



# **EXECUTIVE** ECONOMIC ROADMAP

- FIRST DRAFT -

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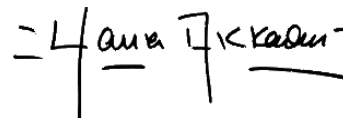
## FOREWORD

I come from a generation that, in our late 20s, came back to Lebanon after the end of the civil war in the 1990s. We left behind our stable lives in European or North American cities, with the ambition of participating in nation-building. We had been sold the promise of peace and prosperity. Hafez al-Assad had just met with Bill Clinton in Geneva, and the reconstruction of Lebanon was just beginning. Construction of the airport was underway, as was the rebuilding of Downtown Beirut. The telecommunications network was built, introducing a dial tone that we had not had before. It was a promising start to the end of the civil war era.

My friends, Joey Ghaleb, Ossama Safa, Charles Adwan, and I had a habit of getting together and discussing the future of Lebanon—we were never short on ideas. We started companies, launched non-profit organizations, and penned op-eds promoting the Lebanon we wanted to live in. Everything seemed possible and promising. We believed that change could happen and that Lebanon was ready for it. We grabbed every opportunity to participate in any constructive initiative—no matter how romantic or naive it may have seemed—with the idea of contributing to the rebuilding of our country. We still haven't given up.

Regardless of the monstrosity, the stronger the hands of destruction grasped around the Lebanese neck, we remain more determined than ever to see our vision for a better, newer Lebanon become a reality. A first attempt to draft an EXECUTIVE economic roadmap (by Joey) was published in 2005, after the assassination of Rafik Hariri. It was revised in 2008 following the Doha Accord. They were both designed to equip our politicians with a practical set of priorities to guide them in the right direction.

Ten years on, EXECUTIVE decided to pick up these dreams and ambitions, and update its economic recommendations. We also realized that it would not be complete unless we utilized an inclusive and participatory approach to our endeavor, in order for it to be representative of the collective dreams and aspirations for a 21st century Lebanon. This is now possible thanks to modern communication tools. Thus, EXECUTIVE is putting its plan at the readers' disposal—to own it, improve it, and express and share knowledge and expertise. Forgive us in this first draft if you find it incomplete, too romantic, too ambitious, or too elementary. We count on you to make it a more complete, representative, inclusive, and definitive plan to save Lebanon—and we promise to advocate for the adoption of each and every proposed measure. Let us not have another 20 years go by. We Lebanese never give up, and we are at our strongest when we come together in pursuit of common goals. Despite any uncertainty or despair that we may feel today, we have learned that we must fight smarter and harder to achieve a better Lebanon.

A handwritten signature in black ink, appearing to read 'Yasser Akkaoui' in a stylized, cursive script.

Yasser Akkaoui  
*Editor-in-chief*

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# Build & reform

Agenda Priority 1

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## BUILD FISCAL POLICY

There is quite a lot of concern regarding Lebanon's recent fiscal performance and its debt outlook. In its Article IV reviews for Lebanon, the International Monetary Fund has repeatedly alerted officials that the debt burden could be the prime risk source threatening financial stability and preventing the government from attaining its economic objectives, stressing that a sustained and balanced fiscal adjustment is essential.

The government's most important task is to stabilize the debt-to-GDP ratio and gradually decrease it with growth-oriented policies, as was done during the first decade of the millennium. One main reason for the recent escalation of the debt ratio is due to the subdued growth triggered mostly by the Syrian crisis, coupled with a period of low inflation rates. Other factors include the massive increase in the wage bill driven by public sector salary increases and more hiring in the security forces, along with the non-transparent and overpriced procurement process. Debt ratios increase when price deflators are low.

The government has to make fiscal reform its top priority to reduce financial risk in the banking sector, and to ease pressure on the exchange rates. Before receiving funds from CEDRE, genuine structural and institutional reforms are needed at all levels. The government can begin with short-term measures to build positive momentum, but structural reforms cannot be postponed any longer. The government and Banque du Liban (BDL), Lebanon's central bank, have been innovative in their debt management and restructuring policy. More of the same must follow, but with longer-term and more diversified instruments.

Any new policy must introduce new instruments, change strategies and rates, and undertake what is necessary to promote private investments and greater economic activity. More importantly, the Lebanese economy is in urgent need of diversification so that productive sectors, such as agriculture and industry, can add more value to GDP, instead of being so dependent on tourism and construction to generate growth. This obviously necessitates proper policy making across multiple sectors including water, transport, trade, and energy.

The fiscal reform policy must rely on three basic pillars: increasing the primary surplus and rationalizing expenditures; introducing institutional reforms to improve credibility, transparency, and planning; and initiating structural reforms to increase competitiveness and economic growth.

In order to curb a spiraling inflation and the dollarization of the economy, and to ensure monetary stability as well as the effectiveness of monetary policy, BDL and the government in the mid-1990's adopted a pegged exchange rate regime supported by high returns on treasury bills and deposits in Lebanese pounds. This monetary policy succeeded in meeting the set objectives of the past year through large quantitative easing policies (financial engineering), but has come at a large cost to the balance sheet of the central bank and to the treasury.

The banking sector, despite the 2018 crisis, remains relatively liquid with M3 (broad money) after numerous years of annual double digit growth. On the other hand, banks have remained conservative in providing new products and reaching out to new clients, knowing that a major client—the state—is ready to absorb all the liquidity at

a high rate of return. The crowding-out effect has not only depressed investment but also suppressed any need on behalf of banks to be innovative and competitive. On top of that, the lending mechanism, even through the safe medium of Kafalat, remains limited to a closed circle of clients as banks adopt a conservative, risk-averse lending policy, probably also due to the lack of an efficient credit system.

The new government must adopt a long-term fiscal and monetary policy. Even though exchange rate stability is needed in the short run, it cannot be maintained forever. Rigidity in that market (balance of payment constraint) implies that the economy suffers a cost when market forces change, be it international reserves, export competitiveness, or the like. The long-term vision must also include a revamping of banking laws, policies, and infrastructure, given that, in light of globalization, competition even from other Arab or regional banks can be stiff and ruthless. Finally, in order to move to the level of an emerging economy, Lebanon must deepen its capital market, allowing for a more transparent and democratic economy that channels savings and remittances into productive activities.

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**POLICY PRIORITY 1.1*****BUILD FISCAL POLICY***

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**Main Challenges**

- *Tax base and tax incidence*
- *Tax instruments and rates including income tax and VAT*
- *New (long-term) debt instruments*
- *Fulfillment of reform promises including rationalization of expenditures and other reforms*
- *Reform of public sector hiring*

**Proposed Measures*****Measure 1.1.1***

Adopt the 2019 budget and implement without exceeding spending targets. Commit to public consultations for future budgets, as prescribed in the Ministry of Finance Citizen Budget 2018.

***Measure 1.1.2***

Introduce new modeling techniques to the Ministry of Finance to assist in evaluating the impacts of various fiscal instruments and better define the new tax policy.

***Measure 1.1.3***

Revive the Beirut Stock Exchange by listing new debt instruments with their maturities to help smooth out the debt burden.

***Measure 1.1.4***

Launch work on a new progressive tax policy that includes reviving the unified income tax draft law.

***Measure 1.1.5***

Implement public sector merit-based hiring in line with international best practices, re-evaluate all public sector staff, and dismiss employees found in violation.

# Build & reform

Agenda Priority 1

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## **POLICY PRIORITY 1.2**

### ***PRESERVE MONETARY STABILITY AND SOUND EXCHANGE RATE REGIME***

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#### **Main Challenges**

- *Exchange rate regime*
- *Interest and inflation rate policies*
- *The relationship between BDL and the Ministry of Finance*
- *Depth of the capital market*

#### **Proposed Measures**

##### ***Measure 1.2.1***

Maintain the dollar peg in the near and medium term and identify appropriate timing and conditions to revise the policy (e.g., following a period of consecutive growth and stability).

##### ***Measure 1.2.2***

Provide fiscal incentives and technical support to encourage the public listing of family-owned conglomerates and businesses.

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## BUILD CAPACITIES

Lebanon not only has to keep pace with a fast-moving globalized economy but must also take a giant leap forward in order to make up for lost time. Most of the legislative infrastructure dates back decades, while the private sector is bogged down with red tape that slows economic activity and often dissuades investors from mobilizing capital into future projects.

