
Executive summary

This book includes a set of assessments of the Lebanese economy, together with a package of recommendations for policies and measures that will allow to put the country's economic cycle on a developmental path, and to remove the obstacles that stand in the way of the economy's competitiveness. They will also allow the activation of the economy's capabilities and the fixing of glitches in its structure, and enable as well the work on redressing its accumulated deficit and increasing its productive capacities, in addition to protecting the country's human capital and its creative talent. Moreover, the book will help in the re-evaluation of the structural composition of the economy, in order to ensure that setting it off on this track would lead to securing the sustainability of its activities, the stability of its workforce, and the leveraging of all his energies.

The various contributions to this book indicate the depth of the crisis and the size of the required works site needed to remove all obstacles.

Competition in the Lebanese economy:

The recommendations on this subject relate to the enactment of a Competition Act meant to limit the entry and exit barriers, and to govern the declaration of sales agreements and the establishment of competition management, in addition to facilitating the legal and administrative transactions involved, promoting the integration of small and medium enterprises, and improving the means of monitoring the movement of goods and the application of competition policies.

Supporting the production sectors:

This can be achieved through a number of actions such as the activation of government work, the preparation of a comprehensive support plan, the integration among incentives to achieve the best results, the non-discrimination among sectors, the periodical assessment of the effectiveness of such programs and taking corrective measures, the non-exclusive reliance of support programs on finance, but on job rehabilitation and training as well, in addition to the development of systems of guidance and orientation, the restructuring of troubled institutions, and attracting investment funds with guarantees and assurances which allow them to extend their funding.

The work also includes the financing of the Lebanese Institution for the Promotion of Exports, increasing the activities of universities, and developing projects that concern women. To ensure the success of these initiatives, related international programs should be benefited from, as well as working with the organizations and professional associations of the private sector.

Improving the conditions of productivity:

Here decentralization plays a key role in creating a productive environment that affects competition and the improvement of the purchasing power and the labor market, in addition to curbing unemployment. It extends to the removal of the barriers that the business community faces, the adoption of administrative decentralization, the regulation of public facilities and utilities, the improvement of the investment climate, the control of economic costs, the halting of monopolistic practices, the maintenance of the level of education, the rational use of energy, and the investment in reforming the administrative system towards greater efficiency and effectiveness.

Returning Lebanon gradually onto the world investments map:

Here the benefits are many; they include:

Improving growth and economic performance, increasing foreign remittances, improving the economic environment with more productivity and efficiency, improving and training human resources, raising the level of technical and administrative tools, engaging in global markets, improving competitiveness, investing in natural resources, developing the country's infrastructure, as well as restructuring and improving the performance of public institutions.

The foreign inflows will revive the market and investment opportunities, and will strengthen the political and legal frameworks. The provision of a mature investment environment (the cost of materials, the tax system, bureaucracy, corruption) and an appropriate infrastructure will help in attracting investments.

The barriers are many, including the missing political stability, the social risks prevailing, and the impact of the Syrian displaced population. The list extends to weak governance, structural deficits, slow decision-making, the Public Treasury's diminished ability to fund investments, the fragility of the financial market, the weak legal environment, and the inexistence of a proper promotional scheme.

The policy for spurring small enterprises:

This policy is at the center of generating a robust economic cycle. It is built on foundations that include facilitating administrative transactions, encouraging legal entities to seek finance, helping in the globalization of institutions, working on the development of private initiative, and improving the bankruptcy and alternative opportunities laws. The State is also supposed to take care of social obligations, tax exemptions, and of supporting the marketing process and the ability to get financing on flexible terms.

Of great importance is the possibility for these institutions to get support meant to encourage their growth, environmental protection, production capacity and manpower development, as well as to benefit from proper incubation policies such as easing their required official paperwork and alleviating their external costs by assisting them in marketing and exporting. The whole work loop must enjoy stability: The basic tasks of a one-stop shop policy, helping establishments when closing down their business, reducing governmental bureaucracy, straightening burdens, assisting them to engage in public tenders, and focusing them on entering the European markets, must be available to support those institutions.

