlir>

15. Dima Jamali. (2004). A Public-Private Partnership in the Lebanese Telecommunications Industry: Critical Success Factors and Policy Lessons. Retrieved from <https://journals.sagepub.com/doi/10.1177/1087724X04268365?icid=int:sj-full-text.similar-articles.3>

16. American University of Beirut. (2010). Telecoms Minister Nahas talks about the sector's influence on national growth. Retrieved from <https://www.aub.edu.lb/communications/media/Documents/Nahas-lecture-EN.pdf>

17. Mobile World Live. (2020, May 6). Government takes control of Lebanon operators. Retrieved from <https://www.mobileworldlive.com/featured-content/top-three/government-takes-control-of-lebanon-operators/#:~:text=06%20MAY%202020,Zain%20Group%2C%20respectively%2C%20expired.>

Lebanon's Telecom Law 431/2002<sup>18</sup> calls for comprehensive institutional reform in the sector by establishing an independent company, Liban Telecom, tasked with providing the country's telecom services and defining distinct roles and functions of various telecom bodies. It mandates establishing an effective regulatory body, the Telecommunications Regulatory Authority (TRA), with clear policies and reforms to ensure the enforcement of its decisions. In theory, the law paves the way for liberalizing the sector and privatizing state-owned telecom assets, aiming to end existing state monopoly. It was intended to attract private investors, and allow further competition in the Lebanese telecom market. However, the law was never enacted, and despite establishing the TRA, its functions have been circumvented by successive governments.

### 3- From Minutes to Megabytes (2005 – 2019): A Fragile Sector

Despite the turbulent political and security landscape between 2005 and 2010, confounded by the influx of Syrian refugees in 2011, the Telecom sector saw a new surge in external investments. The ministry of telecommunications (MoT) was trying to keep pace with the various technological advancements in the field. However, the global shift towards the 2G network and the birth of smartphones were met with subpar modernization efforts. The telecom networks' infrastructure remained underdeveloped leading to suboptimal mobile and data services despite being the most expensive in the region. Political polarization regarding privatizing the sector persisted with an almost even split amongst proponents and opponents.

During this period, the Telecom sector was facing persisting problems, chief of which was the failure to establish an effective TRA by implementing Law 431/2002. Prices of mobile services in Lebanon continued to be the highest in the region,<sup>19</sup> with subscribers paying an average of USD 65 per month.<sup>20</sup> compared to a USD 40 bill in Saudi Arabia and even less in European economies. Penetration rate for mobile phones did not exceed 30% —which was roughly equal to 1 million users in 2007. The high tariffs and taxes imposed by the government on mobile services prevented<sup>21</sup> major global companies

18. Telecommunications Regulatory Authority Lebanon. (2002). Law 431. Retrieved from <http://www.tra.gov.lb/Telecom-Law-431-2002-AR>

19. Telecommunications Regulatory Authority Lebanon. (2014). Annual Report 2014. Retrieved from <http://www.tra.gov.lb/Annual-reports#:~:text=section%20for%20download-,Annual%20Report%202014,-Annual%20Report%202013>

20. Al Jazeera. (2007). لبنان.. نحو خصخصة الاتصالات وتنفيذ. Retrieved from <https://shorturl.at/djxWY>

21. Executive Magazine. (2010). Telecoms Trapped in inertia. Retrieved from <https://www.executive-magazine.com/economics-policy/telecoms-trapped-in-inertia>

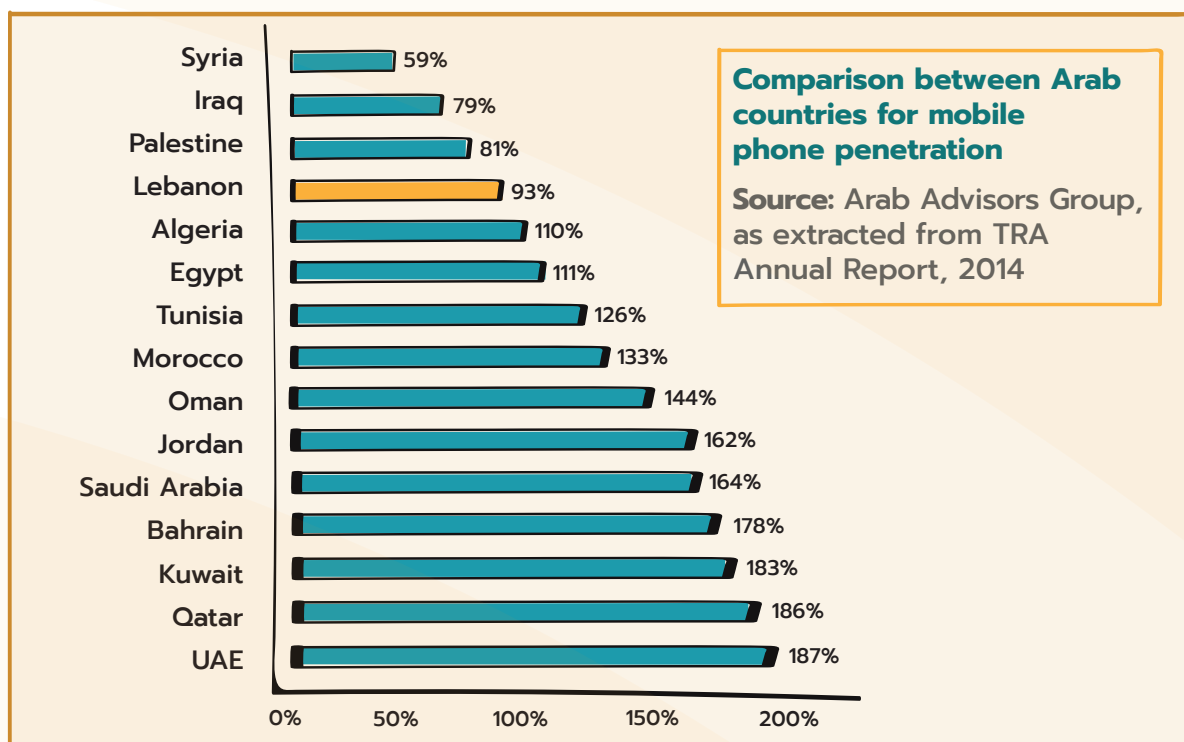
from moving their head quarters to Lebanon after the global economic crash, which also impacted Dubai, a booming regional hub. Experts estimated that Lebanon had missed on USD 10-12 billion in revenues and 12,000 job opportunities as it failed to implement appropriate management policies and embrace Telecom sector's best practices.<sup>22</sup>

With the launch of the 3G network technology in 2011, as the global Telecom sector turned away from selling mobile minutes to megabyte packages for data usage, the MoT in Lebanon decreased the price for mobile telecommunications services mainly the data packages, which became less profitable due to decreased demand, and priced more sought-after data packages at higher rates than regional average. MoT had maintained a steady revenue from the sector, with net revenues exceeding USD 1.4 billion,<sup>23</sup> despite the subscribers' persistent dissatisfaction with the quality and price of services. The high revenues can also be explained by the significant increase in penetration rates of mobile phones, reaching 93% in 2014, fueled by the influx of Syrian refugees. As seen in Figure X, penetration rates however, were below the regional average of 133%. The demand for broadband internet also increased, and by early 2015, mobile internet usage had reached 60% with internet speed ranging from 1.6 to 3 Mbps, still significantly lower than the global average of 25 Mbps<sup>24</sup> at that time.

22. Ibid.

23. Retrieved from <http://investinlebanon.gov.lb/>

24. Global average internet speed 1990-2050 [https://futuretimeline.net/data-trends/2050-future-internet-speed-predictions.htm#:~:text=%22Globally%2C%20the%20average%20fixed%20broadband,20.3%20Mbps%20to%2024.7%20Mbps.%22&text=2016%20\(27.5%20Mbit%2Fs\).&text=%2239%20Mbps%20in%202017.%22&text=Globally%20averaged%20fixed%20broadband%20speeds,\)%2C%202022%20\(97.8\).](https://futuretimeline.net/data-trends/2050-future-internet-speed-predictions.htm#:~:text=%22Globally%2C%20the%20average%20fixed%20broadband,20.3%20Mbps%20to%2024.7%20Mbps.%22&text=2016%20(27.5%20Mbit%2Fs).&text=%2239%20Mbps%20in%202017.%22&text=Globally%20averaged%20fixed%20broadband%20speeds,)%2C%202022%20(97.8).)



## 2012: Eliminating the ceiling limit on operating expenses

Despite the positive indicators for mobile and broadband services, this period marked a turning point for the Telecom sector in Lebanon. In 2012, the operating expenses were transferred from the two private companies operating the sector to the MoT, without a defined ceiling for these expenses. During the contract's periodic renewal between the Lebanese government and the two mobile operators, a significant provision pertaining to the transfer of operating expenses was amended. This change was initiated at the request of the then Minister of Telecommunication, Nicolas Sehnaoui, ensuring that the state covers the operating expenses, and the operators receive a monthly management fee of USD 600,000. In 2016<sup>25</sup>, the operating expenses paid by the ministry for telecom projects, tenders, rent for transmission stations, employee salaries, advertising, and sponsorship, jumped by 192% and 143% compared to 2011 and 2012 respectively. Capital expenses also increased to USD 133 million in 2016, without any substantial justification for the investments made to improve the 3G and 4G networks.

The 2012-2019 period witnessed ebbs and flows for the Telecom sector. The Lebanon 2020 Digital Telecom Vision<sup>26</sup> amplified investments in order to bring the sector forward and make Lebanon a regional telecom hub. However, the incremental gains from the Telecom sector were overshadowed by persistent malpractice and corruption, leaving the sector in tatters in the face of the fallout of the Lebanese economy.