Economic modernization also necessitates a firm re-launching of the privatization program in order to increase economic efficiency, improve quality, attract foreign capital, and yield welfare gains. The labor policy is another track that warrants a closer revision after decades of neglect. And finally, Lebanon continues to lack proper statistics, upon which the formulation of economic policy must be based. So far, efforts to build a statistical database have been sparse, uncoordinated, and insufficient, hence the need for a master plan with the objective of building a long-term database.

At the sectoral level, agriculture is in an abysmal state. Subsidies for the sector are constantly diverted and diluted. Lebanon's climate and abundance of water should allow the country to be a more competitive exporter of agricultural products, including high value-added agrifoods as well as exotic products.

The industrial sector is suffering from high operational costs, unfair competition, and a lack of access to capital. In agriculture, the country needs to invest in renewable energy, water-saving irrigation practices, and environmentally friendly industries.

In the industrial sector, the same revolutionary thinking is required to encourage startups, investment in technology, and communication. This requires communication infrastructure including land-based data transmission lines and competitive access to electricity and energy—all of which are non-existent in the country. Lebanese industry additionally needs, among other things, private equity and venture capital funds, as well as specialized financial institutions that would cater to financing and financial advisory needs.

The banking sector is still undiversified and underdeveloped. New types of institutions need to be created to focus primarily on housing finance, public works finance, securitization, and industrial finance. The current banking sector must also be restructured to allow the creation of various classes of banks such as savings banks, merchant banks, and entities specialized in digital banking.

### POLICY PRIORITY 2.1

#### INCREASE PRODUCTIVITY

#### Main Challenges

- Access to (cheap) credit
- Policy framework including privatization program
- Foreign direct investment promotion and the technology transfer
- Training and compensation schemes

#### Proposed Measures

##### Measure 2.1.1

Set up, in collaboration with banks and the central bank, various funds to improve access to credit, and develop new instruments to increase access to credit by SMEs.

##### Measure 2.1.2

Promote joint ventures and alliances with foreign conglomerates by providing fiscal incentives and facilitating business transactions (e.g., ease registration, reduce fees, etc.).

# Build & reform

## Agenda Priority 2

### Measure 2.1.3

Improve capacity for regulators by appointing or renewing mandates of utility regulators, such as for the power sector or telecommunications.

#### PRIVATIZATION

*The principal objective of privatizing state-owned enterprises is to promote growth and modernize the economy, not to generate revenues. Privatization, which can take several forms (e.g., build-operate-transfer, management contracts, full or partial sale, partnership with strategic international investors, etc.), remains the main bridge that is expected to transform and modernize the Lebanese economy. While restructuring state-owned enterprises and legislative development—including the introduction of a competition law and a regulatory authority—remain a prerequisite to any successful privatization program, the government must fully commit to the privatization option and announce its intention to resume the privatization program.*

*Privatization should not be considered as an option to generate revenues to meet short-term fiscal needs but must be viewed as a process that will yield dynamic economic benefits in the long run. In fact, there is a consensus following international practices that demonstrate that privatization, among other things:*

- 1. Attracts foreign and domestic direct investment and injects capital*
- 2. Develops capital markets*
- 3. Invites new technologies and increases productivity*
- 4. Provides better service at lower cost to domestic consumers*
- 5. Promotes economic efficiency and competitiveness*

### POLICY PRIORITY 2.2

#### ENABLE THE BUSINESS AND INVESTMENT CLIMATE

#### Main Challenges

- *Legislative agenda*
- *Trade facilitation*
- *Regulations and bureaucratic red tape (doing business)*

#### Proposed Measures

##### Measure 2.2.1

Modernize several key legislative measures, including laws related to: competition, anti-dumping, intellectual property, antitrust, SME, quality-enhancing, bankruptcy and insolvency, code of commerce, and the building code, as well as the creation of a legal mechanism for small debts recovery.

##### Measure 2.2.2

Provide the Ministry of Economy and Trade with the needed resources to fully re-enforce the consumer protection law.

##### Measure 2.2.3

Introduce intra-governmental web-enabled solutions—with tracking per application—to reduce red tape.

**Measure 2.2.4**

Implement most recommendations presented by the International Finance Corporation (IFC) and continuously devise procedures and measures intended to automate service and streamline unnecessary steps in import and export trade procedure.

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**POLICY PRIORITY 2.3****DEVELOP A LABOR POLICY****Main Challenges**

- *Role and regulation of labor unions*
- *Labor law modernization*
- *Lifelong learning and reintegration schemes for workers*

**Proposed Measures****Measure 2.3.1**

Draft new bylaws for unions and implement legislation with the aim of promoting a more constructive and independent role for unions.

**Measure 2.3.2**

Develop and fund training and development programs, aimed at providing new or special skills to the unemployed and all whose jobs have been made redundant by technological developments.

**Measure 2.3.3**

Amend the Lebanese Labor Law to include all foreign workers, thereby integrating current special rules applied to migrant workers into the labor law.

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**POLICY PRIORITY 2.4****DEVELOP A STATISTICAL MASTER PLAN****Main Challenges**

- *The Central Administration of Statistics Directorate*
- *The Statistical Master Plan*
- *Role and coordination of other concerned institutions*

**Proposed Measures****Measure 2.4.1**

Revamp the Central Administration of Statistics, starting with the recruitment of qualified statisticians, investment in software, and training new hires.

**Measure 2.4.2**

Sign a five-year technical cooperation agreement with a qualified international statistical organization to build local capacities and assist the Central Administration of Statistics in developing a Statistical Master Plan, taking into account past projects with institutions such as the World Bank.

**Measure 2.4.3**

Integrate the national accounts projects into the Central Administration of Statistics and the national Statistical Master Plan.

# Build & reform

Agenda Priority 3

## BUILD STATE INSTITUTIONS

Public administration in Lebanon must become more meritocratic. An efficient, competent, and modern public administration would be the key to attracting foreign investment, creating jobs, and restoring confidence in the local economy.

A merit-driven public administration should aim to decentralize decision making, utilize new technologies, combat corruption, and increase productivity. Public authorities should seek to reduce the size of the public sector. This civil service revamp should identify and eliminate inefficient budget-draining programs, departments, or agencies.

### POLICY PRIORITY 3.1

#### MODERNIZE CIVIL SERVICE

#### Main Challenges

- *Decentralization*
- *Civil service overhaul*
- *Corruption and dead-end careers*

#### Proposed Measures

##### **Measure 3.1.1**

Decentralize decision making and institutions by empowering local governments (e.g. with resources, enforcement capabilities, financial autonomy) and creating regional offices for service ministries.

##### **Measure 3.1.2**

Develop new legislation focused on previous decentralization on the level of municipalities. This new legislation should incorporate previous drafts as they relate to municipalities.

##### **Measure 3.1.3**

Develop new legislation that amends responsibilities and supports decentralization in relation to non-municipality governance structures.

##### **Measure 3.1.4**

Evaluate all holdings and assets of the state to identify and better allocate the use of these resources.

##### **Measure 3.1.5**

Amend working hours of public sector workers, address redundancies, and examine options for early retirement packages, particularly in quasi-public entities providing public services (e.g., EDL, Ogero).

##### **Measure 3.1.6**

Provide new incentives (e.g., offer project ownership, allow upward mobility of staff based upon merit, and entrust responsibilities upon productive staff) to limit corruption and increase productivity. Combating corruption is a fundamental tool, and more policy targets and measures can be found in Agenda Priority 12.

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**POLICY PRIORITY 3.3*****OVERHAUL PUBLIC PROJECTS, PROGRAMS, AND LAWS***

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**Main Challenges**

- *Public and quasi-public agencies and projects reform*
- *Subsidy programs*
- *Outdated laws (legalizing waste)*

**Proposed Measures*****Measure 3.3.1***

Merge ministries into super-ministries (e.g., combining the ministries of Economy and Industry) and eliminate redundant agencies.

***Measure 3.3.2***

An Export Promotion Agency should be created, which could absorb the Export Plus program currently managed by IDAL.

