

Media Startups in Lebanon



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Introduction

Against the backdrop of the weak employment capacity of public institutions and private companies; the growing number of people preferring independence and risk-taking; rapid technological development, the ease of access to data and information and the growing e-commerce, no longer requiring large capital equipment; and the shift towards a service-based economy that does not require high costs, there has been growing interest in entrepreneurship and in setting up startups worldwide in various fields as one of the indicators of growth in entrepreneurship.

Studies and statistics indicate that a large number of 25 to 40-year-olds have set up their own small startups even though they lack practical experience of actual market needs, commercial activities, and the challenges and risks.

In addition, the information revolution has become an indispensable source of survival, breaking into world markets and imposing its own market.

Today's society is referred to as the *information society*, that is, it is a society that relies primarily on information as an investment resource, a strategic commodity, a service, a source of revenue and as a new field for labor.

Information has been used in startups as an economic resource in various sectors, including the media, where information and communications technology has brought about major changes in institutional structures, and economic and services structure, and has been used as a competitive advantage in entrepreneurial startups.

Lebanon is considered to be one of the booming digital innovation capitals in the Middle East, hosting about 13% of the total number of investors in the Middle East and North Africa region, with more than 100 investments made between 2013 and 2016.

Over the past years, in comparison to other MENA markets, Lebanon's share has steadily risen in both number deals (about 40 in 2016) and value of deals (about USD 56 million in 2016).¹

Why this study?

For some time now, there have been reports of endless crises faced by the media in Lebanon. There are increasing difficulties due to the severe shortages of funding sources for most Lebanese media outlets, which has led some to close down or make redundant a number of their journalists.

The institutional crisis in the Lebanese media is not new. It is an economic model that was established decades ago and was designed to be compatible with the political, economic, social and

¹ Lebanese Innovation Economy Study (Arabnet)

technical conditions that prevailed at the time. This model should have been reformed after the 1970s and 1980s, but all attempts leading up to the digital revolution failed. There were also the financial crises that did not spare the audiovisual media. These companies were not prepared to take the blow when the crisis hit. As a result, many media companies closed down and many media professionals were made redundant to cut costs.

As in the rest of the world, the old business model was faltering and facing survival challenges.

Meanwhile, new business models were being created and media companies started to appear online, quickly reaching a wide segment of audiences. However, the economic weight of this process still falls short of expectations, at times being even disappointing.

This reality paves the way for media entrepreneurship and for setting up media startups that rely on innovation and creativity in delivering content, offering a successful business model that ensures their survival and financial independence while keeping a distance from politics money that controls most of the traditional media in Lebanon.

Study problem and questions:

It is evident that Banque du Liban's (BDL) Circular 331 has boosted the startup scene, with the rise of more startups, accelerators, venture capital and ecosystem support programs. The mentioned circular encourages Lebanese banks to invest in the equity of startups, incubators, accelerators and other companies operating in the knowledge economy.

However, Lebanese tech startups face many obstacles in their entrepreneurial journey due to the low availability of technical talent, the Lebanese political environment, and the lack of access to customers and to local, regional and global markets.

The problem of this study consists of determining the strengths and weaknesses of media startups and the environment in which they operate.

The problem leads to the following questions:

- What is the roadmap for media startups in Lebanon?
- What are the challenges facing media startups?
- Are there basic skills to create a new business model for the media?
- What are the elements of a nurturing ecosystem of media startups in Lebanon?
- Is there academic interest in the field of media and innovation?
- What is the legal framework for establishing media startups in Lebanon?

Study methodology:

This study relies on descriptive research using surveys to obtain data and information about the phenomenon in question.

The study relied on surveying media startups in Lebanon and presented the conditions for their inception and the challenges they face.

The sample consisted of the following websites and platforms: Daraj, Megaphone, Figur-it, Labneh&sFact and ArabNet.

The research tools focused on interviews with media startup entrepreneurs and university professors specializing in media affairs.

Procedural definitions:

First, it is necessary to demonstrate the difference between entrepreneurship and startups according to the following formula:

Each startup is an entrepreneurial venture, but not every entrepreneurial venture is a startup.

Entrepreneurship is the process of creating a new entity or developing an existing entity in response to new opportunities that the entity would like to take advantage of commercially. Entrepreneurship is highly dependent on experience levels. The older the entity, the more it reflects how well it fits into the market and succeeds in surviving.

Jeffrey A. Timmons² defined entrepreneurship as the ability to create and build something from nothing. It is the initiative, work and achievement to build a project. In addition, it is observation and analysis and the talent to see opportunities where others don't.

Entrepreneurship is having a team that complements your skills and talents, knowing how to control and organize resources (which are often owned by others), making sure that money is spent only where necessary, being prepared for calculated risk, both personal and financial, and doing everything possible for the benefits sought.

A **startup** is a project that is built from scratch and can achieve success for a segment of users within two years at the most; throughout this period it is called a startup. The term startup is currently linked to modern tech startups.

Steve Blank, a Silicon Valley entrepreneur, said that a startup is an organization formed to search for a repeatable and scalable business model. Paul Graham, founder of Y-Combinator and a Silicon

² Jeffrey A. Timmons, The Entrepreneurial Mind, 1981-1982

Valley businessman and academic, said that it is a company designed to grow rapidly. According to him, the company's recent establishment does not make the company a startup nor is it necessary for startups to work in technology or take financial risks. The only key thing is growth, and everything else associated with startups follows this growth. The age of the company does not matter when it is classified as a startup, it can be a few months or three years old; as long as its growth curve remains vertical it can be classified as a startup. Therefore, major growth is a feature of startups. This growth can be internal growth, by expanding teams and processes, or can mean market growth, by increasing the number of users and customers.

Another feature of startups is the novelty element. Startups are seen as seeking to solve an old problem by finding new solutions. A startup must offer a new way of doing something in the world.

Entrepreneur:

- Fredrik Harbison defined the entrepreneur as a person who has the skill of organization building well as managerial and creative skills in building or managing the organization.
- McClelland said that entrepreneurs are non-traditional people whose work culminates in a distinctive and innovative way. Most importantly, entrepreneurs are able to make decisions under uncertainty with a propensity to take risks. Entrepreneurs have a realistic economic behavior to achieve their goals and a creative imagination.

In *The Entrepreneurial Mind*, Jeffrey A. Timmons described entrepreneurs as people with a propensity for development and possessing creativity, management skills and business know-how.

This trend distinguishes entrepreneurs from others, such as inventors, managers in large and stable corporations and promoters.

1. Media startups in Lebanon

There are 372 online media websites registered with the National Media Council; some are non-operational, while others use very basic design and graphics.

They are also similar to existing media companies in terms of adopting a traditional economic, administrative and editorial model.

In fact, there are not many media startups in Lebanon. These companies face major challenges, including inability to generate revenue, the type of content, and thus the number of readers, innovation on offer and companies interested in advertising on these media platforms³. The most prominent media startups in Lebanon are ArabNet, Step Feed and Diwanee. There are also media companies taking their first steps in this field, such as Megafon, Figur-it, Daraj and Labneh&Facts.