25. Viviane Akiki. (2018). ضريبة مُستترة لا أرباح تجارية. Retrieved from: <https://shorturl.at/fhjUY>

26. El-Merehbi, E. (2015). Lebanon 2020 Digital Telecom Vision. Retrieved from <https://elmerhbi.com/2015/07/15/lebanon-2020-digital-telecom-vision/#>



#### 4- Walking the EDGE (2019 – present): Searching for a signal

A year shy from Lebanon's 2020 Vision, the promised 5G network was relegated and instead the signal bar on subscribers' smartphones bore the "E" sign for the EDGE network.<sup>27</sup> People's experience of mobile connection regressed by 30 years. On October 17, 2019, the Minister of Telecommunication at the time, Mohamad Choucair, decided<sup>28</sup> to impose a USD 6 tariff on Whatsapp, allegedly igniting massive protests across the country. The financial crisis that followed impacted all viable sectors of the country, including the Telecom sector. The devaluation of the Lebanese currency and the subsequent fuel crisis forced many telecom stations to shut down or be left without maintenance, jeopardizing further the mobile and internet services' coverage and quality. Due to the near shutdown of state electricity services, the telecommunication sector had to rely on backup generators to continue providing its services. The telecommunications issue therefore became an electricity issue where Mr. Jonny Corm, Telecommunication Minister under the government of PM Mikati formed in 2021, had dubbed himself "the minister of gasoline (mazout)" as he was primarily preoccupied with providing enough fuel to the different telecom operating stations across the country.

Facing the fallout of the economy and the shortfall of revenues to the state, especially in USD, it was estimated that the Telecom sector needed annual revenues of USD 300 million<sup>29</sup> to remain operational. Following suit of all other essential and non-essential commodities and services in the country, tariffs for fixed telephony, mobile and data packages were expected to increase and be paid in USD to cover the sector's operational expenses. However, the pre-2022 elections government did not risk taking on this move for fear of swaying constituents' votes. It was Prime Minister Mikati's government that announced<sup>30</sup> in 2022 a fivefold increase in mobile services and a 2.5 increase in landline services, adding to the increased financial burdens suffered by the Lebanese citizens. Subsequent decisions by the government only seemed to add to the DISMAY of people in Lebanon: citizens, migrants, and refugees. For instance, shutting down the 2G network jeopardized<sup>31</sup> the access of hundreds of thousands of people to the internet unless they could afford newer phone models.

27. Edge networking is a data management process, supplying digital resources to users by combining your edge devices and your on-premises servers to the cloud to process, store, and analyze data.

28. Reuters. (2019). Lebanon Faces Unprecedented Economic Challenges. Retrieved from <https://www.reuters.com/article/us-lebanon-economy-calls-idUSKBN1WW1ZA/>

29. YouTube. (2022). [Video]. Retrieved from <https://www.youtube.com/watch?v=Nv-rq98KqfQ>

30. The Washington Post. (2022). Lebanon's soaring telecom rates deepen the impact of the country's poverty crisis. Retrieved from <https://www.washingtonpost.com/world/2022/09/01/lebanon-telecom-rates-poverty-crisis/>

31. SMEX. (2022). Let Them Eat 4G. Retrieved from <https://smex.org/let-them-eat-4g/>

Despite the difficult period the country has witnessed since 2019, a silver lining emerged as awareness increased amongst citizens on the fragility of the Lebanese state due to decades of corruption and misuse of power by various political parties. For the first time in the history of modern Lebanon, the Court of Audit published<sup>32</sup> an extensive report detailing how successive governments and telecom ministries squandered USD 6 billion between 2010 and 2020. The audit exposed how although the Telecom sector generated USD 17 billion, only USD 11 billion were transferred to the state treasury. The missing USD 6 billion were allegedly lost to corruption, political benefits, and random recruitments for political gains. Currently, six ministers are under investigation for corruption in telecom sector, marking, possibly, the first instance of public prosecution of high-level politicians in the country.

Lastly, the privatization rhetoric was not absent during the past five years despite experts arguing against the feasibility, profitability and interests of buying the Telecom sector in this period.<sup>33</sup> Foreign private investors will need an overhaul of how the Telecom sector is run with actual reforms being implemented to promote competition and investments<sup>34</sup>, as was stipulated in the IMF<sup>35</sup> consultations with Lebanon.

32. SMEX. (2022). Billions in Squandered Funds: Court of Audit Report on the Telecom Sector in Lebanon. Retrieved from <https://smex.org/billions-in-squandered-funds-court-of-audit-report-on-the-telecom-sector-in-lebanon/>

33. Albert Kostanian (2021). Privatization of Lebanon's Public Assets: A Comparative Study. Retrieved from [https://www.aub.edu.lb/ifi/Pages/publications/research\\_reports/2020-2021/20210125-privatization-of-lebanon-public-assets.aspx](https://www.aub.edu.lb/ifi/Pages/publications/research_reports/2020-2021/20210125-privatization-of-lebanon-public-assets.aspx)

34. Lebanese Center for Policy Studies (LCPS). (2021). Privatization in Times of Crisis: Exploring Options for Lebanon's Telecom Sector. Retrieved from <https://www.lcps-lebanon.org/articles/details/2467/privatization-in-times-of-crisis-exploring-options-for-lebanon%E2%80%99s-telecom-sector>

35. International Monetary Fund (IMF). (2023). Lebanon: 2023 Article IV Consultation: Press Release, Staff Report, and Statement by the Executive Director. Retrieved from <https://www.imf.org/en/Publications/CR/Issues/2023/06/28/Lebanon-2023-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-535372>

## Legal analysis and Consumer Rights Violations in the Telecom Sector

### The increase in mobile telecommunication service prices

In recent years, amidst economic crises and a dysfunctional state, decisions regarding telecommunications service prices in Lebanon have encroached upon consumer rights. The government justified various decisions under the pretext of combatting monopoly, salvaging the sector, ensuring service continuity, and enabling telecom operators to sustain services despite fluctuations in the value of the Lebanese pound compared to the USD.

One such decision pertains to the increase in the price of mobile telecommunication services. On May 20, 2022, the Council of Ministers approved a price hike, with the Minister of Telecommunications even threatening to resign if the decision was not adopted<sup>36</sup>. The decision priced the service in USD, based on Sayrafa's<sup>37</sup> USD rate to Lebanese pound.

"Sayrafa" is an electronic platform developed by the central bank of Lebanon in application of circular No. 157 decision No. 13324. The purpose of Sayrafa is to identify the exchange rates at any point in time and to allow the central bank to supervise and intervene when needed. However, it is worth mentioning that the rate has no economic nor scientific justification, it falls under the pure discretionary power of the central bank governor. It is a rate that is usually less than the black-market rate, and it is usually used for business transaction, banking transactions, tax collection and public administration fees collection. This rate is not necessarily fair nor based on a clear economic plan, it is unpredictable and subject to fluctuating, which will have a direct impact on the access to telecom service. For more details, visit Sayrafa.

From a technical standpoint, the rate of telecom services is tied to the Sayrafa rate and is not based on the actual cost of the service. This constitutes a clear violation of Article 28.1 of Telecommunication Law No. 431/2002,<sup>38</sup> which explicitly states, *"Service Providers shall set the rates and tariffs of Public Telecommunications Services based on cost and market conditions."*

36. <https://al-akhbar.com/Politics/340701>

37. For more details, visit Sayrafa. and <https://www.reuters.com/world/middle-east/lebanons-central-bank-phase-out-sayrafa-exchange-platform-vice-governor-tells-2023-07-17/>

38. Telecommunication law number 431/2022 [English version].



From a decision-making perspective, the authority to regulate and monitor telecommunication services prices is vested in the Telecommunications Regulatory Authority (TRA), as outlined in Article 28.3 of Telecommunication Law No. 431/2002. This article clearly states that, *"The TRA may monitor and regulate the rates and tariffs of all public Telecommunications Services by any means it deems appropriate, such as by issuing regulations, including conditions in the License document, or conducting an accounting of operational costs and revenues. In the interest of consumer protection, the TRA may impose prices and tariffs on Service Providers if it becomes aware of monopoly pricing or of a situation that enables monopoly pricing."*

Furthermore, the law mandates prior notification to the TRA if a service provider intends to change its prices. Article 28.4 stipulates that, *"All Public Telecommunications Services Providers shall offer their services pursuant to the prices and tariffs notified to the TRA. Such prices, tariffs, or other terms of service shall not be changed without prior notification to the TRA and provided that the TRA does not object to such changes in a motivated decision issued within 60 days. The silence of the TRA, by the end of the period mentioned in the previous paragraph, is deemed an implicit approval of the new prices and tariffs."*

In the current situation, the Council of Ministers' decision issued on May 20, 2022 served as the basis for private operators to raise prices, which took effect on June 30, 2022. This means that the companies failed to notify the TRA of their intent to increase prices and neglected their procedural obligations, which dictate waiting for 60 days from the date of notification, before proceeding with the decision in absence of TRA's response. The Council of Ministers clearly violated law 431/2002, by bypassing and interfering in TRA role, obstructing any mechanisms of accountability from being set in motion to protect consumers rights.

Article 28<sup>39</sup> of law 431/2002 clearly outlines the role of the TRA as a safeguard of user rights. Through bypassing the TRA, these companies have encroached upon the rights of users. Furthermore, the indirect consequence of tethering telecom service rates to the Sayrafa rate allows the Central Bank to dictate increases in telecommunication service rates, despite this authority being exclusively vested in the TRA. This government decision not only impedes the TRA from fulfilling its responsibilities but also lacks legal foundation and clear transparent justification for its actions.