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# Build & reform

Agenda Priority 4

## BUILD REGULATORY FRAMEWORKS

The legal and regulatory frameworks provide assurance to markets, offering a level competitive playing field to businesses in an increasingly globalized and complex environment. A healthy legal and regulatory environment is one that is continuously adapting local and national practices to international best practices. In Lebanon, many of the frameworks have not been kept up to standards, leaving regulators and the private sector to operate in uncertain business environments, less able to compete in the global economy. In order for the private sector to participate in a steady business environment that also enforces relevant laws and rules, Lebanon must appoint or re-mandate regulators that independently govern their relevant industries. Lebanon must emulate the central bank, which has proven to continuously adopt and abide by international financial and banking standards. Other industries should lobby for regulatory frameworks that will allow corporations to embed cultures that are adaptive to change. Beyond these frameworks, buy-in and reinforcement of regulations are key to success of their implementation.

### POLICY PRIORITY 4.1

#### MODERNIZE REGULATORY FRAMEWORK

#### Main Challenges

- Banking supervision
- Role of the Central Bank and the CMA
- Role of IDAL and the Ministry of Economy
- Legislative framework
- Money laundering and hot money
- Anti-corruption regulations enforceability
- Regulatory frameworks and incentives for SMEs
- Regulatory frameworks and incentives for startups
- Regulatory frameworks and incentives for green investments

#### Proposed Measures

##### Measure 4.1.1

Establish a credit system that will reduce risk by banks and modernize the legal framework of credit guarantees and debt recovery procedures.

##### Measure 4.1.2

Reinforce the role of the Capital Markets Authority (CMA) and provide it with the necessary resources to go beyond monitoring and assessing the markets and to have a market development function. The CMA should be responsive and facilitate enquiries to private investors and put in a system of communication that is user friendly and efficient.

##### Measure 4.1.3

Proceed with the privatization of the Beirut Stock Exchange (BSE) and the Electronic Trading Platform (ETP).

##### Measure 4.1.4

Introduce incentives and regulatory frameworks to encourage the proliferation, financing of, and investment into SMEs and startups.

***Measure 4.1.5***

Ensure adherence to international best governance principles.

***Measure 4.1.6***

Introduce efficient and attractive regulatory frameworks and incentives for green investments.

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# Strategize

Agenda Priority 5

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## STRATEGIZE EDUCATION

Lebanon possesses a comparative advantage in terms of the quality of higher education. However, the education sector, from kindergarten to high school, to universities and vocational schools, is essentially operating without a strategy or stated objective. Public education institutions operate with minimal resources and attention, and private schools function with little oversight. Lebanon's schools are producing an ever-increasing pool of graduates that cannot find jobs or are inadequately trained to be competitive and enter labor markets here or abroad.

The situation at the Lebanese University is also alarming. Politics interfere with the appointment of college deans when experience, knowledge, and merit ought to be the sole criteria. The university lacks the resources to make the required giant leap to produce world-class research, which is the reputational backbone of any higher educational institution.

The internet is finally creeping into public schools, but students and researchers still do not have access to international publications, research, and new ideas for innovative teaching methods. Public libraries only recently opened their doors to the general public, but resources are limited, and so is the amount of books. Lebanese from all walks of life have an information gap, and as such the country can no longer claim to be a beacon of knowledge.

A concerted effort leading to the adoption of a well-defined national strategy is warranted and is, in fact, critical if Lebanon wants to regain its pioneering role in education in the region and generate new knowledge to fuel innovators and entrepreneurs.

Relating to teaching and learning, research demonstrated several benefits from using technology by educators and students, including access to rich and diversified content from a large pool of resources, enabling communication and collaboration locally and globally, supporting students' different learning styles, and providing additional learning opportunities via e-learning.

The Ministry of Education and Higher Education must build on best practices and existing programs to adopt a reform plan in which information and communication technology is a central component in the overall reform of all components of the educational system to improve the quality of education for students in order to ensure their continuous improved academic achievement.

Focusing on technology and excluding the core components of teaching and learning—content, curriculum, instruction, and assessment—has been repeatedly tried across the globe—and it has repeatedly failed. Successful educational reform must focus on the core components of teaching and learning—leadership at national, regional, and school levels; reforming curriculum to align with what is known about how students learn and the types of skills necessary to succeed in a highly competitive global economy; improvements in recruiting, hiring, and paying qualified teachers, and then continually improving their skills and holding them accountable to standards of professional behavior; using instructional practices that have been shown to help students master content; and aligning the assessment system with the instructional system.



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**POLICY PRIORITY 5.1****DEVELOP AN EDUCATION STRATEGY**

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**Main Challenges**

- *National curricula*
- *New knowledge and national libraries*
- *Exploit existing networks and best practices*

**Proposed Measures****Measure 5.1.1**

Set up a task force grouping concerned government entities, the Lebanese University, private universities, experts and academics to develop a long-term education strategy within a set time frame.

**Measure 5.1.2**

Expand the international agreements to initiate new university exchange programs and strengthen existing ones that can foster joint business partnerships.

**Measure 5.1.3**

Assess all licenses for universities/colleges and impose review of accreditation every five years to move from the current policy of having no revision after initial establishment, and ensure this is supervised by a national accreditation board.

**Measure 5.1.4**

Establish a politically and religiously independent committee entrusted with updating and standardizing the curricula for all public schools (grade 1 to high school) every five years.

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**POLICY PRIORITY 5.2****DEVELOP A SKILLED LABOR FORCE**

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**Main Challenges**

- *Education diversification*
- *Lifelong learning*

**Proposed Measures****Measure 5.2.1**

Develop and support technical schools and incorporate alternative training, and develop night school programs at secondary, technical, and university education levels to provide workers with the opportunity to develop their skills.

**Measure 5.2.2**

Develop external programs at universities in collaboration with ministries, academic organizations, and other relevant parties to develop skill sets relevant to the private sector.

**Measure 5.2.3**

Subsidize software and language classes to part-time and full-time workers above the age of 50 and those employed at enterprises with 10 or fewer workers.

# Strategize

Agenda Priority 5

## POLICY PRIORITY 5.3

### STRENGTHEN PUBLIC EDUCATION

#### Main Challenges

- Ministry of Education and Higher Education
- Lebanese University

#### Proposed Measures

##### Measure 5.3.1

Create a politically and religiously independent committee grouping universities and line ministries, in collaboration with international experts with the objective of creating a National Accreditation Board to revise licenses of academic institutions and to ensure continuous monitoring.

##### Measure 5.3.2

Amend governance and the legal framework of the Lebanese University to increase its independence with regard to the selection of all administrative posts, recruitment policy of professors, and research administrative autonomy.

##### Measure 5.3.3

Empower the Lebanese University to seek non-governmental sources of funds (e.g., endowment).

##### Measure 5.3.4

Provide incentives for professors at the Lebanese University to seek research funding (e.g., reduce teaching load and incorporate into promotion policy).

##### Measure 5.3.5

Amend laws and regulations to transform the Ministry of Education and Higher Education into a policy-setter, allowing greater operational and management autonomy to education facilities.

## POLICY PRIORITY 5.4

### SUPPORT MEDICAL TRAINING AT UNIVERSITIES & INCENTIVIZE EXPORTS OF MEDICAL SERVICES AND KNOWHOW

#### Main Challenges

- Research grants and medical laboratories
- Intellectual property
- Export of medical knowhow
- Medical centers and poles

#### Proposed Measures

##### Measure 5.4.1

Provide tax credit to university hospitals that introduce a research unit.

##### Measure 5.4.2

Charge no fee for registering a new medical innovation or trademark, and provide free information services for innovators on how to register their invention abroad.

***Measure 5.4.3***

Increase the budget for medical research at the Lebanese University.

***Measure 5.4.4***

Provide fiscal incentives for the creation of medical research centers in cities (outside Beirut) to promote inclusiveness in low-income municipalities.

***Measure 5.4.5***

Provide state grants or tax breaks for private sponsors of medical research projects.

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# Strategize

Agenda Priority 6

## STRATEGIZE HEALTH

A check up on the overall robustness of the nation's health infrastructure would show the vital signs of the country's health sector as generally good, albeit with some lingering concerns, such as reports of malpractice and medical insurance fraud.

This examination is in the context of Lebanon's impromptu multi-year stress test—the unplanned influx of Syrian refugees that began accelerating in 2013, placing strain on its medical centers, hospitals, and primary health facilities—during which the health system has not buckled.

The overall diagnosis is that the healthcare sector requires coordinated development between the public sector, and for-profit, and nonprofit private sectors. The private sector needs to learn and develop from the experiences of public health institutions and the Ministry of Public Health (MoPH) in the last few years, adopting lessons learned and best practices.