³ Survey of websites registered in Lebanon, National Media Council

Daraj

The Daraj website was founded in 2018. According to Diana Moukalled, co-founder, Daraj is an independent, not-for-profit organization founded in Beirut for the Arab region. There are writers from Syria, Iraq, Egypt, Turkey, Yemen and Arabs residing in Europe. When traditional media companies had to deal the financial crisis about two years ago, the idea of establishing Daraj was proposed by three journalists from these traditional media companies, which receive politics money and are guided by the financiers' agendas.

Daraj tried to work out a two-stage formula to reach financial independence as a media startup. The first stage is partnering with donor institutions working internationally and who are not trying to influence the company's editorial policy. In the second stage, extending over five years, the website is trying to obtain advertising and marketing revenues sufficient to achieve continuity and financial independence.

In addition to providing excellent content in Arabic, Daraj offers a successful business model through its Third Story, as it offers a space also for media partners and private influencers who may be specialists in culture to obtain help updating their content with graphic effects, videos and photos before publishing them on Daraj.

Daraj specializes in journalism, but it will also focus on lifestyle by highlighting the most pressing issues in the Arab region, such as stories on bringing up children and sex, for example. "Such stories are not dealt with in Arabic at the level where we operate," said Moukalled. "The main media are controlled by politics money and are often subject to religious or cultural prohibitions. We can fill that gap because people who have the money to produce high-quality content do not enjoy the freedom we enjoy."

There are several challenges faced by the media startups, according to Moukalled. The most prominent is the novelty of the digital media market in the Arab world, innovation and creativity in content production, revenue generation from offering content to readers.⁴

Megaphone

The idea for the Megaphone platform came about on Facebook by a group of young people in December 2017 as Lebanon's parliamentary elections neared. The platform consists of around 30 activists who are all volunteers. The main idea of this platform was to treat the news and articles in narrative form and to turn them into graphs and videos that target young people and to creatively bring them closer to the Lebanese political reality.

⁴ An interview with Diana Moukalled, co-founder of Daraj

Members of this platform are still looking for accelerators and incubators to transform their work into a media startup, especially as they are launching a new website.⁵

Figur-it

Figur-it is an application that collects stories, monitors sources and competitors, and displays ideas about the best content by monitoring more than 120,000 news articles in Arabic and linking them to the volume of interaction on Facebook to identify the most shared issues and topics by users.

The idea of Figur-it was launched in 2016 and received funding of USD 25,000 from the 331 initiative. But the slow disbursement of the money by BDL affected the launch of this platform, according to Figur-it CEO Haramoun Hamieh. He stressed that there are difficulties facing the launch of media startups, notably the absence of specialized accelerators for media startups, in addition to founders who have ideas lacking experience and relations in marketing and the legal framework associated with the establishment of startups in Lebanon.⁶

Labneh&Facts

The Labneh&Facts platform was launched in 2016. It highlights Lebanese stories about Lebanon's social and economic development to bring about change and build bridges between communities to promote peaceful dialogue. Labneh&Facts is active on Facebook, Instagram and YouTube.

Soraya Hamdan, the platform director, is trying to maintain independence by following the media startup model. She does not want to limit the platform to certain topics or allow ads that bother the reader, especially as all online readers use ad blockers. Therefore, the platform uses a model that is not widely known in Lebanon known as native advertising in the United States, using journalistic skills, video production, and educational follow-up and training for anyone willing to pay for such services, such as startup accelerators and incubators, companies and individuals.

The biggest challenge for media startups such as Labneh&Facts is company registration, which is very expensive, in addition to hiring a lawyer and an accountant. Although these steps are essential, they are a challenge to any media startup at its launch.⁷

ArabNet

ArabNet specializes in the development of the digital community. It was established in 2009. Its activities aim to enhance digital communication in the Middle East, stimulate the growth of the digital knowledge economy, and support the creation of new companies.

⁵ An interview with Jean Kassir, co-founder of Megaphone

⁶ An interview with Haramoun Hamieh, CEO of Figur-it

⁷ An interview with Soraya Hamdan, Director of Labneh&Facts

According to Rita Makhoul, co-founder and managing editor, ArabNet relies for revenue as a startup on holding conferences around the digital world in various capitals of the Middle East to discuss the latest and most important topics in this field with the participation of international speakers and experts. It also brings together entrepreneurs, startups, financiers and incubators through the Ideathon and Startup Demo competitions.

ArabNet also relies on its website, a leading digital business reference in the Middle East with news, expert advice, interviews and studies, and a base of start-ups, developers and entrepreneurs. The site also contains a database of digital startups, which is the most comprehensive in the Middle East, with more than 1000 registered companies from more than 19 countries.

It also issues The ArabNet Quarterly magazine, which is the first publication of its kind for developing digital companies and leading companies, with special coverage for e-business, technology, media and entrepreneurship news in the Middle East.

ArabNet also offers Business Intelligence, a dedicated service to organize events to match businesses to meet entrepreneurial goals. It publishes in-depth annual reports on the digital sector, providing statistics and insights for executives.⁸

Maharat-news

Maharat-news is a multimedia platform launched by Maharat Foundation, publishing in-depth reports to monitor public policies and to promote accountability. Maharat-news factchecks statements of politicians and highlights stories related to human rights and freedom of expression violations.

Step Feed:

Step Feed is a platform that provides content in the English Language in the region and focuses on cases disseminated among youth and is human and women's rights sensitive.

Ounoussa – Sohati – Loolia

Sohati, Ounoussa, and Loolia are governed by a group of Lebanese entrepreneurs who have no media background, but they felt the need to launch media platforms related to women. Ounoussa was launched in 2009, then the number of contributors increased so Sohati was launched in 2011 and tackles health issues. Loolia was launched to keep pace with the social media revolution in cooperation with bloggers and influencers to develop a youths-friendly content. The content of the three platforms address an Arab audience and not Lebanese.

In an interview with the editor in chief of these platforms, Veronique Abou Ghazale, she said that these platforms are media startups, which are not many in Lebanon because of the weak ecosystem supporting startups; despite the Banque du Liban initiative 331, but Lebanon suffers from a weak

⁸ An interview with ArabNet Managing Editor Makhoul

internet infrastructure, administrative routine, lack of Vat exemptions for startups, and the long process of establishing a startup.

2. Challenges facing media startups

The role of media entrepreneurship is achieving diversity in the service of society, which translates into prosperity in the fields of community service in a climate characterized by professional and occupational freedom.

This requires innovation and change in the structure of the labor market, as well as the launch of new and innovative products that change the course of the market and advance it.

In fact, most of the challenges faced by media startups are those faced by startups in general. In Lebanon, 50% of entrepreneurs do not have consultants to help them develop their business plan and connect them to multiple networks (investors, experts, links with support companies and incubators). This primarily affects support sources, which highlights the gap in the startup ecosystem in Lebanon.