39. Article 28.3 of law 431/2022 "In the interest of consumer protection, the TRA may impose prices and tariffs on Service Providers if it becomes aware of monopoly pricing or of a situation that enables monopoly pricing".

From a public fund perspective, pegging the prices of these services to the US dollar by state-owned companies constitutes a violation of Article 35 of the General Budget Law of 2022. This article stipulates that *"All taxes, fees, and charges for all types of services provided by the Lebanese state through various types of institutions owned, funded, or managed wholly or partially by the state shall be paid exclusively in Lebanese pounds, including rental payments for buildings leased by the state. If necessary, the conversion of the Lebanese pound to any foreign currency for some services shall be mandatory according to the official exchange rate set by the Central Bank."*

In a notable precedent from 2019, the Consumer Protection Association successfully challenged the pricing of telecommunications services, which were being denominated in USD without the approval of the Council of Ministers. The Financial Chamber of the Civil Court of Beirut, specifically the Sixth Primary Chamber, consisting of judges Zalfa Al-Hasan, Lara Kozak, and Nancy Karam, issued a judicial ruling on November 21, 2019.<sup>40</sup> In this ruling, they held the defendant companies MIC 2, MIC1 MTC, and ORASCOM TELECOM accountable, compelling them to "invoice line sales, price recharge cards or top-ups, internet services, and all other services in Lebanese pounds, as per the prevailing exchange rate of the Lebanese pound." This decision was founded on the legal provisions outlined in "Articles 1 and 192 of the Currency and Credit Law" and "Articles 5 and 25 of the Consumer Protection Law."

### A 94% "Haircut" from Dollarization to Lolarization and Re-Dollarization

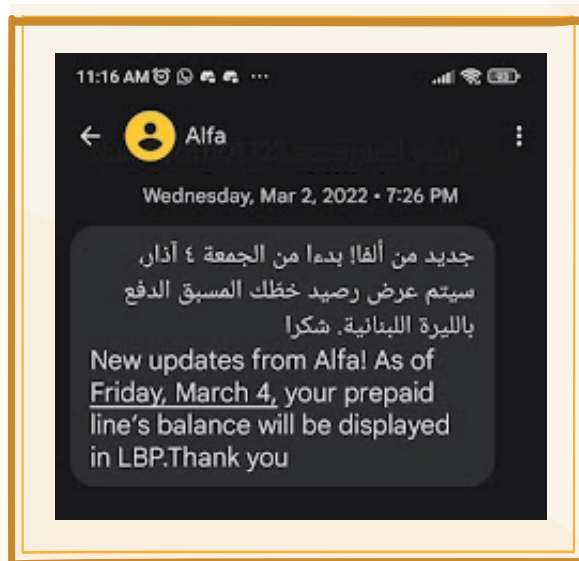
**Dollarization:** is a term used to refer to the transaction transforming a balance from Lebanese Pound to USD.

**Lolarization:** is a term used to refer to the transaction transforming a balance from USD to Lebanese Pound.

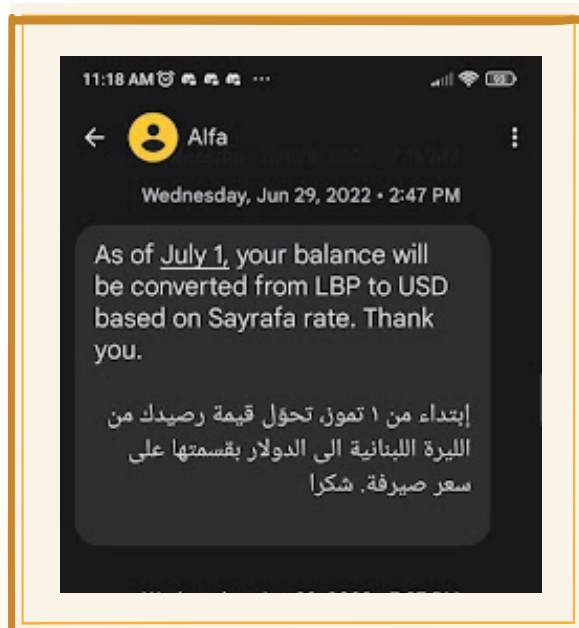
On March 2, 2022, subscribers received a message from telecom operators Alfa and MTC, informing them that "Starting Friday, March 4, 2022, your prepaid line's balance will be displayed in Lebanese pounds." Users had no choice in this matter; there was no option to opt out.

40. Al Moodon, The judiciary breaks the "WhatsApp Minister" Mohammad Choucair's thorn, 15/11/2019, <https://www.almodon.com/print/3f92bc01-fe51-4be0-a318-fbbce8eb2c32/609afadf-d689-4066-8932-97bf662daa87>

However, the issue does not revolve around the currency in which the balances are displayed, but rather concerns the conversion rate applied and the service value to money. This conversion was based on the official exchange rate of the Lebanese pound to the US dollar, which was fixed at 1,500 L.L. per USD.



The scandal doesn't end there. The operators further notified users via SMS that "Starting July 2022, your balance will be converted from Lebanese pounds to US dollars based on the Sayrafa rate," which at the time was 25,300.00 LBP for 1 USD.<sup>41</sup>



41. Sayrafa rate on by Lebanese central bank official website for 1st of July 2022.

As a result, a user who had 100 USD in their balance on March 4, 2022, observed their balance converted to 150,000 LBP (**can we give a hypothetical number of how much that money should've been? – i.e., this was equivalent to 1500 \$ in 2019) or any numerical equivalent that could show the level of loss**). Then, on July 1, their balance dwindled even further to 5.928 USD. This represented a staggering 94% reduction in users' balances. It's important to distinguish between the price increase, as detailed in the first section, and the re-dollarization operation mentioned here that encroached on users' existing rights from the service they had already paid for.

March 3rd 2022	4th of March 2022	July 1st 2022
Initial situation USD balance	<b>Step 1</b> : loralization USD balance → LBP balance using 1500/USD rate	<b>Step 2</b> : dollarization LBP balance → USD balance using Sayrafa rate
User balance = 100 USD	User balance = $100/1500 =$ 150 000 LBP	150 000 LBP/25,300 LBP/USD = 5.928 USD
<b>Situation analysis Initial situation</b> <b>- Final situation</b>		<b>100 USD - 5.928 USD</b> <b>= 94%</b>
<b>Question: how was the 94% haircut operated?</b>		

The decision of Lolarization and re-dollarization was endorsed and supported by Minister of Telecommunications Johnny Corm. This decision was implemented in two phases. The initial phase primarily emphasized the legality and rationale behind changing subscribers' balances from USD to LBP. However, in the second phase, the decision deviated from the initial legal support provided in the first phase.

## First Phase: Justification of the Lolarization

The first argument to justify Lolarization closely resembled the last argument put forth in the previous ruling by the Financial Chamber of the Civil Court of Beirut (November 21, 2019).<sup>42</sup> This argument emphasized that it is illegal to price telecommunication services in Lebanon in any currency other than the Lebanese pound. Before making the announcement, the Minister supported his decision by seeking a legal opinion from the Consultation and Legislation Department at the Ministry of Justice<sup>43</sup>. The legal opinion solely focused on the first phase of the decision, which is the Lolarization of users' balances. The decision asserted that not only is it legal to convert the balances from USD to Lebanese pounds, but that it is actually an obligation.<sup>44</sup>

To be more specific, the legal consultation requested by the Ministry of Telecommunications was limited to the legality of transferring balances to the Lebanese pound while retaining the contract's duration. In response, the counsel considered that the credit owned by the subscriber does not grant them any acquired right to a specific number of services such as minutes of calls. Instead, the legal consultation explained that the recharge cards<sup>45</sup> grant subscribers two rights: the credit in dollars (sometimes in both lira and dollars) and the validity of the recharge card. These two aspects were deemed unmodifiable, since the mentioned rights constitute a contractual agreement between the company and the subscriber. Nevertheless, the Ministry's decision to transfer the user balances from USD to LBP is only considered a conversion of currency without undermining the validity nor the credit in the recharge cards making it totally legal.

## Second Phase: Justification of the Re-Dollarization

While the first phase of the decision was based on legal opinion and solid understanding of the law, the second phase not only lacked legal backing, but also directly contradicted the essence of the initial decision. Minister of telecommunication, Johnny Corm, did not seek the opinion of the Consultation and Legislation Department at the Ministry of Justice when he allowed the operators to price their services in USD, nor when he issued the decision

42. Al Moodon, The judiciary breaks the "WhatsApp Minister" Mohammad Shqeir's thorn, 15/11/2019, <https://www.almodon.com/print/3f92bc01-fe51-4be0-a318-fbbce8eb2c32/609afadf-d689-4066-8932-97bf662daa87>

43. The Consultation and Legislation Department at the Ministry of Justice is responsible for providing legal advice to government entities, including various ministries.

44. Legal Agenda, Elie Ferzli, Mobile Credit Theft: Are Subscribers the Sacrificial Lambs?, 02/07/2022, <https://le-gal-agenda->

[com/%D8%B3%D8%B1%D9%82%D8%A9-%D8%A3%D8%B1%D8%B5%D8%AF%D8%A9-%D8%A7%D9%84%D8%AE%D9%84%D9%88%D9%8A-%D8%A7%D9%84%D9%85%D8%B4%D8%AA%D8%B1%D9%83%D9%88%D9%86-%D9%82%D8%B1%D8%A8%D8%A7%D9%86-%D8%A7%D9%84%D8%AE/](https://le-gal-agenda-com/%D8%B3%D8%B1%D9%82%D8%A9-%D8%A3%D8%B1%D8%B5%D8%AF%D8%A9-%D8%A7%D9%84%D8%AE%D9%84%D9%88%D9%8A-%D8%A7%D9%84%D9%85%D8%B4%D8%AA%D8%B1%D9%83%D9%88%D9%86-%D9%82%D8%B1%D8%A8%D8%A7%D9%86-%D8%A7%D9%84%D8%AE/).