On the public sector side, there are any number of improvements that still need to be made. This should begin with a restructuring of the MoPH, where manpower seems to be overstretched and has thus far not been reorganized due to political interference. Developing the issues that the ministry has not addressed—in terms of closing coverage gaps and eliminating structures that are producing inequalities in these areas—must also be prioritized. The ministry must also hone its ability to regulate and supervise, and it has made progress on that front.

Both public and private health institutions need to create a better popular understanding amongst the population of the connections between their work and mutual collaboration and the benefits to overall public health. The public relations in this regard seem to have not been coordinated between stakeholders, and private stakeholders are stuck in a sort of family business mentality when it comes to communication, or the lack thereof, with the media. Awareness building within the general population must become a greater priority, necessitating clear communication strategies and greater transparency from the private sector, the MoPH, and public health institutions.

### POLICY PRIORITY 6.1

#### MODERNIZE LEGISLATIVE AND INSTITUTIONAL FRAMEWORK

#### Main Challenges

- *Role and mandate of the Ministry of Public Health*
- *Pharmaceutical sector*
- *Hospital supervision*
- *Patient rights*

#### Proposed Measures

##### **Measure 6.1.1**

Organize a health forum where stakeholders can contribute to strategy, and manage expectations and a platform to communicate policy direction and outcomes with the media and public.

##### **Measure 6.1.2**

Assess and revise licensing of health facilities and identify new criteria for medical centers to operate under.

**Measure 6.1.3**

Establish an autonomous regulatory agency that collaborates with the Ministry of Public Health to regulate the pharmaceutical sector, with main objectives of ensuring high standards, fair competition, and equitable accessibility.

**Measure 6.1.4**

Engage with the Order of Physicians to introduce sanctionary mechanisms regarding the handling of medical malpractice lawsuits or complaints.

**Measure 6.1.5**

Digitize personal medical records starting with first contact at primary health care centers and ensure their dissemination and use at secondary and tertiary medical facilities.

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**POLICY PRIORITY 6.2**
**UNIVERSAL HEALTH COVERAGE**
**Main Challenges**

- *Public funds and social security*
- *Military health funds*
- *Private insurance*

**Proposed Measures**
**Measure 6.2.1**

Activate the role of the intra-agency technical committee that represents all healthcare related funds to map the current situation, identify overlaps and forms of abuse, and present a set of recommendations. Publish the report and hold parties accountable to implement the recommendations.

**Measure 6.2.2**

Finalize the automation of the NSSF and introduce web-enabled services starting with tracking applications and direct wiring of refunds for eligible beneficiaries.

**Measure 6.2.3**

Empower the Insurance Control Commission (ICC) and transform it into an independent regulatory agency.

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**POLICY PRIORITY 6.3**
**LAUNCH AN EDUCATIONAL AND CIVIL SERVICE CAMPAIGN**
**Main Challenges**

- *Preventive health*
- *Volunteering and civil service*
- *Awareness raising*

**Proposed Measures**
**Measure 6.3.1**

Offer wellness packages at primary healthcare centers for free to individuals who fit the criteria of extreme poverty. Subsidize an annual general check-up at select hospitals to citizens of low-income status and to all citizens above the age of 50.

# Strategize

## Agenda Priority 6

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### **Measure 6.3.2**

Introduce nursing programs and a Faculty of Nursing as part of Lebanese University curricula, and provide internships in hospitals in rural or impoverished areas, or within mobile clinics (i.e., in vehicles).

### **Measure 6.3.3**

Launch year-round media campaigns targeting seasonal and non-communicable diseases, ways to prevent and combat them, and explain rights and access to healthcare.

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## STRATEGIZE ENERGY

Lebanon's power sector is essential to economic development, yet it has turned into a heavy burden due to inefficiencies. If properly run and operated, it could easily become a major target of foreign direct investment, and a primary catalyst for economic growth.

Over the past decades, the power sector—primarily because of the public utility, Electricité du Liban (EDL)—has consumed billions of dollars from the treasury, due to causing annual deficits of \$1.5-\$2 billion, depending on fuel prices, thus contributing up to 40 percent of the public debt. Meanwhile, service provision and the electrical grid has worsened over the years.

The situation is alarming and necessitates immediate, yet sustainable, action. Lebanon is moving forward on oil and gas exploration and hopefully the country will find and extract enough natural gas resources to at least fuel domestic power generation, even if the country might not be able to develop exports to foreign markets.

While the power sector requires that sustainable solutions be implemented sooner rather than later, switching to natural gas not only prepares the power sector for that phase, but it is also cheaper than the oil fuel currently being used, and more environmentally friendly, reducing the sector's greenhouse gas emissions. Lebanon must continue to invest in renewable energy generation, taking advantage of the country's abundant renewable resources, thus diversifying the country's energy sources and decreasing its dependence on fossil fuels and their price volatility, and improving the country's energy security.

### POLICY PRIORITY

#### DEVELOP AND IMPLEMENT A SUSTAINABLE ENERGY POLICY

#### Main Challenges

- Power generation
- Renewable energy
- Electricité du Liban
- Offshore exploration
- Onshore exploration
- Regional partnerships and grid networks
- Competition in the gas and fuel import markets
- The share of gas in the energy mix and boosting local gas demand

#### Proposed Measures

##### Measure 7.1

Reduce the fiscal deficit in the power sector, through the reduction of non-technical losses, and gradual removal of subsidies that are in line with an increase in power generation, coupled with significant reduction of illegal connections and efficient bill collection, so that all Lebanese have equal access to electricity and pay their fair share.

##### Measure 7.2

Fully implement Law No. 462 (2002) by appointing an independent regulatory authority to regulate the sector and restructure EDL. The electricity utility should be unbundled and separated into generation and distribution companies, potentially keeping the transmission component with EDL. The strategy should draw on lessons learned from previous policies and studies to develop and implement solutions to modernize the sector and turn it profitable by, among other initiatives, involving the private sector through public-private partnership. This may reduce the size of the workforce needed at EDL, while making clear what the utility needs in terms of skills and manpower.

# Strategize

## Agenda Priority 7

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### **Measure 7.3**

EDL's master plan for grid reinforcement must be quickly implemented. The national electricity grid is weak and cannot handle additional capacity, as evidenced by the 2018 hook up of a second power barge in Zouk Mosbeh, which could not generate at full capacity. Electrical load capacity of the grid will only be aggravated by additional intermittent power generation, such as renewable energy.

### **Measure 7.4**

Implement plans to import natural gas that is cheaper and cleaner than the fuel oil currently used (until Lebanon produces natural gas, if applicable) and develop infrastructure for the supply and distribution of gas—building a pipeline connecting coastal power plants, for instance, or contracting the necessary gas import technology where needed.

### **Measure 7.5**

Develop an energy strategy that increases power generation and distribution efficiency at optimal cost to secure Lebanon's long-term energy needs and improve overall sector governance. The strategy should draw on lessons learned from previous policies and studies to develop and implement solutions to modernize the sector and turn it profitable by, among other initiatives, involving the private sector through public-private partnership.

### **Measure 7.6**

Fully integrate Lebanon into the six-nation power grid and regional gas pipelines in addition to networks linking the Middle East with the European Union. This presents vast opportunities for Lebanon in terms of imports, future exports if Lebanon discovers oil or gas, and electricity generated from renewable energy for better grid integration and balancing of the systems.

### **Measure 7.7**

Provide fiscal incentives to private and public entities that install solar energy panels (e.g., lower municipality tax for households using solar panels) and enable them to sell excess electricity back to the public utility.

### **Measure 7.8**

Take action on possible oil or gas offshore and onshore by designing a petroleum policy that would forecast different scenarios and assess them based on: market prices and conditions, sizes of discoveries, types of hydrocarbons found, development solutions for fields, costs of exploration and production, market conditions, geopolitics and domestic politics, and potential export markets.

### **Measure 7.9**

Implement plans to enhance transparency and improve competition in the downstream gas and fuel import markets.



***Measure 7.10***

Incentivize the development of an upstream market and develop services and logistics across the entire value chain, promoting Lebanon as a regional hub for international companies active in the Eastern Mediterranean.

***Measure 7.11***

Increase the share of gas in the energy mix, starting with power production. In case of commercial gas discoveries, encourage consumption of local gas in the transport sector and in the development of a petrochemical industry.