The challenges are linked to internal and external factors and startup entrepreneurs must adapt to them. These factors include:

- Income uncertainty, creating fear that hinders the innovation process;
- Working long hours, intensive effort and bearing the sole responsibility, which is a great risk for those who prefer job security;
- Competition going beyond the local markets, including the Arab and global markets;
- Economic and political instability, internally and internationally;
- Lack of experience in the labor market, in addition to weak technical expertise and the lack of strategies that keep pace with innovation and risk-coping mechanisms.

The challenges to scaling media startups in Lebanon vary according to Wamda's Country Insights study; noting that Wamda⁹ undertakes researches that serve the startup ecosystem in the MENA region. The challenges to scale are generating revenue (31%), building a team (29%), expanding into new countries (22%), finding partners to facilitate expansion into new countries (47%) and costs of setting up (44%).

Through the interviews, we were able to determine that the challenges to obtaining investment are the need for more money and optimizing resources from investors. Challenges to team building come down to the recruitment of a creative team, finding talent, paying salaries and retaining talent.

⁹ <https://www.wamda.com/>

Also, there are challenges to generating revenue because of poor marketing of products or services, finding customers and the extent of their interaction with the product, and collecting payments on media products or services sold.

The first observations regarding the challenges and hurdles cited by startup entrepreneurs clearly show a lack of understanding of the data that controls the structures of the media markets in which these institutions operate and that require statistics about the number of potential beneficiaries and similar companies on the market, product differentiation and the knowledge of cost structure.

The theory of relative stability can be used to understand the relation between consumer spending on media products and services. It is based on the enactment of rules and controls that explain and analyze the media's performance in a society using the concept of media economics.

2.1 Content problems

The goal of media entrepreneurship is achieving diversity in the service of society in a climate characterized by professional and occupational freedom, which requires innovation and change in the structure of the labor market in addition to the launch of new and innovative products that change the course of the market and advance it.

In a review of the content produced by media startups, the main challenge that emerged was the creation of a qualitative difference between their content and that of existing media companies. This also raises the issue of lack of competitive approaches in content management in these companies.

The quality of media content is the basic criterion for consumption in a symmetrical relationship where demand increases as quality increases and decreases when it is lost. This quality is measured with three criteria:

- The value criterion associated with the content itself as a technical, cultural and communal value;
- The functional criterion associated with specific objectives;
- The personal, consumer-related criterion, who is the sole judge of the media content;
The consumer of media material is looking for the value added by the information to solve a problem, overcome a barrier, take a decision, satisfy his/her curiosity, etc., i.e. making him/her feel that he/she is gaining time to benefit. In addition, the propensity to pay for content is generally very low in local media markets, unlike other global markets.

In addition, the rapid growth of media platforms has made entrepreneurs aware of the importance of linguistic diversity on their pages, which is a right of users to use the language they want in the virtual space.

2.2 Language problems

Content issues are closely related to language. Arab internet users represent the fastest growing language sector in the world, but there is a large gap between the number of Arabic sites and the number of Arabic-speaking users. Even in most countries where the majority speaks Arabic, such as Egypt, one-third of websites does are not produced locally or offered in Arabic.

According to Florian Coulmas (Language and Economy, Alam al Maarifa, p.22), in order to be able to invest in language, certain social factors are essential, such as linguistic diffusion, intensive migration, language planning, transport and trade. These factors are less effective if they interact independently, as linguistic diffusion in accordance with economic conditions and developments brings about change in the conditions of the economy, which forces communities to adjust their language stock and patterns of communication.

One of the main challenges facing startups is not viewing language as an economic asset. Thus, challenges can be summarized as the absence of consultants, dialogue and building relationships with investors; the extent to which startups are able to generate revenue; how to transform the content offered by media startups into content that is attractive for the audience; and the use of sound sales and marketing strategies¹⁰.

3. Media and Innovation in Lebanese Universities

With the growing interest in entrepreneurship culture and skills, the concept of entrepreneurial universities has become one of the clear concepts in education, on the one hand, and in entrepreneurship, on the other, reaffirming the role of universities in stimulating creativity, and developing interest and the ability to innovate.

This requires universities to develop educational systems and programs and to cooperate with the business community and society institutions to generate, transfer and apply knowledge and technology to serve entrepreneurial ventures.

This has led many international universities to establish centers for entrepreneurship, offer one or more scientific courses on entrepreneurship and develop the students' interest and ability towards self-employment and setting up their own projects, in addition to promoting scientific research and applied studies, and providing consultation services and guidance aiming to transform student ideas into productive projects.

A survey of the public Lebanese University and private higher education institutions in an attempt to find out whether these universities orient media students towards innovation and entrepreneurship, and the possibility of setting up media startups through educational curricula showed that all

¹⁰ Wamda Country Insights

universities without exception have not yet introduced any clear and specialized academic courses in this field for BA-level students.

On the other hand, there are universities that have started to modernize their curricula to meet the demands of the job market, but only at the MA level, as in the case of NDU, which four years ago introduced the Entrepreneurship in Media course.¹¹

The Lebanese American University (LAU) seems to be following suit. It has developed a new course titled Digital Innovation, which focuses on e-innovation, which will be offered to MA-level students only starting the 2018-2019 academic year.¹²

The American University of Science and Technology (AUST) seems to be taking the same path as LAU. AUST is considering introducing courses on innovation and entrepreneurship in its media department in the coming period, although no decisions on the matter have been made to date.¹³

There are other universities that did not overlook the specialization completely, as they tackle it in courses under other titles, with the specialization being one of several foci within the same course, as is the case at the American University of Beirut (AUB). Innovation, for example, comes as part of the major of Communication and Development, and the same for entrepreneurship which as part of Interpress Communication.¹⁴

Jinan University does not offer courses on media innovation or entrepreneurship in their titles. However, the university is conducting ongoing seminars with the media and business schools in this regard. It is looking forward to modifying its educational curriculum in the media faculty to better meet the demands of the job market.¹⁵

To date, the Lebanese International University's media department has not included any courses on entrepreneurship or innovation. These two subjects are addressed under different courses with different titles, such as Web Journalism.¹⁶

On the other hand, the Beirut Arab University is not considering introducing such courses to the students of the Faculty of Media, since each discipline has its own philosophy.¹⁷

As for the public Lebanese University, there are no courses offered to students of the Faculty of Media in the field of entrepreneurship directly. But BA-level students are expected to submit a

¹¹ An interview with Dr. Maria Bou Zeid, Department of Media Studies, NDU

¹² Interview with Dr. Jad Melki, Department of Communication Arts, LAU

¹³ Interview with Dr. George Farha, Communication Arts Department, AUST

¹⁴ Interview with Dr. Nabil Dajani, Media Studies Department, AUB

¹⁵ Interview with the Mustafa Madbuli, Assistant Dean, Jinan University

¹⁶ Interview with Dr. Asaad Sadaqa, Director of media department, LIU

¹⁷ Interview with Dr. Jamal Mujahid, Director of Faculty of Media, Beirut Arab University

graduation project that can take the form of a magazine, newspaper or media website working in a team (not more than five persons). Such a project can serve as a model for a media company if the necessary investment and means of support from companies or businessmen who wish to invest in this area is made available. In addition, a course on management of media companies and their economics is offered and a data science degree has been introduced, which can encourage entrepreneurial projects that aim to invest in information and data.