45. Recharge cards are used for pre-paid lines to keep the validity of the lines in days and to add credit in USD balance to be able to subscribe to bundles or services, send SMS and make calls.



permitting the operators to re-dollarize subscribers' balances based on the Sayrafa rate. Corm described the decision as "a measure to address an accumulation operation carried out by a number of subscribers or distributors, resulting in the accumulation of balances worth 450 million dollars in the phones of subscribers or monopolizers."<sup>46</sup>

The problem in this case is that the Minister, along with the operators, failed to effectively manage the issue of balance accumulation, which is technically legal. Furthermore, the decision violated the fundamental legal administrative principle of a proportional balance between the rights preserved, and the damages resulting from the decision. In this specific case, the majority of users, approximately five million, are subscribers who purchased a recharge card for a year, six months, or three months, including a balance that does not exceed 300 dollars at most. In contrast, the targeted balance accumulators are around 400 subscribers who managed to accumulate over 200,000 dollars each.<sup>47</sup>

The story doesn't end here. Setting aside the question of the decision's legality, a significant contradiction arises with the article that allowed the targeted balance accumulators to claim a refund. Article 146 of the General Budget Law of 2022<sup>48</sup> states that "Prepaid mobile phone cards, sold by the two companies and unused until the law is issued, have expired and are no longer valid for use. They allow individuals and legal entities holding these cards to request a refund of their value within a maximum period of one month."

This provision effectively strips the Minister's decision of any logical justification. Moreover, it has been mentioned in the justifications for this article that "some traders and individuals have recently resorted to purchasing prepaid phone cards with the intention of stockpiling them and selling them later at higher prices, which could generate undisclosed profits for these individuals and reduce the state's revenues in the upcoming phase." Technically, this means that article 146 of the general budget allowed traders who purchased and stored prepaid phone cards to sell it back to the company and get the money back. Users who used the cards to recharge their numbers suffered the 94% haircut under the pretext of fighting traders' tendencies to practice illegal speculation and accumulate recharge cards.

46. Legal Agenda, Elie Ferzli, Mobile Credit Theft: Are Subscribers the Sacrificial Lambs?, 02/07/2022, <https://legal-agenda.com/%D8%B3%D8%B1%D9%82%D8%A9-%D8%A3%D8%B1%D8%B5%D8%AF%D8%A9-%D8%A7%D9%84%D8%AE%D9%84%D9%88%D9%8A-%D8%A7%D9%84%D9%85%D8%B4%D8%AA%D8%B1%D9%83%D9%88%D9%86-%D9%82%D8%B1%D8%A8%D8%A7%D9%86-%D8%A7%D9%84%D8%AE/>

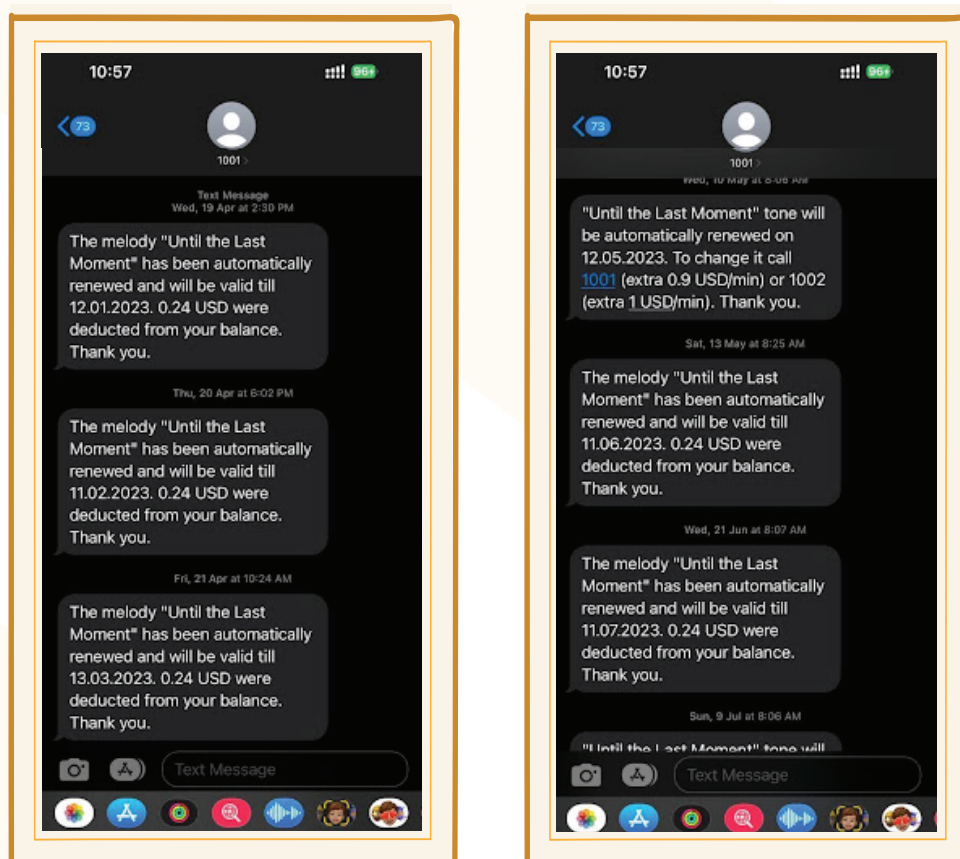
47. Idem.

48. The copy of last version of General Budget 2022 (<http://finance.gov.lb/en-us/EventPdfs/English/Budget%202022.pdf>)

From a business perspective, the decision harmed over 200,000 subscribers<sup>49</sup> whose balances do not exceed 300 USD to address a monopoly by around 400 individuals. Considering that both companies are the sole providers of this service, **it qualifies as an abuse of monopoly**, which is not only unethical but also illegal. This decision not only damages the reputation of the operators, but also undermines trust in their services and revokes subscriber loyalty.

### Violation of consumers rights by unauthorized subscriptions and reimbursement denials

In recent years, mobile pre-paid users documented receiving text messages notifying them of subscribing to services they did not opt-in for. Some of these services entail charges and opting out often requires paying a specific amount. For example, the attached screenshots illustrate one user being notified of a subscription to a ringtone they did not subscribe to, which cost 0.24 USD per month. The second message for the same ringtone unsullied subscription, prompted users to call a paid number to request opting out of the subscription. The cost for the call requesting to opt out cost the users 1 USD per minute.



49. Legal Agenda, Elie Ferzli, Mobile Credit Theft: Are Subscribers the Sacrificial Lambs?, 02/07/2022, <https://legal-agenda.com/%D8%B3%D8%B1%D9%82%D8%A9-%D8%A3%D8%B1%D8%B5%D8%AF%D8%A9-%D8%A7%D9%84%D8%AE%D9%84%D9%88%D9%8A-%D8%A7%D9%84%D9%85%D8%B4%D8%AA%D8%B1%D9%83%D9%88%D9%86-%D9%82%D8%B1%D8%A8%D8%A7%D9%86-%D8%A7%D9%84%D8%AE/>

This unsolicited subscription to paid services garnered widespread attention and was a topic of discussion in various focus groups. Notably, a former operator employee who chose to remain anonymous confirmed this practice during an interview with SMEX. According to them, this strategy enables telecom companies to generate revenue by exploiting users who may be less tech-savvy or those who do not closely monitor notifications and balances.

This ongoing practice has blatantly violated consumer rights, as users neither subscribed to the service nor intended to utilize the service or bear its associated fees. It is evident that companies are abusing their position, utilizing technologies to subscribe users without their explicit consent to services they did not request or agree to be a part of. Article 3 of the Consumer Protection Law enumerates several consumer rights, including the entitlement to "receive fair and non-discriminatory treatment from professionals for a product intended for local use or export."

Additionally, consumers have the right to a clear understanding of the terms of usage, as articulated in Article 3.4 of the Consumer Protection Law, which stipulates "the right to obtain accurate, clear, and sufficient information regarding the product or service, including its price, features, ways of use, and the potential risks arising from such use." However, in this case, it is clear that users do not understand why nor how they are forced to subscribe to unwanted paid services. Moreover, since the information is not accessible, users do not know how to terminate the subscription, forcing them to make a paid customer service call to request canceling the subscription.

The violation underscored in this section extends beyond the unauthorized subscription of users to unwanted services without their consent; it extends to the rejection of their requests for reimbursement of fees. As a tangible and explicit safeguard, article 3 of consumers protection law ensures fair repair and compensation, embodying the right to "full and appropriate compensation for damages resulting from the consumption of a product or the use of a service when used properly."

### **Violation of consumers rights by completely terminating the 2G network, and parts of the 3G network**

On the 19th of May 2023, the Lebanese government approved Telecom Minister Johnny Corm's proposal to completely terminate the 2G network and dismantle parts of the 3G network,<sup>50</sup> citing the need to cut costs amid the looming

50. Disastrous solution to save Lebanon's telecom sector, Smex, <https://smex.org/disastrous-solutions-to-save-lebanons-telecom-sector/>.



collapse of the telecommunications sector. This decision is characterized by arbitrary governance and constitutes a clear violation of users' rights. The decision to terminate the 2G network raises concerns as it would leave over 230,000 subscribers without access to mobile services, forcing many to upgrade to new devices. Unfortunately, a significant portion of individuals with older generation devices may be unable to afford the necessary upgrades. The situation is exacerbated by the expected rise in prices for 3G-compatible phones due to heightened demand.