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# Strategize

Agenda Priority 8

## STRATEGIZE WATER

The development of the water sector and related transportation infrastructure is crucial to the future diversification of the Lebanese economy and to the creation of jobs. Although Lebanon is blessed with substantial water reserves, the state has done little in way of conservation or sustainable exploitation of the resource. The construction and maintenance of an efficient water distribution system would improve delivery to citizens. Lebanon has been a signatory to international treaties concerning transboundary issues and water management. Respecting this context, it is urgent to strategize surface storage and management of water storage facilities, ground water, and virtual water (the hidden flow in trade).

### POLICY PRIORITY

#### DEVELOP A WATER POLICY

#### Main Challenges

- *Water as a source of energy and agriculture development*
- *Drinkable water: Licensing, distribution, and health regulation*
- *Dams, wells, and water storage*
- *Water authorities*
- *Regional partnerships and networks*

#### Proposed Measures

##### **Measure 8.1**

Create a more coherent water master plan, building on last national water policy (2010).

##### **Measure 8.2**

Assess and strategize optimal efficiency of water transport infrastructure.

##### **Measure 8.3**

Review and assess the capacity of the existing water distribution systems in urban centers to reduce waste, transport cost, and improve usage efficiency.

##### **Measure 8.4**

Review and assess the capacity of the existing water distribution in rural centers to reduce waste, transport cost, and improve usage efficiency.

##### **Measure 8.5**

Assess and optimize efficiency of water use by factories and industry.

##### **Measure 8.6**

Assess and optimize efficiency of water use by farms and the agricultural sector.

##### **Measure 8.7**

Follow up on the consolidation of the Water Authorities and define their organizational structure and mandate.

##### **Measure 8.8**

Modernize existing hydro-power generation units and study potentials for additional power generation in the context of development plans and ecological needs.

***Measure 8.9***

Enforce the prohibition of illegal well drilling and incentivize efficient management of groundwater resources in urban and rural settings.

***Measure 8.10***

Revise all licenses granted to mineral water firms and introduce quality control and regulatory criteria. Manage all potable water companies under this regime.

***Measure 8.11***

Support and modernize water-based energy plants such as the Qadisha dam and identify other opportunities to generate power.

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# Strategize

Agenda Priority 9

## STRATEGIZE TRANSPORT

Lebanon must develop motorway and rail networks. Internally linking Lebanese ports and cities, and improving connections to neighboring countries would not only create important direct revenues, but also make Lebanon a regional hub in the Eastern Mediterranean.

### POLICY PRIORITY

#### DEVELOP A TRANSPORT POLICY

#### Main Challenges

- *Public transport: Inner-city and intra-city*
- *Public safety: Driving code and public parking*
- *Maritime, air, and commercial transport*

#### Proposed Measures

##### **Measure 9.1**

Develop a comprehensive public transportation policy that will regulate intra-city and inter-city transport. Policy will include taxi and bus service licensing, public parking, and a penalty system for reckless driving to be implemented across the country.

##### **Measure 9.2**

Prioritize intra-city transportation development with a strong public transport component for the Beirut metro area, based on implementing the \$300 million World Bank public transport plan that was adopted as Decree No.66 (2017) by the Council of Ministers.

##### **Measure 9.3**

Empower the national police force and municipal police departments to strictly enforce the 2012 traffic law by installing speed cameras at major intersections and on highways. Amend the law to penalize littering and automate the public safety monitoring and enforcement mechanism for prosecution of traffic violations.

##### **Measure 9.4**

Develop the ethics of traffic control officers, whether municipal or national police, and incentivize ethical behavior by introducing performance metrics and a feedback mechanism for motorists.

##### **Measure 9.5**

Open the Rene Mouawad Air Base as a commercial airport and link the terminal to the Tripoli Seaport and the planned Tripoli Economic Zone via a rail and road network. Complete the railway between Tripoli and the city of Homs, Syria, and link the network with the Rene Mouawad Airport.

##### **Measure 9.6**

Regulate the valet parking industry and impose heavy penalties on restaurants whose valets monopolize residential parking spots or drive unsafely.

**Measure 9.7**

Introduce Build-Operate-Transfer (BOT) financing for underground public parking projects, to be covered by greenery and gardens or other public spaces, and that meet environmental, urban planning, and urban living standards in cities. Standardized rates for long-term and residential parking.

**Measure 9.8**

Require of all municipalities for all urban streets and authorities supervising highways to maintain road safety maintenance in every sense, including: upkeep of security barriers, development and maintenance of signage, and upgrading road surfaces and filling potholes.

**Measure 9.9**

Require Beirut municipality and adjacent municipalities to develop and accommodate safe pedestrian environments, such as by clearing sidewalks and enforcing their use for pedestrian traffic by removing vehicles and other structures that impede pedestrian movement on sidewalks. Municipalities must impose and enforce pedestrian passage right-of-way in all urban areas with zebra crossings and places for pedestrians to cross major thoroughfares in order to improve walkability and safety.

**Measure 9.10**

Protect non-motorized traffic spaces, whether for bicyclists, baby strollers, or pedestrians. Develop infrastructure for rentable e-bikes and spaces for maneuvering in traffic on a municipal level to connect cities by bicycle.

**Measure 9.11**

Develop frameworks organizing commercial transport and integrating all Lebanese ports and airports into advanced digitized traffic management and future-proof traffic networks.

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# Combat

Agenda Priority 10

## COMBAT GENDER INEQUALITY

Violations of basic women's rights are not just detrimental to society, human rights, and the dignity of women, but also extremely damaging to the prospects of sustainable economic development. Lebanon has made some inroads to correct the injustices inflicted on women, but substantial work is still needed. Lebanon has a reputation for "openness," but in reality the country lags behind other countries in the region, such as some North African Arab states that have introduced laws that have considerably improved the social and economic status of women.

There are some positive indicators concerning Lebanese women's level of education, but these do not reflect their real status or participation in the labor force, their role within the family, or the general attitude of society. Lebanon still lacks proper civil laws guaranteeing equal rights for women, and there are various legal constraints that discriminate against women at home and work. Societal attitudes and perceptions continue to subordinate and outcast women, suppressing innovation, creativity, productivity, and—most importantly—their basic freedoms. Lebanon still has reservations about some major international conventions and has yet to reform domestic laws, change unfair customs (e.g., unequal employment opportunities and family status laws), and combat gender-based violence, including harassment in schools, universities, and the private and public sectors. There are insufficient laws protecting the rights of women, and insufficient institutional support when women are facing the judiciary. Lebanese laws must be brought in line with international conventions, and stakeholders must work together through a grassroots campaign to cement equality in practice. Empowering women is not only a fundamental social and human right, but also a pillar of sustainable economic development—we need gender equality at all levels to develop the country further.

### POLICY PRIORITY 10.1

#### RAISE AWARENESS ON WOMEN'S ISSUES AND COMBAT VIOLENCE

#### Main Challenges

- Women's rights
- Discrimination and equality
- Violence against women, including domestic violence and harassment

#### Proposed Measures

##### **Measure 10.1.1**

Reinforce the implementation of the 293/2014 law against domestic violence.

##### **Measure 10.1.2**

Support and develop projects within civil society to raise awareness of women's issues (e.g. the wage gap, personal status, sexual harassment in the workplace and public spaces) and to train and support women for merit-based advancement in the workplace.

##### **Measure 10.1.3.**

Mandate by law an increase to parental leave and allow flexible work schedules for parents.

**Measure 10.1.4.**

Build the capacity for women to reach leadership positions in public and private institutions. For example, staffing police departments with trained policewomen and social workers to provide assistance and protection against any kind of harassment, discrimination, and gender-based violence.

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**POLICY PRIORITY 10.2**
**REFORM LAWS AND ELIMINATE DISCRIMINATION**
**Main Challenges**

- *Capacity building*
- *Anti-discrimination laws*
- *International conventions*

**Proposed Measures**
**Measure 10.2.1**

Introduce capacity building measures to train judges, law officers, journalists, and other professionals on women's rights, international conventions, and cultural discrimination.

**Measure 10.2.2**

Introduce new legislation or amend the criminal code to outlaw gender-based violence (e.g., marital rape and sexual harassment).

**Measure 10.2.3**

Adopt international conventions such as CEDAW, the Convention on the Elimination of all forms of Discrimination Against Women.

**Measure 10.2.4**

Launch a long-term technical assistance project for the Ministry of Women's Affairs to revamp laws and regulations regarding women's issues. The ministry must develop and publish an action plan to amend or abolish legislation and regulations that discriminate against women.