At the MA level, a digital media program has been introduced to teach students digital innovation skills. In addition, programs have been developed and technology introduced to curricula.¹⁸

4. Basic Skills to Create a New Business Model for the Media

Each economy has its own distinct models, and this applies to the digital economy as well as the industrial economy. A business model is the strategic design of how a company or organization seeks to generate revenue from its strategy, operations and activities. The business model is a new or improved way of doing business to gain market advantage, improve current position and thus increase market share.

Today media markets have become more complex than before, and this is reflected in the challenges faced by companies due to increased competition and difficulty to produce services and products doubling.

Therefore, any new business model must take into consideration that technology has become a competitive advantage in the field of media innovation. The function of technology is no longer limited to reducing costs but now includes helping companies (in terms of product, service, price and quality specifications) to survive and grow in the local and global competitive environment.

In addition, any new business model for media should be based on the power of networks. Information technology and communication systems today have a direct impact on consumer behavior. The traditional impact of networks depends on the consumer of a particular product being affected by the behavior of other consumers. Modern networks have multiplied this impact by providing search engines, web directories and tools for social networking. In any case, any business model is directly related to utility, as the impact of networks depends on the value of utility or service compared to the number of consumers.

As a result, any business model should be based on five critical trends that are currently contributing to changing the media environment and pushing media companies to change their ideas and methods of work. They are: the plethora of media means, websites and platforms; the increasing fragmentation of audiences; the development of special investment portfolios for media products to

¹⁸ Interview with Dr. Ali Rammal, Faculty of Media, Lebanese University

reduce the risks associated with economies of scale and scope; the contraction of traditional media forces; and the power shift in the communication process.

The concept of integration between the sectors of communication, IT and media is the starting point for building the business model, in addition to Didier Lombard's (2008) model, which consists of four tiers, each tier includes a sector that has a specific economic function:

The first tier includes companies producing network elements and their software, and technical programs and equipment.

Tier two includes operators and network service providers.

The third tier includes search engines (marketing websites).

The fourth tier includes platforms that include media companies, content producers and users.

These tiers overlapped as a major result of the advent of the digital age, and competition among key actors intensified, increasing the supply of value-added services.

It is therefore very difficult for media startups, first and foremost, to turn an idea into a profitable and viable company before considering these variables and developing strategies to deal with them.

We believe that the failure rate of news media startups is an indicator of the difficulty of building sustainable local news companies that can provide a positive social benefit and fill the gap that has emerged in local news coverage. There are still many challenges to the launch, management and development of local news websites, most notably the lack of the basic skills needed to create a successful media business model, with media startups not interested in contracting advertising and marketing agencies or having an advertising strategy created for them. There is also the need for journalists to provide creative and interactive content to the audience, in addition to the need to find a mix that integrates content strategy with revenue strategy in successful media companies.¹⁹

4.1 The *Beirut Editors Lab* Initiative

Given the lack of proposals submitted to accelerators and investment funds on media startups, and despite the large number of Lebanese journalists who have great capacities and important skills, Flat6Labs, in partnership with Global Editors Network (GEN), has launched the *Beirut Editors Lab* initiative to encourage journalists to produce new and innovative ideas to create new media startups and a successful business model with eight teams of journalists and developers. Fawzi Rahal, Managing Director of Flat6Labs, admits that he was surprised by the amount of content one

¹⁹ A Roadmap for Digital Media Startups <https://bit.ly/2JqZwSa>

journalist could produce in two days in collaboration with developers. Rahal points out that these journalists need two or three steps to produce a successful media business model.²⁰

5. The Entrepreneurship Ecosystem in Lebanon

The ecosystem that constitutes the knowledge economy is divided between the financial system, investors, legal framework and infrastructure. The ecosystem of startups is formed by the customers and different types of enterprises in a physical or virtual location, interacting with each other as a system to create and expand new startups. These companies can be divided into different groups, such as universities, funding organizations, support organizations (incubators, accelerators, coworking spaces, etc.), research organizations, service providers (for example, legal and financial services, etc.) and large corporations. Different organizations usually focus on specific parts of the ecosystem function. There are many strengths in the ecosystem, notably the support of the Lebanese government through the Ministry of Telecommunications, which in the past two years launched the MIC Ventures initiative, a USD 50-million startup fund supported by Alfa and Touch. Prime Minister Saad Hariri and his team are also trying to engage closely with the entrepreneurial and startup community and work on a number of initiatives to help improve the work and innovation environment with a focus on investment and the urgently required regulatory reforms.²¹

5.1 The Financial System

BDL has made great strides with the Circular 331 initiative that it launched in 2014. At the ArabNet annual conference in Beirut in March 2017, BDL Governor Riad Salame announced that this sector contributed USD 1 billion to Lebanon's GDP and created thousands of jobs, without providing the source of these figures.²²

5.1.1 The Circular 331 Initiative

Advanced markets are increasingly dependent on the knowledge economy, where the production, use and distribution of knowledge and information is high by relying primarily on human capital, Lebanon's richest resource, making Lebanon an ideal candidate for a knowledge-based economy. In line with this trend, BDL issued Circular 331 to encourage Lebanese banks to invest in the equity of startups, incubators, accelerators and other companies operating in the knowledge economy. This innovative scheme has opened up USD 700 million to support innovation and creativity. The initiative was launched in 2014, with more than USD 200 million committed in the form of investments made by commercial Lebanese banks. Three years in, the nurturing entrepreneurial environment seems to be gradually evolving despite some of the hurdles it faces. The main objective of Circular 331 is to develop the ecosystem in Lebanon by providing the environment and

²⁰ An interview with Fawzi Rahhal

²¹ Paragraph 12 of Future Party' political programme for the 2018 elections

²² BDL Circular 331: Birth of a Sector, Wamda <https://bit.ly/2LPO8hm>

appropriate infrastructure to support the boom in innovation and jobs that is expected to be generated by the growing knowledge economy.

The circular includes guarantees from BDL for commercial banks. In case of bankruptcy, BDL will cover up to 70% of the investment made by a commercial bank in a company (commercial banks do not incur more than 25% of the losses). Initially, banks' contributions were limited to no more than 3% of their own funds to local startups, either through funds or directly, i.e. an estimated USD 400 million. However, in the amended intermediate circular No. 419 of April 2016, BDL raised total bank contributions in startups to 4%, raising the potential investment amount to USD 600 million.

Between USD 300 million and USD 320 million has been raised to date, nearly half of which was invested in more than 40 startups. The inflow of funds has contributed to the creation of investment risk funds covering various levels of financing (seed, expansion stage, Series B), as well as new business accelerators and coworking spaces.