An expert interviewed by SMEX highlighted that within the field of telecommunications, shutting down the 2G network is anticipated to lead to a decline in phone call rates, exacerbating issues such as call drops and unsuccessful call attempts. This outcome is expected to worsen the existing challenges in the telecommunications landscape.

### **Beyond consumer rights abuses, corruption exposed by audit bureau decisions**

The recent reports of the Audit Bureau,<sup>51</sup> unveiled in 2022 and 2023,<sup>52</sup> marks a pivotal juncture in the Lebanese justice system. This groundbreaking decision diverges from a decade-long practice of refraining from scrutinizing, prosecuting, and naming six ministers, despite widespread corruption across diverse sectors. While representing a significant stride toward justice, this landmark decision also meticulously exposes the root causes of corruption within the telecommunications sector, elucidating a trajectory of malfeasance through concrete facts and figures.

A central deduction from the report highlights the glaring absence of governance and a cohesive vision for enhancing and organizing the telecom sector. This deficiency is evident in the violation of public procurement laws, leading to inadequately executed public tenders, resulting in process suspensions or complete failures to attract participating companies. The extension of operators' contracts without a clear vision and requirements for the private sector in public tenders, coupled with monopoly and the government's failure to mandate contracting operators to align with new Key Performance Indicators (KPIs) and invest more in infrastructure, exacerbates the issue.

51. Audit bureau is an administrative tribunal with financial jurisdiction. Its responsibility involves overseeing the management of public and Treasury funds, ensuring their appropriate utilization, and verifying compliance with existing laws and regulations.

52. Billions in Squandered Funds: Court of Audit Report on the Telecom Sector in Lebanon, SMEX, <https://smex.org/billions-in-squandered-funds-court-of-audit-report-on-the-telecom-sector-in-lebanon/>.

The Audit Bureau sheds light on the regrettable outcomes, including the cancellation or failure of open public tenders due to a lack of applications or undue political influence, rendering decision-making impossible. Beyond selecting operators in line with public procurement laws, the report emphasizes the need for effective control in the execution of public tenders for sector operators, involving audits to ensure strict adherence to contractual obligations and compliance with regulations.

Political affiliations and the exploitation of public sectors and resources for garnering voter trust emerge as another critical factor contributing to this predicament. The blatant influx of new staff into the sector before elections, ostensibly to secure political favor, not only deviates from the principles of fair governance but also results in significant unnecessary costs.

The modification in the nature of the operators in 2012, transferred the operating expenses to the ministry. A decision that can be positively perceived, ended up being exploited. In fact, the audit bureau documented that the two years following the change in the nature of the contract, witnessed the highest increase, reflected in the rise in salary costs. Between the years 2010 and 2018, the increase in salary costs for "Alfa" amounted to 149%, rising from USD 21 million annually to USD 54 million. Documents provided by the company state that "as a result of some decisions and requests from the ministry, the overall cost of employees increased by 134% (USD 7 million) during the year 2014."

Another glaring issue that triggered this investigative work and report to public courts was the scandal involving the purchase and leasing of buildings for the operators. The Audit Bureau documented that what was intended to save costs ended up costing the state 128 millions USD instead of 25.6 million USD for MTC and 170 millions USD instead of 41.6 million USD for Alfa, especially for locals who were not and are still not benefiting from these arrangements. The total value of rental allowances for main buildings, stations, warehouses, offices, and parking lots for "Alfa" in 2018 amounted to approximately USD 22.3 million, while it reached USD 21 million for "Touch." The cumulative rents paid by the "Alfa" company from 2010 to 2018 amounted to about USD 168 million, while the total rental allowances paid by the "Touch" company during the same period (excluding Solidere building rental allowances) were USD 141 million. No mechanism for sharing rented communication sites between the two companies has been adopted to curb spending on rental allowances. For instance, the number of communication sites for which "Alfa" had lease contracts with site owners until 2021 was 1283 sites.

As for "Touch," the report indicates that it resulted from a lack of planning and failure to conduct studies to determine necessity. The company incurred substantial amounts as rental allowances for the Qasabian building in the Shayah area and as interest for the Solidere building on property 1526. Concerning the Qasabian building, the company leased it in 2012 for ten years with an annual rent of USD 2.2 million, with the rental allowance increasing by 6% annually. Despite the initial team's approval of the property's suitability for additional loads, unforeseen issues arose during internal engineering studies, leading to additional necessary work. An agreement with the owner was organized to improve the building, with the owner bearing a fixed amount of USD 700,000 for the work. Consequently, the public treasury incurred substantial losses exceeding USD 7 million between 2012 and 2015 due to the contract, but the result was the cessation of work due to a dispute with the owner, and the building was never occupied.

As for the Touch building in Bashoura, it was rented for USD 6.4 million annually, with a contract signed for USD 22.6 million for its furnishing. After a year, the decision was made to purchase the building for USD 75 million. However, legal disputes involving multiple parties and the company obscured the truth and the names of the actual beneficiaries. According to the report, all contracts were not subject to prior administrative scrutiny. All amounts paid will be borne by the public treasury, and therefore, imposing them on the state without any notable oversight constitutes a blatant violation of legal provisions and a waste of public funds, especially considering alternative, less costly options amid the current financial crisis. It is noteworthy that this deal has become the subject of a legal case against ministers Jamal Jarrah and Mohammed Choucair before the first investigating judge in Beirut.

## Research Methodology

The study used a mixed methods approach, integrating the analysis of secondary resources on the Telecom sector in Lebanon and primary qualitative data from key informant interviews (KIIs) conducted with subject matter experts (SMEs) and from focus group discussions (FGDs) with selected marginalized communities in Lebanon. SMEs were selected from a list prepared by the SMEX team of leading voices in the sector with legal, political, technical or civil society backgrounds. The selection depended on an inter-agreement between the Lead Researcher and the Project Manager and on the availability of experts during the data collection phase (July-September 2023). Identified marginalized communities included primarily groups that rely on telecom services, such as students, migrant workers, Uber and Toters drivers,<sup>53</sup> underprivileged Lebanese communities and Syrian refugee communities in the country.

Moreover, the research adapted the Ranking Digital Rights' Corporate Accountability Index<sup>54</sup> to the Lebanese context to evaluate the three telecom service providers in Lebanon, Ogero, Alfa and Touch, on an abridged set of indicators primarily concerning governance, freedom of expression, and user privacy and compliance policies adopted by these companies. The RDR Index is a scoring system on a set of indicators, ranking the level of commitment of telecom service providers in respecting and protecting digital rights of service users based on publicly available policies set by the former on their websites.

### Secondary Research Analysis

The Telecom sector in Lebanon has received considerable attention from both direct stakeholders, such as individuals immediately engaged with running the sector, and external observers, such as the media, international and local civil society organizations (CSOs), academic researchers, and other regulatory and financing bodies. SMEX's research team conducted a thorough mapping exercise of all key stakeholders in order to draw connections and form a thorough understanding and analysis of the sector. The team also conducted an analytical review of existing literature, industry reports, media articles, and other relevant sources to give an overview of the history of the Telecom sector in Lebanon.

### Qualitative Research Analysis

The research team conducted 15 KIIs representative of the stakeholders mapping exercise conducted by SMEX in terms of their backgrounds in legal, technical, and policy work in the Telecom sector. Four women experts were

53. About Toters. Retrieved from <https://www.totersapp.com/about>

54. Ranking Digital Rights. Methodology Development. Retrieved from <https://rankingdigitalrights.org/methodology-development/>.

interviewed out of the 15 SMEs. The number of interviews was dependent on the experts' availability and until theoretical saturation was reached to gain a holistic picture of the status of the Telecom sector in Lebanon since the post-civil war era, with a stronger emphasis on the past three years following the fallout of the Lebanese economy.

The team identified a number of marginalized communities in Lebanon and conducted six FGDs with students (two groups), migrant workers (one group), Uber and Toters drivers (one group), a Lebanese community living in an informal settlement of Hay el Gharbeh around the southeast entrance of Beirut (one group), and a Syrian refugee community displaced to the same area (one group).

**Instruments:** The research team developed semi-structured questionnaire guides for the KIs and FGDs to allow both consistency across interviews and flexibility to delve into new emerging topics. The KIs explored the history, challenges, missed opportunities, and future policy solutions to improve the Telecom sector in Lebanon. The FGDs explored the specific challenges faced by each marginalized community in terms of access and quality of service provided to them. The questionnaires were developed in English and translated into Arabic to facilitate the discussion with Arabic native speakers.

**Data collection and analysis:** The KIs and FGDs were conducted either in-person at SMEX's office in Beirut or online (Zoom calls) depending on the convenience of all parties. All interviews were facilitated by the Lead Researcher and/or Project Manager, assisted by a designated note-taker who recorded all data verbatim. All interviews were recorded on a designated SMEX recorder and saved on SMEX secure drive for reference. The recordings will remain with SMEX for one year before permanently deleting them from record.

The note-taker finalized interview transcripts in English. The qualitative data from the transcripts was analyzed by the Lead Researcher and Project Manager separately using thematic analysis, then consensus coding was reached, and inconsistencies resolved in a series of one-on-one discussions. Emerging themes are unpacked in the results and discussion sections.