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**POLICY PRIORITY 10.3**
**EMPOWER WOMEN AND ENCOURAGE PARTICIPATION**
**Main Challenges**

- *Economic empowerment*
- *Increased participation*
- *Institutionalize women's issues*

**Proposed Measures**
**Measure 10.3.1**

Empower the Ministry of Women's Affairs by allocating money to the institution in the 2019 and subsequent state budgets.

**Measure 10.3.2**

Establish a ministerial committee with additional stakeholders from the judiciary, private sector, and civil society to develop and monitor the progress of a National Plan aimed at women's empowerment.

# Combat

Agenda Priority 11

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**Measure 10.3.3**

Regularly appoint women to political posts such as minister and director general.

**Measure 10.3.4**

Encourage the private sector to appoint women to senior posts.

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## COMBAT POVERTY

Due to fiscal, monetary, or political constraints, successive governments have failed or overlooked to devise a comprehensive social-safety plan, dumping most of the workload to NGOs and international donors, and intervening only to meet the bare minimum of needs, with limited resources allocated to line ministries. Lebanon's government must detail policy covering the human and social development in its Ministerial Declaration with clearly defined objectives and concrete proposals with timelines for poverty reduction.

### **POLICY PRIORITY 11.1**

#### **TARGET AND SUPPORT THE EXTREME POOR AND THE DISADVANTAGED**

#### **Main Challenges**

- *Disadvantaged segments of society*
- *Equal opportunity*
- *Targeted support schemes and micro-finance*
- *Role of civil society*
- *Legislative framework*

#### **Proposed Measures**

##### **Measure 11.1.1**

Re-launch cooperation work with the World Bank to devise and enact viable safety net programs including direct payment to the extreme poor.

##### **Measure 11.1.2**

Establish a permanent ministerial committee including civil society and international development organizations to develop and implement a poverty reduction strategy.

##### **Measure 11.1.3**

Combat illegal child labor and trafficking and abuse of children by cracking down on violators.

##### **Measure 11.1.4**

Introduce with the collaboration of the World Bank, the Central Administration of Statistics and the Ministry of Social Affairs direct support schemes to the poor, with a particular focus on the elderly and the physically impaired.

##### **Measure 11.1.5**

Implement (i.e., pass implementation decrees) the ratified law on disability.

### **POLICY PRIORITY 11.2**

#### **DEVELOP FISCAL AND PRIVATE SECTOR FINANCIAL MECHANISMS FOR SUPPORT OF THE POOR**

##### **Measure 11.2.1**

Develop and enhance social safety nets for populations living below the extreme poverty line.

# Combat

Agenda Priority 11

## **Measure 11.2.2**

Update and incrementally increase social safety for population living below the upper poverty line.

## **Measure 11.2.3**

Develop mechanisms to alleviate old age poverty by improvement of social security and health or medical care provision schemes for those in the age group above 65.

## **Measure 11.2.4**

Improve economic mobility and provide incentives to the poor for benefiting from nano- and micro-finance schemes.

## **POLICY PRIORITY 11.3**

### **ESTABLISH IMMEDIATE MEASURES FOR LABOR INFLUX**

## Main Challenges

- Database and job matching
- Special employment projects

## Proposed Measures

## **Measure 11.3.1**

Restructure and strengthen the mandate of the National Employment Office (NEO) to collect information from Lebanese residents and those returning from abroad as well as Syrian and Palestinian refugees and create a file for each applicant.

## **Measure 11.3.2**

Qualify and quantify the labor pool as well as its social development levels, match it with available demand for labor and with the planned public works projects under CEDRE, and provide employment incentives to Lebanese workers returning from abroad.

## **Measure 11.3.3**

Develop a participatory framework involving ministries for approved employment programs. Ministries should implement special fiscal incentives to new enterprises registered by returning Lebanese expats and should apply preferential treatment in approving foreign licenses, degrees, and specialists (e.g., tax holidays, no registration fees) and revise and approve foreign licenses and university degrees for Lebanese expats seeking to open a business or provide specialized services.

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## COMBAT CORRUPTION

Corruption—generally defined as the misuse of public posts for personal gain—is a popular and recurring talking point in Lebanon. It regularly finds its way into political speeches, media reports, street demonstrations, and the day-to-day small talk of the Lebanese at home and abroad. Corruption in Lebanon is pervasive and holding the country back, and something must be done to curb it. Nonetheless, little is done to achieve concrete progress in this regard, or to start a serious dialogue on the matter. Instead, corruption is often viewed as someone else’s vice. When public figures are confronted with evidence implicating them, the standard response is political manipulation against the backdrop of prevalent public complacency (“Everybody else is doing it!”). This chronic lack of self-reflection and systemic inaction is enabled by a combination of factors, including serious legal loopholes, persistent institutional failures, blatant political interference, and the systemic exploitation of confessional and regional identities. All this creates a perpetual state of impunity that fuels corruption and sends the wrong message to Lebanese society and the world at large. Despite the limited engagement of politicians, state institutions, and international partners on anti-corruption since the end of the civil war, the last two years have witnessed Lebanon taking some steps in the right direction. Those steps include the passage of new laws (e.g. access to information) after more than a decade-long process and the announcement of the country’s first national anti-corruption strategy after nearly seven years of incremental work behind the scenes. As they stand today, however, such steps are not likely to induce a visible change for Lebanon, especially given the country’s notorious reputation for poor law enforcement and the fact that the national strategy has neither been formally adopted, nor provided with the necessary financial and human resources to be implemented.

Meanwhile, the longstanding realities on the ground do not seem to be encouraging either. For instance, it is still the exception rather than the rule for politicians assuming office to limit conflicts of interest by resigning from a post, suspending the exercise of a profession, or freezing membership in a club.

This is not to mention bribery and *wasta*, which are the most commonly known forms of corruption. Notwithstanding the discussion on the degree of their pervasiveness in Lebanon, they are unfortunately perceived as an ordinary occurrence, including in public procurement and other transactions that involve the state, such as the cadaster, customs, taxes, licensing, quality regulation, law enforcement, and even access to justice and basic public services. Bribery has even found a regular place in the democratic process, where candidates for general or municipal elections may be able to buy votes.

# Combat

Agenda Priority 12

## POLICY PRIORITY 12.1

### COMBAT CORRUPTION BY PROMOTING TRANSPARENCY

#### Main Headings

- Access to information
- Disclosure policy

#### Proposed Measures

##### Measure 12.1.1

Support and regularly monitor compliance with the Right of Access to Information Law, including the appointment and training of information officers in all administrations and the publication of all information required by the law.

##### Measure 12.1.2

Set up an independent permanent committee grouping governmental and non-governmental experts to track and publicly report on Lebanon's implementation of the UN Convention against Corruption and make recommendations for enhanced implementation.

##### Measure 12.1.3

Adopt and support the effective implementation of legislative amendments that modernize the country's highly ineffective system for the declaration of wealth by public officials to make it more efficient and to ensure that the declarations are submitted periodically, made more comprehensive, and open to be audited for completeness and correctness.

##### Measure 12.1.4

Establish and train a working group in each administration to regularly assess corruption risks created by the lack of transparency in procedures and costs and to propose ways to mitigate those risks, with an annual progress report aggregated by the Office of the Prime Minister for all administrations and submitted to the Council of Ministers for adoption and publication.

## POLICY PRIORITY 12.2

### COMBAT CORRUPTION BY STRENGTHENING ACCOUNTABILITY

#### Main Headings

- Legal framework

#### Proposed Measures

##### Measure 12.2.1

Amend the Anti-Illicit Enrichment Law to introduce a proper definition of the crime in line with the UN Convention against Corruption and an adequate sanction thereto, while also eliminating barriers for triggering and conducting related investigations.

##### Measure 12.2.2

Amend the laws and regulations necessary to lift bank secrecy on Lebanese public officials, including the president, members of Parliament, ministers, and judges.

**Measure 12.2.3**

Maintain existing central bank policy on money laundering and introduce a random investigation mechanism of accounts and transactions.

**Measure 12.2.4**

Provide the Central Inspection Bureau and the Audit Bureau with ICT-supported systems to track complaints and files from beginning to end and double the number of their inspectors and auditors respectively, while providing them with certifiable training and proper financial incentives.

**Measure 12.2.5**

Use corruption convictions as a factor in denying an individual a job or an entity a contract and other privileges.