Public finance reform:

This main topic is based on the need to rein in the exploding deficit:

Through the rationalization of spending, controlling the waste of resources, the abolition of some spendthrift institutions and bodies, improving liquidity management through the establishment of a unified account, modernizing the Tenders Law, reforming the public sector reform and random employment, reforming the pension/end of service system, reducing the cost of servicing the public debt by controlling the size of the public debt, determining an annual cap on the increase in public expenses, improving public lands management, improving productivity, and strengthening the partnership between the public and private sectors.

As for the focus on tax policy, it includes a unified tax on incomes, raising the tax rate on individuals and interest earned, increasing taxes on tobacco and alcohol, reconsidering the tariffs, introducing a tax on profit from real estate sales, adjusting the value added tax, and re-imposing duties on petrol and diesel. This presumes the determination of a tax administration, auditing company permits, and the creation of a tax collection system, in addition to approving the Maritime Properties Law and collecting the funds resulting from the settlement of building violations.

The public debt can only be curbed by increasing the growth of the GDP, reducing the interest on the public debt, and improving the primary surplus and inflation rates, with the proviso that the repercussions are kept under control, secondary markets for the trading of treasury bills are created, and a medium-term debt management strategy is devised.

The circumstances surrounding such a program are linked to the actual situation of public security, which has so far been inappropriate.

It is also to be noted that the emergence of a comprehensive vision about the State budget, and respect for the mechanism of its submission and approval, are key elements in the whole picture. The absence of the account limitation is a problem in itself; add to that the necessity to modernize the method of collection and expenditure, the need to tackle all reform requirements, including fighting corruption and expanding the powers of inspection, let alone setting a unified system of social benefits, and taking all the measures necessary to control spending and activate collection.

As regards the Scale of Grades and Salaries: In spite of its rightful feature, its financial implications are nevertheless negative as they exceed the capability of the economy and the public sector to absorb it and to rein in its multiple effects which are of monetary, financial, inflationary, and economic dimensions.

The banking sector and financing the economy:

The strength of the sector and its growth helped to meet a large part of the financing needs of the private and public sectors. Subsidized loans contributed to pushing the economic wheel forward and ensuring social stability, especially in terms of housing and educational loans. However, there is a weakness in what regards the non-diversity of sectoral credit, and the loans are disproportionately focused on short and medium term loans, on commercial loans, and on business services and personal loans. Moreover, the industry and agriculture sectors are marginalized in this regard. But they have been able to take advantage of subsidized loans from foreign institutions meant to provide financing to the productive sectors.

The distribution ratio of loans is specific because of the limited lending opportunities. The necessary steps to improve the distribution of credit require the existence of an adequate repartitioning of the banking activity across the country's regions and the energizing of finance to small and medium enterprises, in addition to Lebanese banks having the opportunity to develop microfinance services.

To expand these missions, there is a need to improve the competitiveness, facilitate financing, and provide services. Accordingly, those policies cannot thrive unless growth returns, public finance is reformed, public spending is rationalized, and basic structural reforms are made.

The structure and characteristics of the Lebanese workforce:

A decline in the standards of living of vast categories of society, and a decline in social services of all kinds, resulted from the rush to liberate trade, fluctuations in growth, financial swelling due to the public spending patterns, fiscal deficit, the non-bridging of developmental gaps among the regions, and the deterioration in infrastructure.

The current reality lacks clear indicators related to demographic surveys. It is clear that job creation was not at the required level. Other manifestations are the contraction of work in agriculture and industry to the benefit of low-productivity services, fallen qualifications and know-how for the bulk of this type of workforce, as well as the difficulty for certain categories to find work (First job and jobs after the age of 45 years) and the decline in legal forms of work which provide a minimum social security. The low incidence of women in the workplace, and the gap resulting from the emigration of young people, are essential attributes of the employment market in Lebanon. And as it looks, improvement in the level of education is a fundamental trait of the workforce.