Finally, in regard to the adapted RDR Index, the team analyzed publicly available terms and policies on Ogero, MTC and Alfa's websites to identify their commitment and compliance in terms of the four indicators, governance, freedom of expression, privacy and compliance. The results are presented and discussed in the relevant section.



## Identified Challenges

### Experts Interviews

The qualitative analysis of the experts' interviews yielded the emergence of **five themes** which are unpacked in detail in what follows. The bulk of the responses centered around the challenges faced by the Telecom sector in Lebanon since its re-inception after the civil war. The experts interviewed are from different political and professional backgrounds and offered diverging opinions that fall on a spectrum of challenges spanning the policy, legal and technical realms. The same was noticeable for the proposed solutions, to be discussed later in the report.

Moreover, the stance on privatization saw experts' answers being correlated with perceived ideological convictions of each expert (anti- or pro-liberalization). Points of convergence were aplenty, mainly on the interlinked responsibility of those entrusted to govern and operate the sector since the early 1990s. Experts also agreed that access to telecom services is a basic human right that the state must provide to all constituents living on its territories.

### Theme 1: Challenges to the Telecom Sector

The ebbs and flows of the Telecom sector in Lebanon coincided with ceaseless cycles of instability and recuperation that the country has witnessed over the past three decades. A developed and growing sector should be entrenched in a productive and stable economy and protected by a willing and transparent political class, both factors arguably missing in post-war Lebanon.

The aggressive investments for sectors' rehabilitation, including the Telecom sector, acquired through foreign loans, led to the accumulation of national debt, which reached a record number of USD 102.7 billion<sup>55</sup> in 2022. Experts agree that although increased borrowing and spending during that period \was necessary to bring the county back from the perils of war, the tangible outcomes of these investments do not justify the high expenditures. For instance, the USD 1 billion investment in the Telecom sector in the early 1990s, which was complemented by private sector investments following the BOT contracts, did not yield expected results as service users continued to complain of technical problems in terms of service coverage and quality.

Moreover, experts highlighted that in the complete absence of regulatory and accountability measures to oversee the operation and management of the

55. L'Orient-Le Jour. (2022). Lebanon's Public Debt Reached USD 102.7 billion by September 2022. Retrieved from <https://today.lorientlejour.com/article/1327446/lebanons-public-debt-reached-1027-billion-by-september-2022.html>

Telecom sector, there were a number of violations relating to blatant abuse of power, clear instances of conflict of interest, and corruption practices.

Experts argue that there was no clear delineation between the public and private sector. Weaving through the web of relationships between the two sectors unraveled a list of individuals, or mediators, working in what only can be described as flagrant conflict of public interest as public funds were funneled to private corporations that had strong ties with the government at the time. Thus, the political entanglements and the various allegations of corruption and embezzlement hindered the proper development of the Telecom sector and the delivery of equitable and fair prices for services to the public.

The policy for foreign capital borrowing, lack of oversight for public spending, political infighting, and Lebanon's rentier economy yielded the accumulation of public debt and the deficit of state treasury. In parallel, the Telecom sector managed to grow and generate tremendous revenues to the treasury. The narrative was therefore built on the idea that the Telecom sector is Lebanon's oil, and political parties leached on it, using every avenue to benefit from the sector with little regard to its maintenance and development.

When the privatization experiment failed, the state monopoly of the sector halted genuine progress and long-term investment to reinforce the services and make them sustainable. Political exploitation of the sector prioritized political interests, election calculations over delivery of adequate services, while profit was being generated from outrageous pricing of mobile and internet services. Staffing for political goals, using public funds to sponsor political events masqueraded as festivals or sporting tournaments, and running incessant advertisement campaigns in the absence of actual competition. This diverted attention from investments in what the sector actually needed, such as infrastructure, diversification of energy sources for sustainability of services, and newer technologies to keep pace with the global development of the sector.

In 2019, financial corruption and political exploitation were exposed as the Telecom sector failed, rendering it nearly unprofitable and unable to deliver adequate mobile and internet services to subscribers. The challenges of the last five years were even more noticeable in marginalized communities where internet access became a luxury they could no longer afford. Exacerbated by the fuel, electricity, and cost of living crises, people opted out of mobile and internet services to afford more pressing basic needs.

## Theme 2: Impact on marginalized communities

As argued earlier, telecom prices in Lebanon have always been among the highest in the region, impacting users' fair access to mobile and internet services. In rural areas, communities face a dual challenge. Internet access is commonly provided by unauthorized providers, which results in a monopoly on access. Despite charging higher rates than the authorized Ogero bundles, these unauthorized providers offer slower and less reliable internet connections. Slow internet speeds, service disruptions, and power outages have compounded the existing grievances of marginalized communities living outside of the capital Beirut and increased the digital divide amongst service users. It was also argued that even within Beirut, digital disparities exist with key investments and infrastructure efforts throughout the past three decades favoring key upscale economic hubs over less advantaged areas.

Moreover, the outbreak of the COVID-19 pandemic in 2019 exacerbated the situation further with public health concerns enforcing the shift of educational and employment avenues to fully remote or hybrid settings, where access to reliable and fast internet services during this period became even more crucial. Internet access was therefore transformed into a luxury service only accessible by financially abled communities. This is clear when comparing the map of inadequate internet access in the country which seems to mirror that of economic disparities. The digital divide is a barrier to equitable economic and community development, widening the knowledge gap amongst constituencies and posing an existential threat to the economic and future growth of the country.

A gender perspective also emerged during the interviews whereby it was reported that within Lebanon's patriarchal society, women over 35 years were relinquishing their access to internet or even mobile services and phones, rather than men, to alleviate new financial burdens imposed on families after the financial crisis. Existing complexities of socioeconomic factors and gender dynamics within the country were therefore replicated following the crisis and the imposed price hikes on mobile and internet tariffs, marginalizing further already disadvantaged groups including women, laborers, refugees, and students.



### Theme 3: Missed opportunities

Looking back into the tremendous revenues that the Telecom sector generated for nearly three decades, missed opportunities can be discussed in two parts, financial and legal.

The squandered public funds used to advance political ambitions would have been better channeled into preemptive measures to shield the country from possible crises. These measures include increasing investments in the infrastructure of the fixed and mobile networks, building more stations for equitable access in rural regions, and advancing green sources of energy in a country prone to electricity cuts due to a failing electricity sector.

Had those investments been made, experts agree that we would have a more developed and sustainable sector that can withstand an array of challenges, including the latest financial crisis in the country. Lebanon is not lacking capable changemakers who could have advanced the sector with up-to-date innovations and technological advancements, but the untapped potential lies in familiar practices of nepotism, crony capitalism, and the Lebanese famous wasta.<sup>56</sup>

The failure to act upon existing plans to develop the sector, such as irrigating the country with an able network for the Fiber Optics project, limited the usability and capacity of the internet network in the country, putting people at a disadvantage with low quality service at an increased price set controlled by the ministry. It also cost the country missed infrastructure and development opportunities as seen implemented in other regional hubs, and more crucially, the brain drain of Lebanese talents who found better career opportunities abroad.

On the legal side, experts also pointed out that the failure to establish an efficient and active supervisory body under Law 431/2002 paved the way for the continuous funneling of public funds into politicians and benefactors' pockets. Reforms stated in Law 431 were not optimized to create an atmosphere of accountability and transparency in the most lucrative sector in the country. Lebanon was more preoccupied with short term improvements to keep pace with major technological advancements and minor advancements in legal issues such as cybersecurity and data privacy. On the other hand, no major reforms were advanced to hold the state, which monopolizes the sector, accountable for squandered funds.

56. "Wasta" is derived from the Arabic word for "intermediary" or "connection". It's a practice in Arab society where people use their personal relationships to gain favor.

#### Theme 4: Privatization

The privatization question has never been more polarizing than in Lebanon. The liberalization model that was adopted after the 1990s allowed the country to experiment with public-private partnerships within the Telecom sector, before a complete return to state control and monopoly in 2002. Experts were equally polarized with three different takes emerging: full privatization, public-private partnerships (PPP), and against privatization.

Full privatization advocates have leaned more towards this solution after the 2019 financial crisis, as the state is no longer able to finance maintenance efforts and operate the sector. Moreover, they argued that the state monopoly, even prior to the crisis, hindered the sustainable and technological advancement of the sector as well as its delivery of efficient, reliable, and equitable services. Privatization would therefore invite fresh investments and new players to enter the Lebanese telecom market, increasing competition amongst a diverse set of service providers, allowing the diversification of services at different price points for end users.

On the other hand, experts who have long opposed the policy of privatization argued that the implementation of necessary reforms and regulatory frameworks to the sector are sufficient conditions to salvage the sector, without the need to privatize. Once the TRA is activated and the political exploitation of all state resources recede, the state can operate and manage the sector. These experts look at the issue as a corruption issue, rather than a technical and managerial issue, disregarding the know-how and the financial capital that the private sector can offer to operate such a vital sector.

Other experts were skeptical of privatization as a salvation to the falling sector, stating that the state of the Telecom sector in Lebanon is not appealing enough for external investors in the absence of wider reform plans in the country. Lebanon needs to abide by a list of demands imposed by foreign lenders and investors to regulate the operation and management of its viable sectors before privatization tracks can begin. Political deadlocks, including the failure to elect a new President and a new Central Bank Governor, and the formation of an able government, are unlikely to create a conducive environment for investments from the private sector or multilateral development institutions.