**Measure 12.2.6**

Support the implementation of the whistleblower protection law and adopt the needed regulations and complementary legislation to bring it into force, including the establishment of the National Anti-Corruption Agency.

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**POLICY PRIORITY 12.3**
**COMBAT CORRUPTION BY ENHANCING INTEGRITY IN THE INTERFACE BETWEEN THE PUBLIC AND PRIVATE SECTORS**
**Main Headings**

- *National corporate Governance program*
- *New values*
- *Awareness and learning campaign*

**Proposed Measures**
**Measure 12.3.1**

Set up an independent national corporate governance program that is aligned with international best practices and incentivize those corporations that adopt and adhere thereto.

**Measure 12.3.2**

Require corporate staff and civil servants to take part in regular awareness raising and training activities prepared in coordination with civil society and international organizations.

**Measure 12.3.3**

Finalize and adopt the law on conflict of interest, including the establishment of a national committee that reviews existing and proposed legislation to mandate limits to potential for conflicts of interests and proposes the introduction of clauses to identify and manage them if they emerge.

# Combat

Agenda Priority 12

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**Measure 12.3.4**

Introduce transparency and accountability measures in all public-private partnership (PPP) contracts and arrangements, including the establishment of independent project-based audit committees to ensure compliance with those measures.

**Measure 12.3.5**

Establish and maintain a portal, supported by a mobile application, to publicly report in a timely manner on the receipt and expenditure of all international funding for projects that will be financed by contributions made based on CEDRE.

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## COMBAT AIR, WATER, AND NOISE POLLUTION

Upon leaving the country, when a tourist or foreign investor is asked what their impression of Lebanon is, many will mention noise or air pollution first, in addition to traffic and reckless driving, of course. For a resident of Keserwan, acid rain has become part of everyday life thanks to the Zouk power plant; for a resident of greater Chekka, asthma and allergy rates are increasing.

Car emissions, in particular from red diesel-powered vehicles, is a primary source of pollution despite a law prohibiting their use. The law must be enforced and should be amended to remove the exemption for commercial vehicles or agriculture machinery. Lebanon also suffers from a waste management crisis. The country dumps its waste at facilities located along the seashore, polluting the water. This has health consequences for humans and marine life, and among other effects, has negatively affected the country's fishing industry. Open air dumps destroy Lebanon's natural beauty, contaminate drinking water, and threaten the environment and wildlife, while the burning of garbage fills the air with contaminants that make life unbearable for residents living nearby.

Over the last 25 years, Lebanon bore witness to the rapid degradation of the environment—from the seashore to the mountain top, as well as the sad destruction of all symbols of Lebanese heritage. It is equally unfortunate to realize that in both cases, Lebanese citizens, blinded by easy money, are to blame. The number of traditional homes and buildings across major cities is dwindling, in fact neighborhoods are being erased to be replaced by vertical structures, and there are few public spaces in the capital. In a nutshell, Lebanon is in a catastrophic state, whereby partial or ad hoc measures will not suffice. The government must declare the state of the environment a national emergency and act swiftly by introducing a comprehensive and bold strategy to address every aspect to minimize the loss and avoid reaching the point of no return.

### POLICY PRIORITY 13.1

#### COMBAT AIR AND WATER POLLUTION

#### Main Challenges

- *Car emissions*
- *Industrial dumping*

#### Proposed Measures

##### **Measure 13.1.1**

Adopt and enforce legislation regulating acceptable fuels for use in vehicles and introduce incentives for the adoption of more environmentally friendly vehicles.

##### **Measure 13.1.2**

Adopt legal code setting standards for limiting and regulating emissions and solid waste emittance for all industries.

##### **Measure 13.1.3**

Make it mandatory for industrial producers to be located at licensed zones equipped for treatment of pollutants.

# Combat

Agenda Priority 13

## **POLICY TARGET 13.2.**

### **COMBAT NOISE POLLUTION**

#### **Main Challenges**

- *Construction and public works noise*
- *Nightlife related noise*
- *Private events and fireworks*
- *Road and traffic noise*

#### **Proposed Measures**

##### **Measure 13.2.1**

Introduce legislation regulating noise pollution levels for nightlife, private households, and traffic.

##### **Measure 13.2.2**

Enforce the prohibition of fireworks inside urban centers and in residential areas.

##### **Measure 13.2.3**

Set up a hotline for complaints of noise pollution in municipalities.

##### **Measure 13.2.4**

Train and raise awareness of police officers on noise pollution regulations and enforce laws by issuing citations.

## **POLICY TARGET 13.3**

### **STOP ENVIRONMENTAL DEGRADATION & PROMOTE GREEN LEBANON**

#### **Main Challenges**

- *Public spaces*
- *Green parks and forestry*
- *Quarries and recycling*
- *National treasures and heritage*

#### **Proposed Measures**

##### **Measure 13.3.1**

Preserve forested areas, outlaw any construction in areas ravaged by fires, and regulate wood collection and charcoal production.

##### **Measure 13.3.2**

Develop public parks, public spaces, and playgrounds, particularly in Beirut and residential suburban areas and provide tax credits to municipalities that secure green areas.

##### **Measure 13.3.3**

Outlaw quarries permanently, and revoke temporary licenses and special exemptions.

##### **Measure 13.3.4**

Provide incentives (tax credits) to entities that recycle and municipalities that introduce recycling plants or recycling programs.

##### **Measure 13.3.5**

Enforce laws protecting historic buildings and sites (e.g., neighborhoods in Beirut or the natural rocks in the Keserwan-Faitroun mountains) and introduce more requirements on parties requesting any demolition.



## DEVELOP COMPETITIVENESS

Lebanon has been active in negotiating a large number of framework trade agreements with Arab states, as well as Eastern European countries. However, trade agreements have not gone beyond simple tariff reductions, which have been demonstrated by economic literature to offer little to no gain. Moving to eliminate tariffs is not the main objective: Non-trade barriers remain the main obstacle facing the flow of merchandise, and these barriers have been erected by both Arab and EU trading blocs, which constitute over 60 percent of Lebanese export destinations. Moreover, the liberalization of agriculture and services, two sectors that are more important to Lebanon and other developing countries, has been put on hold by developed countries, starting with the EU.

At the multilateral level, Lebanon has held observer status at the World Trade Organization (WTO) since 1999 but effectively launched the accession process in May 2001. The WTO, contrary to what is often argued, is a mechanism to protect small economies and to resolve international trade disputes, in addition to ensuring that small economies are not marginalized in a globalized world. The accession must be completed before the Doha Round ends in order to avoid facing new conditions and commitments that may ensue.

Deeper integration offers dynamic long-term benefits and provides opportunities, notably to developing economies with the potential to grow, such as Lebanon. However, integration and harmonization under globalization carries with it challenges that require major reforms and efforts to upgrade and improve efficiencies that are inherently costly, especially to sheltered sectors or firms hidden behind protectionist measures that are not exposed to fair competition.

The international trade liberalization process must thus be accompanied by internal measures to increase competitiveness. Because the Lebanese economy is overwhelmingly composed of micro, small, or medium enterprises, any long-term plan to promote economic growth must target SMEs and include *mise à niveau* programs to upgrade national competitiveness and enable local producers to penetrate foreign markets.

The factors behind the high cost of production and resulting lack of a competitive edge in Lebanon are many. A rise in the price of petroleum or the lira-dollar peg implies more expensive imports (inputs), and the high cost of services (telephones, power, transport, etc.) and an uncompetitive internal market translates into economic inefficiencies and, therefore, above-market prices. All these factors, and others, increase the burden on producers. The remedy lies mainly in major structural reforms, such as introducing competition or improving access to capital for SMEs. Protectionism and other state measures to shelter domestic producers cause more harm than good.

# Develop

Agenda Priority 14

## POLICY PRIORITY 14.1

### MAINTAIN FREE AND FAIR TRADE POLICY

#### Main Challenges

- *Trade policy: Domestic and international*
- *Bilateral and Arab agreements*
- *Partnership with the European Union*
- *Accession to World Trade Organization*

#### Proposed Measures

##### **Measure 14.1.1**

Set up a new inter-ministerial and sectoral committee, under the leadership of the Ministry of Economy and Trade, to reassess bilateral trade agreements.

##### **Measure 14.1.2**

Adopt legislation relating to WTO accession. Negotiate new agreements with the GCC and emerging economies, such as Africa, China, and India, that go beyond merchandise trade to include services, investment promotion, and natural resources.