Decreasing the number of wage earners who are working for their own account is important for the development of employment. In addition, the workers in the service sector increased significantly to the detriment of the industry and agriculture sectors.

45% of Lebanese families have seen the emigration of one of their members (skilled and educated in particular), and unemployment reached 11% of the working population.

The poor have reached 38% of the total population, and are concentrated in the ranks of laborers, day workers and seasonal workers.

The lack of social protection for retirees, especially in the private sector, is a grave matter, as compensations can only serve a limited part of their retirement years.

The reforms should focus on: The development of evolved economic policies, the reduction of investment in cheap labor, reconsideration of the level of social benefits through a retirement system which replaces the insufficiencies of the present system and covers all workers in

Lebanon, and the replacement of the health insurance system by a comprehensive system that covers all residents. Further, an unemployment insurance system must be approved, and due reconsideration given to the development of the legislative and institutional framework of the system that governs the labor market, in addition to activating the process of rehabilitation through the National Employment Institution.

The old-age security system for the private sector:

The program aims to ensure a minimum pension and a reasonable exchange proportion, in addition to laying the foundation for paying that rate of insurance, on the basis that the monthly pension would equal about 40% of the retiree's final salary after having completed 30 years of service and paid out all contributions, while taking into account securing the stability of the pension, the capabilities of the private sector, and overall financial balance. The system rests on three pillars: A minimum salary, a complementary salary, and an appreciation complementary salary (for those with higher income) at a ceiling of 3 to 10 times the minimum wage. Further, moving from the end of the service system to the pension system would be possible under certain set conditions.

The proposed funding goes as follows:

- 10% by the employer.
- 4% deducted from wages and salaries.
- 2% by the state.

An optional additional proportion could also be adopted, on the basis of shared funding between the employer and the employee in specifically set proportions.

All is on condition that the administration of the system would be in the hands of an independent institution that manages investments in a transparent manner.

The Lebanese education sector:

- Strengthening the statistical data base, and the production and use of educational statistics.

- Developing a strategy for producing national statistics, inclusive of setting a timetable for regular national surveys that would allow for detailed analysis and a consistently updated population census, in such a way that it would constitute a solid ground for all national surveys on public and private schools, be the latter free or non-free, as well as on the schools that relate to various other institutions.

- Preparing a strategy for the dissemination of information and statistical data on a large

scale, while enabling citizens to have access to them and discussing them.

- Conducting periodic and systematic studies of cohorts of pupils.
- Encouraging qualitative studies that focus on the challenges faced by certain groups in accessing education, and so in order to better understand the key factors that cause those impediments and treat them.

- Promoting the access to education at all levels, with a focus on reducing the inequalities presently existing.

- Developing a plan to generalize kindergarten education at all public schools and UNRWA schools, and promoting training and curriculum development.

- Developing prevention programs against dropping out of school that combine social, financial and educational support.

- Establishing a program for a transitory period that contributes to the return of drop-outs to school.

- Developing a strategy aimed at increasing the opportunities for children with special needs to access schools.

- Intensifying efforts to improve the quality of education.

- The integration of modern indicators and quality criteria within a uniform approach, for use by educational inspectors in their assessment of public schools and free private schools.

- Monitoring and controlling the quality of teaching and learning in private kindergartens in Lebanon.

- Assessing teachers' training needs, and setting a close connection between training and performance monitoring.

- Establishing a special classification of the qualifications of kindergarten teachers, and putting them through corresponding training programs.

- Providing training in the education of children with special needs, and supporting the schools that seek to apply such a policy of integration.

- Strengthening the statistical data on dropout rates, and encouraging research on their causal factors.

- Developing a national strategy to address the high dropout rates among poorer students in the schools of the north and the Bekaa, as well as among Palestinians and Syrian students.