Finally, a group of experts endorsed PPPs as a business model embracing a middle ground between the previous positions. PPPs is drawn from foreign success models and a brief experiment in the early 1990s which was not optimized by the Lebanese state due to many instances of conflict of interest and corruption. PPP, alongside an active and efficient TRA, was seen to be a good way forward. This model invites private investors to intervene during this financial crisis while the state maintains ownership of the infrastructure, the assets, and the networks. In other words, while the state retains ownership of the telecom infrastructure, the provision of telecom services would be outsourced to private sector entities.

### **Theme 5: Digital access as a human right**

The prevailing narrative around the Telecom sector in the country was succinctly summarized in its description as Lebanon's oil. The Telecom sector was used for its significant revenues to cover parts of the treasury's deficits. Political parties rotated on the ministry of telecommunication, implicating everyone in the process for funneling public funds for private and political reasons as demonstrated in the Court of Audit report in 2022.

The Telecom sector was treated as an oil well, a renewable one that is, that kept producing large amounts of revenues. In this public narrative, where basic internet and mobile services are paid at high prices, there was no consideration for these services to be a basic human right in the 21st century. Politicians are aware of the need for connectivity in this age and are luring service users to pay more, and in "fresh" foreign currency, for a service that should be efficiently provided by the state to its constituents. In a country where human rights are often violated, the case for telecom services to be listed as a human right will likely be added to a long list of demands without appropriate action from a deaf political class.

## Viewpoint from Ogero and the Lebanese government

Interviews conducted with Ogero head, Imad Kreidieh, and current minister of telecommunication, Johnny Corm, drew the perspectives from service providers' side. Despite constant outreach efforts during the data collection period, the research team was not able to secure interviews with either mobile service providers, Alfa or touch.

After the 2019 financial crisis, both Kreidieh and Corm were responsible for making difficult decisions regarding the hike of telecom services tariffs. Both argued that their jobs turned from managing and operating the sector to maintaining basic services without major outages that were experienced across the country in 2020 and 2021. Dollarizing and increasing tariffs were seen as the only way to reach the target USD 300 million to keep the sector operational. Kreidieh admitted that Ogero had seen a decline in its market share as of 2019 due to the emergence of a parallel market provided by unauthorized internet service providers.

Both officials, coming from the private sector, adopted familiar strategies to maintain services in the Telecom sector that proved to be economical in nature, with little regard to the consequences that would befall the disadvantaged. The government and Ogero's plan failed to amount to a national salvation strategy with short-, medium- and long-term goals, taking into account special considerations for marginalized and impoverished communities, especially after the latest numbers from the UN indicated that more than 74%<sup>57</sup> of Lebanese live in income poverty.

Families with monthly incomes amounting to USD 50 will not be able to accommodate 10% of their income to purchase the lowest DSL WIFI bundle available through Ogero<sup>58</sup>. Not to mention that another 10% of families' total income will also need to be expensed to secure a single mobile internet package. Despite the introduction of new mobile bundles that are argued to be three times cheaper than the period before the crisis, telecom service providers are crunching their numbers based on a foreign currency and not the national currency.

57. Human Rights Watch. (2022). Lebanon: Rising Poverty, Hunger Amid Economic Crisis. Retrieved from <https://www.hrw.org/news/2022/12/12/lebanon-rising-poverty-hunger-amid-economic-crisis>

58. List of bundles and prices on Ogero website <https://ogero.gov.lb/service.php?type=business&id=52>.

A 20 GB mobile data bundle for USD 39 is now priced at USD 13, a third of the previous price. However, back in 2019, USD 39 equaled LBP 58,500, whereas USD 13 equals LBP 1,163,500,<sup>59</sup> nearly 20 times increase. In his defense of the policies carried out by the government in 2022, Corm contradicted reports that a large number of service users opted out of the services offered by the two mobile operators, especially after the cancellation of the 2G network. For mobile services users, an upgrade would not only require subscribing to more costly 3G bundles, but also a change in their mobile phones to allow optimal 3G uses.

It is important to take a step back to consider Lebanon's political deadlock since the elections in 2018, followed by the turbulent events of 2019, and the subsequent elections culminaitng in political infighting and polarization. The current parliament is unable to proceed with electing a president, nor replacing the governor of the central bank. The government at the time of writing is a caretaker government after the end of Michel Aoun's presidency and the failure to form a new government. Zooming in on a particular entity or official fails to consider the complexity of the Lebanese political context. The financial crisis did not occur in 2019 but it is a legacy of malpractice, corruption, crony capitalism, and lack of reform and accountability that has been synonymous to Lebanese political life in the past 30 years.

59. Conversion rate 89,500 LBP per USD.

## Ranking Digital Rights

This chapter attempts to feed into Ranking Digital Rights (RDR)'s database on Lebanon's service providers, especially in terms of their compliance to freedom of speech and privacy matters concerning end users. The service providers' websites, touch, Alfa and Ogero, however, do not publicly provide insights on their companies' compliance to safeguarding freedom of speech and privacy. These findings reveal a telling lack of commitment by two mobile operators in the country in safeguarding basic human rights. Their lack of clear, publicly articulated policies on these matters raises questions on the entire conduct of the Telecom sector in Lebanon. Nevertheless, based on the aforementioned challenges highlighted in the report, and the blatant disregard of internet access as a basic human right, it seems that the failure to commit to safeguarding privacy and freedom of speech are not amongst the priorities of the two service providers.

One section on both Alfa and touch's website clearly details that the data from services users is sold by both cell phone companies to advertising companies that offer mass SMS or email services to their clients. Service users' data is sold and utilized in segments based on gender, age or profession. Moreover, these mass messages can be targeted per location as service users' geo positions are also shared. Usage behavior and other private data are also sold to ad companies to send users tailored mass messages. According to a previous report by SMEX, personal data is not protected under Law 431/2002. The willingness to sell users data to third parties is another example of prioritizing economic short-term gains to long term strategy in what concerns users' protection, retention, and satisfaction.

Such practices are not standalone instances or concern solely Alfa and touch. A series of instances of data breaches and misuse of personal private users' data across the country, from governmental bodies to private sector companies, have threatened users' privacy and security. Alfa and touch seemed to be propagating a tradition of unethical practices and irresponsible conduct in the Telecom sector which go against the industry's best practices.



## Focus Group Discussions

The focus groups data highlighted stark discrepancies between what was stated by service providers and the lived experiences of different groups interviewed for the purpose of this research. Focus group participants overwhelmingly agreed on the array of challenges they faced regarding the Telecom services in the country, including high tariffs and unreliable coverage.

A group of students reported an increased impact of the unreliable telecom services on their education and career prospects. WIFI and 3G connections failed to ensure a reliable connection for students to attend classes, do exams or conduct interviews, especially during the COVID-19 pandemic (2020 - 2022) when all human interactions shifted to the virtual realm.

Families had to secure internet connection from different providers to prevent internet interruptions, preempt overload from several family users working on a single WIFI connection, and allow continuity of their different work and education preoccupations. This meant a significant increase of the WIFI and 3G bill for each family. This is not applicable for impoverished families or other marginalized communities who had to forgo mobile and WIFI subscriptions altogether to be able to afford other basic needs.

**Participants from the informal settlement of Hay el Gharbeh around the southeast entrance of Beirut city said that neighbors are now sharing one WIFI connection, which with the new price hike, could cost them up to USD 20-30 even though the quality of the connection provided is unreliable for even a few users, let alone split between entire families.**

Echoing experts' concern on the impact of price hikes on women's access to internet, most women interviewed have reported ending their 3G subscription. They now rely solely on a WIFI network, when available. Migrant workers living and working in Lebanon who have long been subject to all forms of marginalization, discrimination, and mistreatment are increasingly finding it difficult to afford living in the country.

**"My whatsapp is the only way I can communicate with my family," said a domestic worker who has been working in Lebanon for over a decade. She reported that now, in addition to taking her employer's permission to contact her family back home, she has to worry about the increased tariffs she needs to pay out of pocket.**

In addition, Toters and Uber drivers, who rely heavily on mobile data connectivity for their work, highlighted the impact of lack of proper coverage and transmission on their adequate work performance and their ability to provide their services effectively. An Uber driver complained that on top of the low 3G connectivity, which disrupts the accuracy of Google Maps and therefore threatens his arrival to his destination on time and the possibility of clients canceling on him, he has to resort to using regular phone calls, at his own personal cost, to make sure of the client's location. **Drivers have reported owning two phones, each subscribed to different carriers in the country, given that internet and mobile coverage varies from one carrier to another depending on the region.** These additional challenges to an ongoing economic crisis mark an economic barrier for these workers who have to pay out of pocket for all of these telecom services in order to be able to do their jobs effectively.

On top of that, all participants addressed the issue of line expiry. In Lebanon, service users are required to top their balances every month or else they will lose access to their Sim card. This is a way to force people to continue paying for additional credit on a monthly basis. Moreover, those subscribed to internet bundles are not allowed to carry through their data and minutes from one month to the next. Some participants also reported losing their 3G data without actually using the service. One participant had said that the same bundle he subscribes to in Lebanon expires far sooner than the subscribes to abroad.

This was a common complaint across most participants who had said that even if they disable apps on their phones from using 3G data, they still witness a rapid decrease of their data balance. Participants criticized service providers' constant quest to make them pay additional fees for unreliable services, or even unwanted services. Interviewed participants complained that they have faced difficulties unsubscribing from random services (like hearing a song while making a phone call) which cost them over USD 1 of their balance each month.

Others have reported succeeding in unsubscribing to these services, only to realize that they had been subscribed again without their consent by the service operators. Finally, in terms of coverage, which the minister asserted has improved after the recent price hike policies, participants had a diverging opinion reporting that the WIFI coverage has worsened significantly in the past five years. As for the 3G service, with both Alfa and touch, seems to be adequate in the capital Beirut, but diminishes progressively as people move outward of the greater Beirut area.