At this stage, entrepreneurs face their toughest decision: giving up part of their stake in the company in return for financing, as the ownership stake of the financing company may reach 35% of the startup, according to what companies disclose, noting that there are many companies that do not disclose their ownership stake in a startup in return for financing. It should also be noted that Circular 331 allowed banks to have an 80% ownership stake. In addition, previously, entrepreneurs abandoned part of their stake to business accelerators created by these companies that manage the investment funds, such as *Speed*, which makes the actual share of these companies in startups larger than what is proposed in the financing and investment deal and reduces the stake of entrepreneurs.²³

The flow of money invested in startups sector contributed in the establishment of investment and venture funds covering all stages and risks related to establishing and investing in startups. Moreover, joint ventures were also established such as Azure Fund and MEVP (Middle East Venture Partners) investing jointly in Washed and Found, Berytech and MEVP investing in Scriptr and in Mobinets and again MEVP with LEAP Ventures investing in Bookwitty in several rounds.²⁴

5.2 Incubators, Accelerators and Investment Funds

Business accelerators and incubators offer educational and training programs for entrepreneurs, so the difference between them comes down to the payment model. Business accelerators offer limited and intensive education programs during a period of three to six months. Accelerators take ownership stakes in startup companies in return for their services ranging between 6% and 15%. At the end of the program, accelerators offer entrepreneurs a list of investors. Business incubators do similar work but using non-profit business model designed for slow and gradual growth with no stakes in the companies. Entrepreneurs are trained in a slower program for a period between one and a half and three years that is paid for through funding or by the entrepreneurs. Sometimes these

²³ Roadmap to Entrepreneurship in Lebanon, Al-Akhbar newspaper <https://bit.ly/2J98OyS>

²⁴ BDL Circular 331: Birth of a Sector, Wamda <https://bit.ly/2LPO8hm>

roles are less clear-cut, as in the case of UK Lebanon Tech Hub. This is a clear example of an international non-profit business accelerator that does not take shares of companies. It is called a business accelerator because it teaches entrepreneurs how to enter foreign markets and this happens when the company has been established and has a business model, i.e. at later stages.²⁵

There are also about 11 companies in Lebanon with investment funds financing entrepreneurs. Berytech and MIDDLE EAST VENTURE PARTNERS (MEVP) are among the leading companies active in Lebanon in the management of investment funds.

MEVP

MEVP is a company focusing on investment during the early stages and the growth stage startups. It currently manages four investment funds, including IMPACT, which was launched in 2014 and exclusively dedicated to Lebanon with a value of USD 70 million and targeting ICT companies and the creative sectors. The company mainly focuses on investment in consumer services, technologies, consumer products, etc. “At a regional level, the company was able to raise USD 120 million to invest in startups, and to date has invested USD 80 million, of which USD 60 million in Lebanon, while the remaining USD 20 million is distributed between Dubai, Oman, Cairo and other countries,” said Walid Hanna, one of the company’s founders. The company has supported 38 startups, 25 of which are Lebanese. “Today more than 90% of these companies are considered successful. We hope that next year we will be able to get between USD 50 and 80 million for the region as a whole to invest in companies,” Hanna added.

Berytech

Berytech is a company offering various services, including fund management. In 2008, according to Deputy General Manager Ramy Boujawdeh, the company financed the first startup fund for Lebanon and the region, with Berytech Fund I worth USD 6 million, invested in 15 companies. In 2015, Berytech Fund II was raised thanks to the BDL circular. The fund was financed by the leading banks in Lebanon (19 banks and financial institutions such as BLOM Bank, Audi, Bankmed, Bank of Beirut, Fransabank, etc.) to support Lebanese startups.²⁶

Wamda

Wamda is an accelerator for entrepreneurship ecosystems throughout the MENA region by joining Wamda Capital, which includes venture capital funds actively involved in initiatives for startups and investing in high-growth technology or tech startups throughout the MENA region, including Lebanon. The Wamda platform is a platform for media, community development, research, and corporate and government consulting services to various stakeholders in the startup ecosystem in the MENA region.

²⁵ Roadmap to Entrepreneurship in Lebanon, Al-Akhbar newspaper <https://bit.ly/2J98OyS>

²⁶ Roadmap to Entrepreneurship in Lebanon, Al-Akhbar newspaper <https://bit.ly/2J98OyS>

Wamda operates in two main areas: platform and fund. It operates a media platform, programs, events, a research lab, and several accelerator programs under its supervision. The fund is a multi-investment fund, including Careem, yallacompare, bitOasis, etc. Wamda has invested in media and entertainment startups, such Kharabeesh regionally and Step Group in Lebanon.²⁷

AltCity

AltCity is the new collaborative space in media, technology, social impact, support and stimulation for startups in Beirut. The AltCity programme, in collaboration with BDL and Mawarid Bank, is implementing the Startup Boot Camp. AltCity has probably worked with about 15 media startups over the past eight years in multiple programs.

These media companies have faced a range of challenges, but the main challenge is usually audience interaction, the inability to develop a strong revenue model that would ensure the media initiative's sustainability and survival. There are also other challenges with regard to content, tools, innovation and successful business model.²⁸

Flat6Labs

It is an institution that seeks to support the technology sector and the knowledge economy in the Arab countries. Flat6Labs has launched its five-year program in Beirut, involving 10 commercial banks for a value of USD 20 million with the support of BDL as part of BDL's efforts with its Circular 331. Support has been provided to 18 startups and the target is 100 companies.

Flat6Labs aims to develop and support the knowledge economy in the Lebanese market, invest in it to advance it, and make the ideas of young people a reality. The company has an investment fund that seeks to combine the first stage in establishing startups and the subsequent expansion stage. Therefore, it provides funding from starting at USD 50,000 up to USD 500,000. This volume of support is currently not offered by any other business accelerator on the Lebanese market.²⁹

The managing director of Flat6Labs in Beirut Fawzi Rahal confirms that there is a scarcity of media startups in Lebanon and the Arab region in general. There are several challenges faced by media startups relating to generating revenue, the type of content, number of readers, the innovation provided and companies not interested in advertising on these media platforms. One of the most influential media startups is Diwaneer in Lebanon. Diwaneer is a digital media company, building one of the largest female audiences in the Middle East, as they describe themselves. Diwaneer creates and distributes original, high quality and trusted content through its unique offering of premium Arabic

²⁷ Interview with Stephanie Nour, Director of Communication and Outreach at Wamda

²⁸ Interview with David Munir Nabti, CEO, AltCity

²⁹ Flat6Labs: The Means for Lebanese Startups to Global Markets, El Iktisad <https://bit.ly/2kHF1TA>

sites targeting the Middle East audience along selected verticals. Each Diwaneer digital property leads its category: 3a2ilati.com Female portal focusing on Mother & Baby, Family Health, Beauty and Recipes, Yasmina.com Female Lifestyle, Beauty & Fashion Portal, and Wikeez.com Entertainment portal focusing on celebrities, music, movies, & TV shows. It produces two or three videos a day for a group of sponsors, which generates revenue for them. Rahal believes that there is a culture that does not care about content production and does not respect intellectual property, so the consumer does not pay for content. Readers do not pay USD 12 a month for The New York Times.³⁰

Speed

Speed is one of the biggest accelerators in Lebanon. It funds companies over two cycles a year and each batch can include 20 companies. To date, 15 companies have been funded in each cycle. Application is via the website. Startups receive USD 30,000 in cash and USD 30,000 in logistics support. In return, Speed acquires a 10% stake in the company.