##### **Measure 14.1.3**

Establish an EU unit—linked directly to the prime minister, and which would include representatives of all relevant ministries—to strengthen cooperation, and stress issues such as market access, transfer of knowhow, and regional infrastructure networking (e.g., power grids, maritime, etc.).

## POLICY PRIORITY 14.2

### UPGRADE COMPETITIVENESS OF NATIONAL ECONOMY

#### Main Challenges

- *Law on competition*
- *Anti-cartel/monopoly laws*
- *Ease of access to markets (port, airport, etc.) (competing on time in/out)*
- *Financing and insuring exports*
- *Create a national board for competitiveness*
- *Identification and development of niche markets*
- *Export-led growth policies*

#### Proposed Measures

##### **Measure 14.2.1**

Set up a committee grouping public and private sector representatives to develop a five-year and two-year and five-year plan (*mise-à-niveau* programs) to improve competitiveness, and identify targets and performance indicators.

##### **Measure 14.2.2**

Reduce the costs of manufacturing and production temporarily, through, for example, providing solutions such as low power rates during off-peak hours for energy-intensive industries, or other innovations that are not distortive measures.

##### **Measure 14.2.3**

Set up an agency focused on export promotion and research in foreign markets, and in the immediate term, train staff and diplomats across the globe to promote Lebanese businesses.

***Measure 14.2.4***

Build the capacities of Lebanese specialized institutions, namely the standards entity LIBNOR and the Industrial Research Institute, to provide support services to all industries and incentivize development of export-oriented enterprises.

***Measure 14.2.5***

Identify (and support) sectors with high-value added or Lebanon-brand value to promote exports or services.

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# Develop

Agenda Priority 15

## DEVELOP ENTREPRENEURSHIP SUPPORT

Since independence, Lebanon adopted liberal economic policies whereby market forces dictate the behavior of economic agents. During the country's 15-year civil war, state intervention in the economy increased, though often in a chaotic manner. Instead of adopting a regulatory and facilitating framework, the state created obstacles for the private sector, imposing a heavy burden on the fiscal budget, and indirectly reducing economic efficiency and productivity. Over a quarter century after the war's official conclusion, the outcome for Lebanon can be summarized as follows: Economic infrastructures have fallen behind, living standards have declined while poverty rates have increased, wealth distribution has become polarized and inequitable, the economy has become less diversified, markets have become dominated by oligopolies, the behavior of all agents have been marred by corruption, and the government has failed to play its proper role as a visionary and a market regulator.

After years of slow growth, the economy picked up in 2004 and into 2010 with an average economic growth rate at 7 percent, only to suffer again from severe external and violent shocks that curbed growth and accelerated the rate of young talent leaving the country, the so-called brain drain.

In short, if the Lebanese economy is to recover and put in place a sustainable pattern for growth, efforts have to focus on regaining entrepreneurship spirit, and supporting innovation and the growth of small and medium enterprises.

### POLICY TARGET 15.1

#### PROMOTE INNOVATION & DIVERSIFICATION

#### Main Challenges

- *Research and Development (R&D)*
- *Innovation funnel and value-chain*
- *Economy and export diversification*

#### Proposed Measures

##### **Measure 15.1.1**

Develop complementary projects to accompany BDL's Circular 331 and complete the knowledge economy building blocks across the country: set up hackathons, pre and post accelerators, incubators, angel/seed and VC funds and mentorship and coaching programs.

##### **Measure 15.1.2**

Support incubated and accelerated projects and new firms' move from ideation into phase two: enterprise building by providing access to early-stage finance (seed funding, angel investors) for successful graduating companies.

##### **Measure 15.1.3**

Provide fiscal incentives to firms that allocate a budget for Research and Development.

##### **Measure 15.1.4**

Provide incentives to first mover firms that export new products (i.e., not exported before by the firm or by Lebanon in general).

**Measure 15.1.5**

Develop schemes to subsidize pilot projects of new entrepreneurs and establish a coordination mechanism between universities, Kafalat, and state entities (e.g., the Euro-Lebanese Centre For Industrial Modernization, Industrial Research Institute) to support innovative ideas.

**Measure 15.1.6**

Enforce intellectual property protection through better laws and regulations to stimulate innovation.

**Measure 15.1.7**

Incentivize R&D budgets at universities and encourage the creation of technology transfer offices, with grants to support spin-offs and foster technology transfers between universities and the private sector.

**Measure 15.1.8**

Support increased links among actors in the Lebanese environment, particularly between actors and investment funds based in Beirut, incubators, the Chamber of Commerce, and growing enterprises nationwide, to enhance cluster development and promote investments in businesses in and outside of Beirut.

**Measure 15.1.9**

Facilitate broader reforms in the judicial and legal systems (bankruptcy law, PEVC law, ESOP plans, etc.), and support continuing education programs for lawyers on investor protections.

**Measure 15.1.10**

Tap into the diaspora for international market access, transfer of knowledge and knowhow (mentorship, coaching, etc.), and reverse brain drain.

**Measure 15.1.11**

Facilitate access for startups (and MSMEs) to bid in public procurement.

**POLICY PRIORITY 15.2****SUPPORT SMALL AND MEDIUM ENTERPRISES****Main Challenges**

- *Small and medium enterprises*
- *Microfinance*

**Proposed Measures****Measure 15.2.1**

Develop various schemes in support of micro and small enterprises, such as revolving and guarantee funds that build on existing schemes such as Kafalat and IM Capital equity guarantee schemes.

# Develop

Agenda Priority 15

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**Measure 15.2.2**

Develop incentives for investors to participate in microfinance institutions, an experience that proved successful across the world, and is profitable to the investor and beneficial to the microenterprise.

**Measure 15.2.3**

Create a one-stop-shop portal for MSMEs and startup entrepreneurs to access information and inquire about financial support and other incentives for startups.

**Measure 15.2.4**

Subsidize programs and nonprofit cooperatives aimed at consolidating small farmer communities and boosting their productivity, such as the olive oil projects.

**Measure 15.2.5**

Continue capacity building with Lebanese customs authorities to increase transparency and efficiency.

**Measure 15.2.6**

Facilitate access to advisory services, such as strategic and financial planning for SMEs.

**Measure 15.2.7**

Create a special legal form and structure for social enterprises. Introduce modality for incorporation of nonprofit and social enterprises.

**Measure 15.2.8**

Create sector-specific funds in promising sectors such as agro-food, film, and media, and social/impact enterprises.

**Measure 15.2.9**

Incentivize business associations and business chambers to strengthen governance and types of business services, including information sharing to foster business development and growth in targeted sectors, and sharing of market information.

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## DEVELOP OUTREACH TO THE DIASPORA

Each year Lebanon produces more university graduates and workers than its economy can absorb. The state may not be able to stop the brain drain, but it can make inroads toward helping more Lebanese find jobs in their homeland.

High-skilled job creation can help normalize the brain drain trend. Lebanon can benefit from its diaspora by maintaining strong links and networks to capitalize on the human capital talent pool, technology transfers and inflows of financial capital, creating opportunities in the country and widening the economic space of Lebanon beyond its geographic borders.

Connections between the diaspora and the homeland have not been fully captured by the formal economy and are mostly overlooked by government policy. Forums or state visits have helped strengthen some ties, especially with Lebanese in Brazil or Argentina, but this relationship, often characterized as the lifeline for the home economy, must be institutionalized and strengthened.

### POLICY PRIORITY 16.1

#### CAPITALIZE ON DIASPORA RESOURCES

##### Main Challenges

- Knowledge transfer
- Networking
- Export and investment promotion
- Tourism

##### Proposed Measures

###### **Measure 16.1.1**

Incentivize the channeling of diaspora remittances to investment projects in Lebanon.

###### **Measure 16.1.2**

Provide fiscal incentives to universities and centers that link expatriates with Lebanon (e.g., hire Lebanese experts living abroad for short- or long-term contracts).

### POLICY PRIORITY 16.2

#### INSTITUTIONALIZE RELATIONSHIP WITH DIASPORA

##### Main Challenges

- Role of embassies and Lebanese clubs
- Citizenship
- Registration and census
- Outreach campaign

##### Proposed Measures

###### **Measure 16.2.1**

Build e-governance access for the diaspora to easily apply for official documents.

###### **Measure 16.2.2**

Enhance ministerial support for Lebanese cultural clubs abroad and promote alliances and partnerships with foreign universities and think tanks.

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