The public health policy and boosting its performance:

Research shows that the level of medicine in Lebanon is advanced, with the Ministry of Health needing to provide health services in regions and villages, and to work on the administration of patients in an equal manner. It also has to work on the quality of doctors,

insurance funds, hospitals, laboratories, pharmacies and other providers of medical services. The ministry's work extends to improving the productivity level required, and to the use of a sufficient number of doctors and paramedics, through a competition process between the private and public sectors in order to create a health investment climate and a demarcation line between the establishment of public hospitals and contracting with private hospitals. The ministry is also tasked with ensuring social solidarity to provide services at the level of the purchasing power, while contracting with third party managers/administrators to receive patients in the public sector, and so to avoid bureaucracy and influence pressures, as well as evolving the system at the National Social Security Fund to speed up the work, the ultimate objective of all this being that all categories of society would be provided with health services.

The effects of the Syrian crisis and migrants on Lebanon:

The Syrian population displacement has actually affected Lebanon's economic growth and inflicted damage on its tourism sector and public finances through both the pressures on public expenditure and the loss of many sorts of revenues. It also impacted foreign direct investment and led to the deterioration of the balance of payments, the contraction of the real estate activity, and to the decline in exchanges together with the widening of the deficit.

Although the banks have shown immunity to the crisis, and some benefits from the displacement factor were noted, inflation began to emerge as a result of the pressure on costs, especially those in the areas of education, health, and the social safety net. In addition, the effects on infrastructure, especially in water, electricity, and solid waste, and on the roads network, started to be felt.

Further, the pressure from migrants on the labor market had a negative impact on the Lebanese labor, the results being increased levels of unemployment, widened irregular employment, decreased wages, increased unfair competition and unfair employment, poverty on the increase, inflated consumer prices, and decreased income in poor areas.

Accordingly, the intensification of efforts to gain international aid is absolutely essential, and defining the legal framework for the Syrians in Lebanon is very crucial, while highlighting the importance of creating community areas inside the Syrian territory and helping the Syrians to return home, let alone fighting corruption, organizing labor together with devising local development projects in the areas where the displaced are deployed, rehabilitating infrastructure, helping the Lebanese poor, and confronting the tensions of all kinds by launching specialized programs, enabling the municipalities and civil society to resolve conflicts, training civil organizations on improved skills, and building the capacity of coordination between the

concerned authorities which deal with the displaced persons and the latter's host communities:

- Enhancing the coordination mechanisms between the international organizations and the government, civil society and the competent agencies, and creating a database to limit the dispersion of the relief effort, the overlap of stakeholders, the redundancy of activities, and the wastage of resources.
- Mobilizing talents available at civil and civic organizations, and in the displaced communities as well, in order to cover the shortage of resources and competencies, whether it is of a financial, technical or organizational nature.
- Using local talent and resources, and encouraging efficiency and accountability standards, for the purpose of confronting corruption and abuse of circumstances.

General conclusion:

1. The tasks required are complex and dense, cutting across the economic, social, developmental, financial and administrative spheres.
2. Real reform begins by controlling public finance, and increasing the capacities and margins of maneuver needed to finance all the lacking requirements.
3. The structural reform process requires an administrative works site that would be capable of developing the plans needed to address the wear in public institutions, and to improve their performance.
4. In all its aspects — Unemployment, retirement, education, health, transportation, housing, social security — the social policy needs a thorough review to ward off the dangers of marginalization, poverty, and destitution, let alone the literal suffocation of the current channels due to wastage and limited efficiency.
5. The economic policy must be directed towards the productive sectors, and towards increasing the capacity of the economy's overall competitiveness.
6. The negative indicators at all levels dictate to work in a balanced way on controlling the slide which is caused by negligence.
7. Lebanon disposes of unused capabilities and capacities which can be revived and activated, in order to gradually reach an overall solution to its problems that would stimulate economic growth and reduce social suffocation.