While working on the Lebanese market, Speed did not receive any pitches for a media startup. But there is a new application called Top-Click to be released soon that media startups can use to double the number of followers through marketing on many websites. Speed does not take money for application download but it charges for the marketing value.

In addition to innovation and content, Speed's managers believe that media startups should submit a comprehensive portfolio of technological entrepreneurship, good management and a clear fundraising plan. They also have to check supply and demand.³¹

Berytech Fund

Receiving funding from the Berytech accelerator is one of the last stages in establishing startups. Berytech is one of the largest investment funds in Lebanon. This fund rarely works with media startups because most of these companies do not reach these stages of development, according to Paul Chucrallah, CEO of Berytech.

Chucrallah says Berytech does not finance traditional media. There are many who apply but they are rejected. Berytech has financed *Ounousa*, a media startup for women; *Khoolood*, the application for commemorations and obituaries; and News Deeply for news feeds. According to Chucrallah, the biggest challenges facing media startups in Lebanon is the unprofitability of the Lebanese market, so media companies should think more broadly.³²

³⁰ An interview with Fawzi Rahal

³¹ An interview with Gracia Soued, Marketing and Communication Director at Speed

³² An interview with Paul Chucrallah, Executive Director, Berytech

6. Legal Framework for Emerging Media Companies in Lebanon

The legal environment fostering startups in Lebanon has seen remarkable development since 2011 with the issuance of the Financial Markets Law No. 161 of August 17, 2011, which established the Capital Markets Authority, headed by BDL's Governor and charged with the protection and promotion of investments in the financial markets.

Startups received strong support in 2013 from the Capital Markets Authority Board with the issuance of the crowdfunding decision No. 3 of June 11, 2013 and the intermediate decision No. 11512 issued by the Central Council of BDL on August 22, 2013. With these decisions, BDL aimed to put in place a capital financing scheme to develop the Lebanese knowledge economy. The first tangible results were revealed in Circular 331, which has made available USD 600 million for banks and investment funds dedicated to investing in the "knowledge economy" to create jobs and stop the brain drain. This is accompanied by an urgent effort to provide an appropriate legislative framework for investment development in this sector, as well as providing tax and financing incentives to startups.

What is the legal framework for establishing a startup in Lebanon? What are the administrative and legal challenges and obstacles faced by entrepreneurs? And what are the things that must be developed and updated to encourage Lebanese youth to start their own projects?

A. Legal framework

The Lebanese Code of Commerce offers many legal structures for corporate founders to choose what suits their projects. For startups, the most suitable form is the joint stock company or *société anonyme*. The limited liability company (LLC) would be more appropriate if shares are publicly traded. In addition, if a startup wishes to benefit from Circular 331, it must be founded as a joint stock company. This following report will only look into the legal framework for joint stock companies.

As previously mentioned, the joint stock company or *société anonyme (SAL)* is governed by the Lebanese Code of Commerce (CC) and a set of rules from the Code of Obligations and Contracts, in a way that does not conflict with the mandatory provisions of the Code of Commerce. We will describe the most important applicable legal texts, noting that specific regulations apply if the company wishes to carry out certain activities, such as financial services, insurance, commercial representation, media, real estate or any type of public service.³³

1. Capital:

The minimum capital of a joint stock company is LBP 30 million and must be fully subscribed (CC Article 83). The minimum value of shares is LBP 1,000. Each subscriber must pay at least 25% of their total contribution (CC Article 84). The Code of Commerce does not specify a time limit for the payment of the full price of the shares. The shareholder who has not paid the remainder

³³ Legal comment by lawyer Nisrine Salhab specializing in establishing startups

of the capital must complete payment upon the company's request. In-kind shares must be fully paid up upon establishing the company.

2. Contributions:

Contributions to the capital may be made in cash or in kind and the shares must be in registered form. The company's articles of association should include the preferential rights to be granted to the partners with preferred stock.

3. Activities:

Subject to the provisions of the laws and regulations in which the practice of certain activities is subject to prior authorization, the establishment of companies shall not require the authorization of the administrative authorities.

4. Founders and shareholders:

The minimum number of founders and shareholders is three. The Code of Commerce does not set restrictions on the nationality of the shareholders. However, the Code of Commerce requires that the majority of the board of directors be of Lebanese nationality and that the members of the board of directors own shares in the company as a guarantee for their management. In addition, laws governing certain activities specifically require a certain percentage of Lebanese nationals in the board of directors.

5. Liability:

Founders are jointly liable for commitments and expenses made for the establishment of the company and they cannot default on them to the subscribers if the company is not established. Founders' liability is also joint and absolute, as they are obliged to compensate for damages resulting from the dissolution of the company or any error in its establishment.

When the company is established, the responsibility of the partners is limited to their contribution to the company's capital. The shareholder is not liable for the debts of the company except for the value of his shares. Therefore, he cannot be liable for more than that value regardless of the company's debts to others.

6. Management:

The management of the joint stock company is entrusted to a board of directors composed of three members, at least, and of twelve members, at most. With the exception of what may be enacted by special laws for some companies, the majority of the board of directors must be of Lebanese nationality. The directors are elected among shareholders holding a minimum number of shares as determined in the articles of association. The first members may be designated in the company's articles of association.

The members of the board of directors are appointed for a maximum term of three years, or for a maximum of five years if they are designated in the articles of association, and they may be re-elected without limitation. They can be dismissed for any reason notwithstanding any text to the contrary.

The Board of Directors appoints one of its members as chairman to oversee the company's daily activities, and by law, he acts as the company's general manager.

In order for the decisions of the board of directors to be legal, at least half of its members or their representatives should be in attendance. Representatives cannot represent more than one member.

7. Transfer of shares and capital increase:

Transfer of shares in joint stock companies is free of charge, unless the articles of association set limitations, such as a right of first refusal to shareholders and/or the board's approval of the buyer.

If the company wishes to increase its capital, the existing shareholders have a priority right to subscribe in proportion to their share in the capital if an extraordinary general assembly held to increase the capital doesn't allocate it to some shareholders only or to non-shareholders. In such a case, a request is submitted to the Commercial Register to appoint a court expert to ensure that the extraordinary general assembly resolutions are not in breach of existing shareholders' rights.