## Proposed Solutions and Way Forward

### Proposed Solutions

The expert interviews revealed an array of challenges, underscoring the need for a multifaceted framework, presenting a set of solutions on the policy and legal levels. However, salvaging the Telecom sector cannot exist in vacuum. The framework needs to be embedded in a system-wide recovery strategy aimed at salvaging the entire country following its fall into an economic and political abyss. The solutions can be divided into two categories: financial and legal.

Amidst the on-going economic crisis, financial capital needs to be sourced from diversified avenues. A revival of PPPs is therefore necessary to bring in private investments, local or international. For this matter, previous experiences with PPP should inform future collaborations. Financial investments need to be diverted to improve the existing infrastructure capable of accommodating new technological developments. Financial revenues would also be diverted to maintenance efforts and expansion of networks to reach rural areas, providing equitable services across all Lebanon. Existing investments in renewable energy sources by the current government must be built upon. Moreover, Lebanon must look into leveraging the untapped potential in the country and the various initiatives that have been undertaken in the past, especially in the startup domain, with its varying ventures into digital, AI and cybersecurity realms. Lebanon needs to revive and update its Vision 2020<sup>60</sup> to advance modernization efforts and pave the way for a swift uptake of 5G connectivity. Diversified investments and the involvement of the private sector will help boost the performance of service providers and present service users with an array of packages at competing prices that match the market's needs, especially for marginalized communities, bridging the acute digital divide.

In addition, legal reforms, and established enforcement frameworks of laws, are imperative to move from exploitative and corrupt practices in the past and establish an efficient and able regulatory framework based on transparency and accountability. Despite its flaws, implementation of Law 431/2002 could be the first step in the right direction. The separation of functions between the executive powers of the ministry of telecommunication and the management and operation of telecom services could save the sector from the various political interventions that have a long history of hindering basic services in the country, including telecom services. The role of an independent TRA must be

60. United Nations Economic and Social Commission for Western Asia (UN ESCWA). (2020). Lebanon Economic Vision. Retrieved from <https://andp.unescwa.org/sites/default/files/2020-10/Lebanon%20Economic%20Vision.pdf>

safeguarded and activated to protect consumer rights, oversee the proper management and operation of the sector, regulate the functions of private operators and uphold the principles of freedom of expression and privacy. Adaptive legal reforms should therefore address issues of digital and internet access as basic human rights and implement industry's best practices on threats such as spread of misinformation and cybersecurity as well regulations of new innovations in the digital world such as AI and cryptocurrency.

Each stakeholder has a pivotal role to play, with both the government and the telecommunications sector serving as key players in formulating a new governance plan aligned with best practices, placing consumers and the sector at its core. This innovative strategy is poised to serve as the roadmap for the next stage of the telecommunications sector, and its implementation will effectively address existing issues at their roots. In the upcoming contractual round, the ministry must rigorously adhere to public procurement regulations, maintaining tender conditions in accordance with best practices and fostering greater transparency. The ministry's responsibilities extend beyond the selection of new operators; it involves vigilant monitoring of operator performance, conducting transparent audits to ensure compliance with applicable laws, particularly in upholding user rights. Conversely, private operators must fulfill their contractual and legal obligations, prioritizing consumer protections and adopting transparent practices that underscore their commitment to privacy, data protection, and broader digital user rights. Finally, adherence to the principles of the separation of powers, the government and the ministry, should constitute and provide adequate resourcing of the Telecommunications Regulatory Authority (TRA) to fulfill its functional roles and obligations diligently as the guardian of users and the sector.

The system wide approach will need to leverage financial investments and human capital. Researchers, activists, academics, startups, youth groups, professionals from private and public sectors need to be involved in building the future of this country. In order to do so, the framework needs to work on an essential component which has been eroded in the past three decades, and that is building trust. Trust between the Lebanese people and their state, rather the entire political crew that has been in power since after the civil war, has deteriorated in the past few years, especially in what concerns the management of the financial crisis that started in 2019. To build that trust again,

lessons from the past three decades must be taken into consideration. Citizens must be active members of the solutions that need to be implemented to save the country. It is often pointed out that the Lebanese citizens have contributed throughout the years, during the past four years specifically, in the deterioration of the situation, whether through betting against their national currency, hoarding essential resources such as medicines and fuel to be sold at higher prices and, in what concerns the Telecom sector, buying USD 330 million in additional mobile recharges while anticipating price hikes and therefore selling what they bought cheap at higher prices. However, these “survival” measures taken by some of the Lebanese citizens, or rather businesses, can only be understood in the lens of lack of trust in the state to resolve the layered crisis, which has resulted after decades of practices by the Lebanese elite, politicians and their benefactors, in training a generation of people that sees clientelism, crony capitalism and corruption practices as the only way to survive and advance in this country.

## Way Forward

A system-wide solution to Lebanon's multilayered crisis will not take place overnight. It is imperative to understand the Telecom sector's interconnectedness with other viable sectors in Lebanon, such as the energy and banking sectors for instance. However, it is essential to highlight and identify short-term goals and a step-by-step approach to building a more robust economy and welfare state. Identified experts in this research and many more are invited to respond to SMEX's call for action to make the first steps into the path drawn in the previous section.

### The call for action is realized through:

- **Raising awareness and fostering intellectual capital:** SMEX' advocacy efforts will be centered on promoting and instilling the values of transparency, accountability, and inclusiveness in the governance of the Telecom sector. SMEX will also work with partners to cultivate intellectual capital within the Telecom sector, emphasizing the presence of a highly skilled and innovative workforce.
- **Enhancing Service Quality through Performance Monitoring and Evaluation:** As part of civil society, SMEX and partners can also establish a monitoring and evaluating mechanism to enhance transparency, accountability and compliance to new laws. The ultimate goal is to have a secure and agile sector and regulatory body that is implemented properly and updated when new technologies emerge. As an organization working in the digital realm, SMEX will also commit to maintain oversight of the Telecom sector to ensure upholding the principles of freedom of expression and privacy.
- **Mobilizing policymakers, private sector entities, and the public to improve quality of service:** Collaborative initiatives amongst key stakeholders involved in the Telecom sector can bring forth concrete change and draw a roadmap for the rehabilitation and development of the sector. By bringing in voices from different segments of the population, the partnerships are a guarantee to address complaints on quality of service, coverage and prices as well as long held grievances by marginalized communities.
- **Supporting legal experts to enhance legislative and regulatory authority:** SMEX recognizes the role of an active and efficient TRA and acknowledges the need to update the laws governing the Telecom sector. The current Law 431/2002 is not only bypassed but also imperfect and therefore must be updated after twenty years of its issuance with the body of knowledge acquired by SMEX through its extensive work in the sector. With a network of prominent legal figures in the country, and the know-how from successful models in other countries, SMEX can play an essential role in optimizing the Law and asserting the role of regulatory bodies.

## Annex 1:

### Interview Guide with Telecom Experts

Questionnaire (45 minutes)

1. What challenges do you believe the telecom sector in Lebanon has faced across three distinct time periods: 1990-2005, 2005-2019, and 2019 onwards? Please focus particularly on the latest period. If the interviewee mentions a challenge like "corruption," kindly ask for elaboration and specific examples. Additionally, inquire about challenges faced by marginalized communities. Feel free to encourage interviewees to explore areas beyond their expertise, such as technical experts providing insights into legal and policy challenges.
2. In your perspective, what are the key missed opportunities that could have potentially revitalized the telecom sector? Request identification of these missed opportunities and explore the reasons behind their oversight. Probe into areas where governments or the Telecom Regulatory Authority (TRA) failed to implement changes that might have positively impacted the sector.
3. Given the involvement of various stakeholders and different political parties holding power, resulting in consistent issues like crony capitalism and corruption, how can stakeholders be held accountable for the current state of the telecom sector? Additionally, consider the protection of consumers, especially in anticipation of potential new price hikes across all telecom services.
4. Considering the economic crisis that began in 2019, what potential solutions or reforms do you propose to salvage the telecom sector? Encourage interviewees to be specific, exploring technical, policy, and legal recommendations. Additionally, inquire about their interest in joining SMEX's working group for further discussions to shape a roadmap or action plan for sector recovery.
5. In your opinion, can the state effectively salvage the telecom sector if necessary reforms are implemented, or do you see no alternative to full privatization?

## **Annex 2:**

### **Focus Group Discussions with marginalized communities**

Questionnaire (30 minutes)

- 1.** What specific challenges have you encountered with mobile/landline services in Lebanon? Please distinguish between challenges before and after the 2019 crisis. Provide specific examples for each challenge mentioned. For instance, if the interviewee mentions "price hikes," ask them to elaborate and provide examples.
- 2.** Have you observed these challenges affecting other members of your community as well?
- 3.** Based on your personal experiences, how have you been managing or coping with these challenges?
- 4.** What is your perspective on the future of the telecom sector?
- 5.** Do you anticipate the need to discontinue any of the remaining services you are currently subscribed to?
- 6.** Setting aside political affiliations, why do you believe the telecom sector has been particularly impacted by the successive crises in Lebanon?
- 7.** When assessing accountability, who do you think is responsible for the challenges faced by the telecom sector—the state, private sector companies, political parties, or a combination?
- 8.** How would you rate the level of knowledge or awareness among different members of your targeted community regarding the factors that led to the challenges in the telecom sector?
- 9.** In an ideal scenario, what specific services would you like to receive from the telecom sector? This will help us conduct a mini needs assessment.
- 10.** Do you think there is a matching balance between the supply and demand of telecom services?