8. Permits requirements:

If the chairman or general manager is not Lebanese, he or she must obtain a work and a residence permit, which may require that he or she holds a minimum share of the joint stock company's capital.

9. Legal reserve:

Directors are required to allocate 10% of their profits to a reserve deposit, until the value of such reserve has reached one third of the company's capital. The articles of association or a decision by the shareholders may require to add to any such general or specific reserve.

10. Shareholder's decisions:

The ordinary general assembly convenes annually to review and audit financial statements, give a discharge to the directors, distribute dividends, elect new directors upon expiration of their mandate, and appoint auditors. It may also meet at any other time if necessary. The extraordinary general assembly convenes for the purposes of amending the company's articles of association. The quorum and the legal majority requirements are different for each of the ordinary and extraordinary general assemblies.

11. Third parties service providers:

The Company must appoint a principal auditor for a renewable one-year term and a lawyer with an annual retainer fee. It should also appoint an additional auditor designated by the Commercial Register.

12. Taxes:

Joint stock companies are subject to a 17% tax. Distributed dividends are subject to a 10% withholding tax.

13. Procedure to incorporate a joint stock company:

Subject to the provisions of the laws and regulations which require prior licensing of certain activities, the incorporation of joint stock companies does not require licensing from the administrative authorities.

The founders (at least three) sign the articles of association of the company before a notary public (in person or by proxy). The subscribing shareholders (at least three) pay the capital at the bank according to their share of the capital, and the bank will issue them a certificate confirming that the capital has been paid. The founders then meet as a constitutive assembly to review and declare the company's articles of association and appoint the first board members (unless designated in the articles of association) and the first two auditors. The company is considered founded as soon as they accept. Those members and authorized signatories are jointly responsible for verifying that the company has been legally established and they are jointly liable for that. Then the elected board members meet immediately to elect the chairman/general manager. Upon the request and recommendation of the chairman, the deputy general manager is appointed. After the incorporation of the company, members of the board of directors must carry out the initial administrative operations related to publishing and filing with the court registry and to registration in the Commerce Register that is mandatory for all companies. After the issuance of a certificate of registration and Commercial Circular bearing the signatures of the authorized signatories can be circulated when needed and the authorized signatory may withdraw the capital from the subscription account. The company should be registered at the Ministry of Finance within two months of its registration date.

14. Media companies:

1. Print media companies: According to the Lebanese Publications Law, any natural person of Lebanese nationality, a commercial company duly registered in the Commercial Register or an association with a tacit license by notification of establishment may request the Minister of Information to grant them a license to issue a paper journalistic publication after consulting the Press Syndicate. The law does not require the establishment of a print media company to obtain a license to publish a journalistic publication unless the license required is in the category of "political

print newspaper”, then the law requires that either the license applicant be a journalist member of the Syndicate of Editors or a press company operating as a partnership, private limited company, private company limited by shares, or joint stock company on the condition that all partners be of Lebanese nationality. In addition, a newspaper cannot be issued before providing a cash or bank guarantee for damages that may result from the activity of the media company. The value of this guarantee is determined by a decision of the Minister of Information after consulting the Press Syndicate.

2. Television and radio companies: The establishment of television and radio media companies within the Lebanese territory or in its territorial waters is subject to a prior license granted by a decree issued by the Council of Ministers after consulting the National Audiovisual Media Council. The law requires the applicant to be a Lebanese joint stock company free of foreign elements, whether on the board of directors or shareholder members. A partner in the company is not entitled, whether directly or indirectly, through his wife, assets and the minor dependents, to ownership of more than 10% of the total stake. All shares shall be registered stock. The company is not entitled to own more than one television company and one radio company.

Television and radio companies are categorized as follows: companies licensed to broadcast all programs, including news and political programs; companies that broadcast general programs except for news and political programs; companies that use broadcast encryption, so that its programs can only be viewed by subscribers; and companies that broadcast via satellite and have a reach beyond the Lebanese territory.

The licensing of television and radio media companies is subject to the provisions of the law and the standard terms and conditions specified for each category, in addition to the capabilities, human resources, the available technical specifications and the ability of the organization to meet the expenses, conditions and work requirements.

Licensed media companies are subject to the payment of a license fee and an annual rent of up to LBP 250 million for television companies broadcasting political programs and news.

The Lebanese government has licensed seven Lebanese television channels and dozens of radio stations. The TV sector in Lebanon has witnessed a marked decline in recent years due to the high cost of operating TV companies and the low advertising revenues in Lebanon, which are barely enough to cover the expenses of a single TV company. In addition, Lebanon failed to implement its international obligations under the Geneva 2006 Agreement to transition to digital terrestrial broadcasting technology by mid-2015. Its implementation would ensure the provision of resources and new digital broadcasting domains, incentivizing new startups to invest in the TV sector and offer new and innovative models in this sector.

3. Digital media companies: The spread of the internet and the development of communication technologies across various digital platforms has created a new reality for access to, circulation and dissemination of information. News production and dissemination is no longer limited to traditional press companies. It has become a participatory reality to which all members of the society contribute with the proliferation of smart phones, the internet and communication platforms readily available to everyone.

This new reality has presented great challenges for traditional media companies, most notably the shift of a big portion of advertising revenue to large digital companies in addition to the shift of a large portion of viewers and readers of traditional media to digital consumption, benefiting from digital broadcasting features that allow consumption of information on demand and based on personal and individual criteria, rather than being dictated by owners of media outlets.

As of the publication of this study, there is no legal framework in Lebanon for media companies that have adopted digital communication technologies over the internet to reach their followers, or for websites and online platforms that designate themselves as online media companies. The National Audiovisual Media Council has taken the initiative several years ago at the request of some of the owners of media websites to introduce a special registry for online media companies and called upon each website designated as a digital media company to register, even though no legal text exists to grant the Council such powers. There are 372 registered websites.

The regulatory initiative by the National Media Council was preceded by an initiative by Maharat Foundation that proposed reforms to the media laws in Lebanon and a new media law in cooperation with former MP Ghassan Moukheiber. This draft law was registered in the Parliament in 2010 and is still under consideration. Regarding digital media, the proposed law requires licensing for any party to establish media companies broadcasting online and exemption from broadcasting fees. In addition, it opens them up to any Lebanese or foreign natural or legal person, subject to the provisions of the laws in force and without imposing any formality requirement for the legal form of the company and number of founding persons or managers. The proposal included a transparency requirement for these institutions in terms of publishing the names of managers and owners, the address of the institution and means of communication on the website, in addition to registering in an online media registry containing information related to management and transparency to be openly accessible. Registration would not be subject to any permit or fee.

B. Legal Challenges

Whereas joint stock companies are the model structure for economic projects large in scale and scope and that require large financial investments, it is necessary to modernize this type of structure in a way that would be compatible with the requirements and realities of startups. Startups face many legal challenges, mainly:

- The Code of Commerce stipulates that the joint stock company must be composed of at least three persons. Therefore, one or two persons cannot establish the company unless they associate, even if artificially, a third person to their project.
- The Company should have a capital of LBP 30 million and that could constitute a major financial obstacle to founders. Although only 25% of the capital must be paid upon registration, they may be required to pay the remainder of the capital later.
- Requiring board members to be shareholders, and the fact that the chairman of the board is legally the general manager hinders effective corporate governance. For example, if the company wants to appoint a board member with expertise in its sector of activity, it should sell him a number of shares, through an artificial mechanism too.
- The absence of provisions regulating stock option plans.
- The high running cost of a joint stock company, due, for example, to the obligation to appoint a lawyer with a yearly retainer fee, or to obtain a quittance from the National Social Security Fund when the company wants to register its documents in the commercial register or obtain original copies.
- Procedures for the liquidation of the company, which requires obtaining a quittance from the Ministry of Finance and the National Social Security Fund can take months and sometimes more than a year to be finalized.
- The absence of electronic signatures in the Lebanese legal system.
- The strict regulations regarding online payments.
- The absence of tax incentives, unless the company meets certain conditions to benefit from the tax incentives set in the Law on Encouraging Investments in Lebanon law. However, startups often cannot meet these conditions. For example, the minimum investment for IT companies is set at USD 200,000.
- The funds obtained as a result of the facilities granted by virtue of Circular 331 have to be used in Lebanon. So, companies have to spend their own money outside of Lebanon.

Based on the legal challenges faced by startups, we recommend:

1. Amending the Code of Commerce to:
 - Create a new type of joint stock limited liability companies that can be incorporated by one person only.
 - Lower the minimum capital required for joint stock companies if cancelling this requirement is not possible at this stage.

- Remove the requirement for guarantee shares. This type of stock no longer fulfills its original role and has been abolished in France, where the legal regime is the closest to that of Lebanon.
- Simplify liquidation processes and set boundaries to avoid lengthy procedures.
- 2. Vote the necessary legislation to recognize and allow electronic payments and signatures.
- 3. Amend the Tax Code and create a specific tax for startups.

- Implementing the Electronic Transactions law

It is worth noting that the discussions of the subcommittee of the Joint Parliamentary Committees charged with examining the draft law on electronic transactions and personal data were concluded on March 14, 2018. The amended draft law on electronic transactions was sent to the General Assembly for approval. The law contains fundamental amendments to the first version that was sent to the Parliament in 2012.

The law offers a comprehensive approach to electronic transactions. The law includes several clauses, including electronic writing, electronic evidence, electronic support, electronic contracts, e-commerce, e-banking services, broadcasting to an online audience, data hosting, duties of technical service providers, registration of lb. domain name, and protection of personal data.

The new draft law creates a general framework for the field of technology. It contains general principles, offers protection for personal information associated with genetic, health and sexual information, allows access to personal data in specific contexts, and gives the right to plaintiffs to file a lawsuit if his privacy and data are violated.³⁴

IV. Infrastructure

- High-speed internet

Internet service prices in Lebanon have come down and the speed has improved, but good speed is still concentrated in parts of the capital and is often below the speeds used in global indices. This is due to the delay in the implementation of the fiber-optic project, with the completion date moved from end of 2019 to the end of 2021, the date of completion of the extension of the network by contracted companies, according to Imad Kreidieh, CEO of Ogero. There is also a task conflict between the Ministry of Telecommunications and Ogero, and disagreements over powers and the legality of the Ministry of Telecommunications' decision to contract out the deployment of the network to private companies.

³⁴ Draft law on electronic transactions, March 14, 2018

During a ceremony to launch high-speed internet organized by the Ministry of Telecommunications at the Grand Serail, under the patronage of PM Saad Hariri, Kreidieh noted that the fiber-optic project on all Lebanese territories aims to ensure that it reaches every home, institution and all internet users. The project includes the creation of between 5,000 and 7,000 smart storage repository to allow the center to reach more users and speed up the internet. In addition, between 11,000 and 15,000 kilometers of fiber optic will be deployed in all regions of Lebanon, allowing consumers to use this technology to connect to the internet at 50 Mbps. The project will bring huge revenues to GNI and will be a pillar of the national economy, especially for startups.

Thus, the unavailability of high-speed internet has so far been an obstacle for startups in terms of how easily their followers can access the content they produce, which mostly consists of video and infographics. This is clear given that people outside of Lebanon spend more time on the digital platforms of media startups than Lebanese users.³⁵

This project is known as the second phase of the fiber optics network, which began during the term of Charbel Nahas as Minister of Telecommunications. He contracted out the first phase, which includes the deployment of the main network in all Lebanese regions. This phase is implemented over four years, until spring 2022.³⁶

- Beirut Digital District (BDD)

In Lebanon, there are several initiatives to develop the knowledge economy or the digital economy in an attempt to embrace the ideas of Lebanese entrepreneurs and help them flourish, stand out and compete internationally. However, most of the incentives come from private initiatives. The State is blamed for not keeping pace with this sector.

In this context, BDD has emerged as an environment that has provided infrastructure for startups and entrepreneurs since 2015. With an area of 15,000 square meters, including office space and shops, the district includes high-speed internet using fiber optics. BDD also provides support and assistance in business development, including accounting, auditing and legal consulting services.

The project is a joint effort between the public and private sectors, between the Ministry of Telecommunications and in collaboration with Berytech and ZRE Real Estates.³⁷

- National Information Center

³⁵ An interview with Rita Makhoul

³⁶ Update internet freedom report 2018/

³⁷ Berytech, ZRE & the Ministry of Telecom Launch Beirut Digital District, ArabNet <https://bit.ly/2J7yM5Y>

OGERO is planning to set up a national information center that will provide a range of services to various sectors, notably for entrepreneurs and startups. The center, which will be set up over the next two years, will enable and strengthen the ICT sector and benefit from the fiber optics network. In addition to improving information technology and data security, and contributing to the establishment of databases, encouraging companies to invest and employment, the Center also contributes to enhancing data integration between across government institutions to facilitate the establishment and delivery of e-government services.³⁸

Conclusion

The shift in media use is the long-term trend at the heart of the media startup problem, given that audiences are unwilling to consume any media content offered to them in a way that would ensure the financial sustainability of media startups and traditional media enterprises alike.

So, the next opportunities to reinvest in projects that offer quality and provide people with the information they need to act not simply as consumers but also as citizens, because doing things the same way is of no value in any new media venture.

Many media startups appear to be using “business model” to mean “revenue model”, which is only a small aspect of the business model. No doubt a company would collapse without a revenue model, but its effectiveness depends on the value offered through the broader business model.

Media startups are called upon to implement strategic innovation and rethink trends and opportunities. In addition, academic institutions are called upon to stimulate the role of innovation in the educational process by equipping students with 21st-century skills, such as critical thinking, problem solving, creativity, innovation, perseverance, adaptability, etc., and to establish innovation laboratories in schools and universities to encourage startups in various fields.

³⁸ An interview with Imad Abi Rached, Strategic Planning and Project Management Director at Ogero